

A Global History of Consumer Co-operation since 1850

Studies in Global Social History

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A Global History of Consumer Co-operation since 1850

Movements and Businesses

Edited by

Mary Hilson
Silke Neunsinger
Greg Patmore



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Cover illustration: Left (women in shop with shopping carts): Shop interior with instructions about self-service, Sweden 1948. The text on the poster reads: "Take a basket or a trolley. Help yourself to what you want. Pay at the exit."

Right (man below flags): KF exhibition "Without Borders", organized in conjunction with the ICA congress in Stockholm, 1957.

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This book is printed on acid-free paper and produced in a sustainable manner.

*This book is dedicated to the memory of Ian MacPherson (1939-2013)
and to the memory of Michael Prinz (1952-2016)*



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Mary Hilson, Silke Neunsinger and Greg Patmore
Aarhus, Stockholm and Sydney, May 2017

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List of Abbreviations

4C	Caisse Centrale du Crédit Coopératif (France)
AAC	Australian Association of Co-operatives
ACFSMC	All China Federation of Supply and Marketing Co-operative
ACM	Alleanza cooperative modenese (Italy)
ACV	Allgemeiner Konsumverein (Switzerland)
ADAV	Allgemeiner deutscher Arbeiterverein
AFL	American Federation of Labor
AICC	Alleanza italiana delle cooperative di consumo
ANCC	Associazione nazionale delle cooperative di consumo (Italy)
AÖKG	Allgemeine österreichische Konsumgenossenschaft
APWCF	Australian Producers' Wholesale Co-operative Federation
BCC	Banque Centrale des Coopératives (France)
BCF	Banque des Coopératives de France
BCS	Bourse des Coopératives Socialistes de France
BWP	Belgische Werklieden Partij
CAMIF	Coopérative des Adhérents de la Mutuelle des Instituteurs de France
CARE	Co-operative for American Remittances to Europe (later Co-operative for American Remittances Everywhere)
CAPS	Centro de Adiestramiento de Promotores Sociales (Guatemala)
CCA	Canadian Co-operative Association
CCE	Co-operative Central Exchange (USA)
CCF	Co-operative Commonwealth Federation (Canada)
CCQ	Conseil de la Coopération du Québec (Canada)
CCW	Central Co-operative Wholesale (USA)
CDA	Co-operative Development Agency (UK)
CEH	Comisión para el Esclarecimiento Histórico (Guatemala)
CFA	Co-operative Federation of Australia
CFNSW	Co-operative Federation of New South Wales (Australia)
CFWA	Co-operative Federation of Western Australia
CGSCOP	Confédération générale des sociétés coopératives et participatives (France)
CIC	Co-operative Independent Commission (UK)
CIDA	Canadian International Development Agency
CIFRC	China International Famine Relief Commission
CIS	Co-operative Information Service (New Zealand)
CIS	Co-operative Insurance (UK)

CLJ	Co-operative League of Japan
CLUSA	Co-operative League of the United States of America
CMA	Colored Merchants Association
CN	<i>The Co-operative News</i> (Australia)
CNCA	Confederación Nacional Católica Agraria (Spain)
CNT	Confederación Nacional del Trabajo (Spain)
CO	Sociedad Cooperativa Obrera Limitada (Argentina)
CPAJ	Catholic Priests' Association for Justice
CPC	Communist Party of China
CRS	Co-operative Retail Services (UK)
CSP	Christlichsoziale Partei (Austria)
CTJ	Co-op Trade Japan
CU	Co-operative Union (UK)
CUC	Co-operative Union of Canada
CUNA	Credit Union National Association (USA)
CUWS	Co-operative Union and Wholesale Society (New Zealand)
CWS	Co-operative Wholesale Society (England)
DAF	Deutsche Arbeitsfront
DFC	Departamento de Fomento Cooperativo (Guatemala)
EACA	La Escuela de Adiestramiento de Cooperativas Agrícolas (Guatemala)
EGR	efficient consumer response
EEC	European Economic Community
EFO	Economic and Financial Organization
EHO	El Hogar Obrero (Argentina)
EPIC	End Poverty in California Movement (USA)
EWC	Erster Wiener Consum-Verein (Austria)
FACC	Federación Argentina de Cooperativas de Consumo
FCC	Fédération des Coopératives de Consommation (France)
FDB	Fællesforeningen for Danmarks Brugsforeninger
FECOAR	Federación de Cooperativas Agrícolas Regionales (Dominican Republic)
FEDECCON	Federación de Cooperativas de Consumo (Dominican Republic)
FEDECOAG	Federación de Cooperativas Agrícolas de Guatemala
FEDECOCAGUA	Federación de Cooperativas Agrícolas de Productores de Café (Guatemala)
FEDOCOOP	Federación Dominicana de Cooperativas de Ahorro y Crédito
FENACOAC	Federación Nacional de Cooperativas de Ahorro y Crédito (Guatemala)

FKTU	Federation of Korean Trade Unions
FNC	Federação Nacional das Co-operativas (Portugal)
FNCC	Fédération Nationale des Coopératives de Consommation (France)
FSC	farmers' specialized co-operatives (China)
GATT	General Agreement on Tariffs and Trade
GEG	Großeinkaufs-Gesellschaft Deutscher Consumvereine
GHQ	General Headquarters of the Allied Forces (Japan)
GNC	Groupement national de la coopération (France)
GöC	Großeinkaufsgesellschaft österreichischer Consumvereine
HEW CO-OP JAPAN	Japanese Health and Welfare Co-operative Federation
Hispacoop	Confederación Española de Cooperativas de Consumidores y Usuarios (Spain)
HO	Handelsorganisation (German Democratic Republic)
ICA	International Co-operative Alliance
ICA	International Cooperation Administration (USA)
ICC	International Chamber of Commerce
ICI	Instituto Cooperativo Interamericano
ICRA	International Catholic Rural Association
ICWS	International Co-operative Wholesale Society
IDECOOP	Instituto de Desarrollo y Crédito Cooperativo (Dominican Republic)
IFTU	International Federation of Trade Unions
IGA	Independent Grocers of Australia
ILO	International Labour Organization
IMF	International Monetary Fund
INFOP	Instituto de Fomento de la Producción (Guatemala)
JAMAL	Jamaican Movement for the Advancement of Literacy
JCCU	Japanese Consumer's Co-operative Union
JCIF	Japanese CO-OP Insurance Consumers' Co-operative Federation
JNE	<i>Journal of Negro Education</i>
KCCF	Korean Consumer Co-operative Federation
KGB	Konsumgenossenschaft Bern (Switzerland)
KGW	Konsumgenossenschaft Wien (Austria)
KF	Kooperativa Förbundet (Sweden)
KOL	Knights of Labor (USA)
KVZ	Konsumverein Zürich (Switzerland)
LNU	League of Nations Union
LVZ	Lebensmittelverein Zürich (Switzerland)

MCS	Maritime Co-operative Services (Canada)
MDG	Magasin de Gros des Coopératives de France
NACF	National Agricultural Cooperatives Federation (Korea)
NAF	Nordisk Andelsforbund
NCA	National Co-operative Archive (UK)
NCA	National Co-operative Grocers' Association (USA)
NCBA	National Co-operative Business Association (USA)
NCRLC	National Catholic Rural Life Conference (USA)
NDA	National Dairy Association of New Zealand
NGO	non-governmental organization
NIRA	National Industrial Recovery Act (USA)
NKL	Norges Kooperative Landsforening (Norway)
NNBL	National Negro Business League
NSDAP	Nationalsozialistische Deutsche Arbeiterpartei
NSWCWS	New South Wales Co-operative Wholesale Society (Australia)
NTEA	National Tax Equality Association (USA)
NUDAW	National Union of Distributive and Allied Workers (UK)
NYPE	New York Produce Exchange
NZCA	New Zealand Co-operative Alliance
NZCWS	New Zealand Co-operative Wholesale Society
NZFC	New Zealand Federation of Co-operatives
NZPA	New Zealand Produce Association Limited
OPEC	Organization of Petroleum Export Countries
ORGECO	Organisation Générale des Consommateurs (France)
OTK	Suomen Osuustukkukauppa (Finland)
PCL	Pacific Co-operative League (USA)
PDC	Premier Drapery Company (New Zealand)
PLCS	Pacific League Co-operative Stores (USA)
PRC	People's Republic of China
PSOE	Partido Socialista Obrero Español
PSP	Partido Socialista Português
PUIFRC	Peking United International Famine Relief Committee
RPM	resale price maintenance
RRL	Right Relationship League (USA)
SCCF	Société Centrale des Coopératives de France
SCM	supply chain management
SCSC	Société coopérative Suisse de consommation
SCWS	Scottish Co-operative Wholesale Society
SDAP	Sozialdemokratische Arbeiterpartei (Austria)
SDID	Société de développement international Desjardins (Canada)

SED	Sozialistische Einheitspartei Deutschlands
SGB	Schweizerischer Gewerkschaftsbund
SGCC	Société Générale des Coopératives de Consommation (France)
SOCODEVI	Société de Coopération pour le développement international (Canada)
SOE	state owned enterprises
SOK	Suomen Osuuskauppojen Keskuskunta (Finland)
SPD	Sozialdemokratische Partei Deutschlands
TVE	town and village enterprises (China)
UC	Union Coopérative (France)
UFCO	United Fruit Company (USA)
UGT	Unión General de Trabajadores (Spain)
UKCC	United Kingdom Co-operative Council
Unccue	Unión Nacional de Cooperativas de Consumidores y Usuarios de España
UNICO-OPE	União Co-operativa Abastecedora (Portugal)
USAID	United States Agency for International Development
USC	Union of Swiss Consumers' Societies
VOLG	Verband ostschweizerischer landwirtschaftlicher Genossenschaften (Switzerland)
VSK	Verband schweizerischer Konsumvereine
WFCUA	Workers' and Farmers' Co-operative Unity Alliance (USA)
YMCA	Young Men's Christian Association
YNCL	Young Negroes' Co-operative League (USA)

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Introduction



A Global History of Consumer Co-operation since 1850: Introduction

Mary Hilson, Silke Neunsinger and Greg Patmore

There is little doubt about the importance of co-operation as a global movement. From its beginnings in the nineteenth century consumer co-operation was shaped by exchange and transfer across international boundaries. The first meeting of the International Co-operative Alliance (ICA) in 1895 was attended by representatives from Australia, India, Argentina and the USA, as well as many European countries, and by 1935, the ICA claimed to represent 100 million co-operators from 40 different countries.¹ At the time of writing in 2016, the ICA was a truly global organization, with sections for all the continents and over one billion people worldwide were estimated to be members of a co-operative.² An ILO report noted the resilience of co-operatives during the global economic crisis which began in 2007 and in recognition of the sector's importance, the UN designated 2012 as International Year of Co-operatives.³ Meanwhile, contemporary reports of rising food prices demonstrate the continued importance of the questions that lie at the heart of the co-operative movement.⁴ As Alexander Nützenadel and Frank Trentmann have noted, food is “at the forefront in the current battle of globalization.”⁵ Studying the global history of consumer co-operation movement can offer new perspectives on current debates about globalization and help to question determinist and teleological readings of its rise.⁶

1 Watkins, *The International Co-operative Alliance*, p. 31.

2 ICA, “Co-operative Facts and Figures”.

3 Birchall and Ketilson, “Resilience of the Co-operative Business Model”; UN, website of International Year of Co-operatives; Bajo and Roelants, *Capital and the Debt Trap*, pp. 106–14. On the recent revival of interest in co-operation see also Webster et al., “The Hidden Alternative?” p. 1.

4 BBC, “Why Food Prices and Fuel Costs Are Going Up”.

5 Nützenadel and Trentmann, “Introduction: Mapping Food and Globalization”, p. 2.

6 Nützenadel and Trentmann, “Introduction: Mapping Food and Globalization”, p. 3. See also Hilson, “A Consumers’ International?”.

Despite this, the global history of co-operation remains under researched, especially as far as consumer co-operatives are concerned.⁷ The historiography is reasonably well developed in Europe, but much less is known about co-operation in other parts of the world and there have been relatively few studies of co-operative history from a transnational perspective.⁸ In the words of Ian MacPherson, “[t]oo often, co-operatives are understood and described in terms of reflections of the European experience... an unthinking, lingering, imperial perspective.”⁹ For example, the introduction of colonial laws and models for co-operative organization ignored pre-colonial knowledge and practice of co-operation.¹⁰ Reflecting recent trends in labor history, this volume contributes to filling this gap. Informed by the methodological and theoretical debates associated with *histoire croisée* we seek to go beyond a comparison of national co-operative histories, acknowledging how this history has been shaped by the connections and entanglements between co-operative organizations across time and space.¹¹ The main questions guiding the volume are as follows:

1. How, in what ways and for what reasons have people formed consumer co-operatives?
2. How can we explain the diversity of co-operation in different times and places?
3. Why is consumer co-operation a global phenomenon? What are the main mechanisms behind the diffusion of co-operative ideas across the world as well as their adaption and transformation to different contexts?

Studying Consumer Co-operation: Definitions and Sources

The ICA defines a co-operative in broad terms as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically

7 See Furlough and Strikwerda, “Economics, Consumer Culture and Gender”, p. 1; MacPherson, “Co-operative Studies in Australia and Beyond”, p. 70.

8 See however: Furlough and Strikwerda, eds., *Consumers Against Capitalism?* Brazda and Schediwy, eds., *A Time of Crises*; Birchall, *The International Co-operative Movement*; Verbruggen and Soubry, eds., *Consumerism versus Capitalism?* Furlough, “Consumer Cooperation”.

9 MacPherson, “Co-operative Studies in Australia”, p. 72.

10 For example, Gicheru, et al., “An Analysis of Socio-Economic Impact”.

11 For a discussion of *histoire croisée* in the context of this project, see Hilson and Neuninger, “Samarbete över gränser”.

controlled enterprise.” It notes, further, that “co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity.” These values are expressed in seven fundamental principles, which were first agreed in 1937 and subsequently revised in 1966 and 1995.¹²

Co-operative enterprises are engaged in many different types of activity and the ICA principles are intended to apply to all forms of co-operative. The ICA includes eight sectoral organizations, each representing a different type of co-operative. Historically, it is possible to distinguish five broad categories:¹³

1. Agricultural co-operatives, including societies for processing of agricultural products (co-operative dairies and slaughterhouses); marketing and export societies; purchasing societies supplying agricultural inputs such as fertilizer and seed. Fishery co-operatives may operate in a similar way, although they have usually been organized separately from agricultural co-operatives.
2. Savings and credit co-operatives; co-operative banks.
3. Worker co-operatives.
4. Service co-operatives, for example in housing, insurance, health or energy.
5. Consumer co-operatives.

It is not always possible to draw clear distinctions between different types of co-operative. For example, agricultural purchasing societies may function as consumer societies supplying household goods. A healthcare co-operative may be organized as an association of patients (healthcare consumers) or of doctors and nurses (a workers' co-operative), or even as a multi-stakeholder co-operative combining inputs from several different parties. The co-operative provision of services such as housing or insurance often developed as an adjunct of consumer societies originally established to provide food and other basic goods, especially in Europe. Worker co-operatives may include businesses directly owned or controlled by their employees, or businesses where the main stake is held by other worker associations such as a trade union.¹⁴ Finally, individual co-operatives may also move between sectors over time, so that a

12 ICA, “Co-operative Identity, Values and Principles”.

13 ICA, “Sectoral Organizations”. See also Birchall, *The International Co-operative Movement*.

14 For example in Denmark: see Grelle, *Det kooperativt alternativ*. See also Birchall, *People-Centred Businesses*, Ch. 8.

consumer co-operative may later develop a credit business, for example, or a farmers' co-operative could become a consumer co-operative.¹⁵

This book is concerned with consumer co-operation, the foundations of which are commonly attributed to the Rochdale Society of Equitable Pioneers founded in northern England in 1844.¹⁶ Co-operative history has often been dominated by accounts of the gradual spread of the Rochdale model of consumer co-operation, first to other parts of Europe, then to the rest of the world. "Consumers' co-operation abroad is a later development than in Great Britain and was much influenced by the British example," wrote Margaret Digby in her book *The World Co-operative Movement* in 1948, although she did acknowledge the significance of "a few experiments" in Germany and France in the late nineteenth century.¹⁷ More recently, Johnston Birchall acknowledged the existence of consumer co-operative experiments on the European continent from the mid-nineteenth century, but suggested that "it was only when promoters in each country discovered the Rochdale 'system' with its dividend on purchases that their own movements began to take off."¹⁸ In Australia, such was the influence of the Rochdale model that the term "Rochdale" came to be used as a synonym for co-operative.¹⁹

It is important to note however that Rochdale was not the first model of a consumer co-operative society, nor was it the last. There were many examples of experiments in consumer co-operation that predated Rochdale, both in the UK and elsewhere.²⁰ There were also many other instances of national co-operative "creation stories", especially in Europe where the success of co-operation was often linked to imagined national traditions and their bearers, such as the freeholding farmers of nineteenth-century Denmark, or the artisan producers of post-revolutionary France.²¹ Consumer co-operation has been invented and reinvented many times, and it may take different forms depending

15 For an example, see Balnave and Patmore, "The History of Co-operatives in Australia".

16 For a more detailed discussion of the "Rochdale principles" of co-operation and the influence of the Rochdale model, see the introduction to Section 1 and Ch. 3.

17 Digby, *The World Co-operative Movement*, pp. 44–5. Digby's book was subsequently translated into Indonesian, Chinese, Japanese and Arabic (information from www.worldcat.org).

18 Birchall, *People-Centred Businesses*, pp. 51, 53.

19 See Ch. 19.

20 Joshua Bamfield notes the existence of at least 46 flour and bread co-operative societies established in England and Scotland between 1759 and 1820. Bamfield, "Consumer-Owned Community Flour and Bread Societies", p. 16.

21 MacPherson, "Community, Individuality and Co-operation", p. 204. On Denmark, see Christiansen, "Denmark's Road to Modernity and Welfare"; on France: Furlough, *Consumer Cooperation in France*.

on its areas of activity, its organization and structure or its ideology and relationship with the state. That said, and despite our initial intentions to try to challenge Eurocentric interpretations of the history of co-operation, it is important to acknowledge that European models have been dominant in the rise and spread of co-operation, at least of consumer co-operation.

For the purposes of this volume we need a definition of consumer co-operation that is both broader and narrower than the one provided by the ICA. In the broadest sense of the word, co-operation simply means “working together” on the basis of reciprocity: “an exchange in which [both] the participants benefit from the encounter” in the words of sociologist Richard Sennett.²² One of the problems of defining co-operation, as several scholars have pointed out, is that it is rooted in practice rather than theory.²³ The exact form that co-operatives take may vary, but most authors would agree that their most important features include a mechanism for decision making by members (patrons) rather than shareholders, and that their main aim is thus not the accumulation of capital but the provision of goods and services required by these member-patrons.²⁴ For this reason co-operatives are usually seen as part of the “third sector”. They are neither state enterprises nor private businesses, but they often overlap with other forms of third sector organization, such as mutual or not-for-profit businesses and other idealistic organizations. As indicated in the title of this book, most co-operatives have had a dual nature as commercial businesses on the one hand and social movements on the other. As a strategy they have often been associated with individuals or groups of relatively limited means, though they need not be exclusively confined to such groups.²⁵

In this book we are concerned with consumer co-operation. According to Marcel van der Linden, consumer co-operatives are generally based on the

22 Sennett, *Together*, p. 5. In some languages there is a distinction between the words used for co-operation. For example in Swedish the imported term *kooperation* is reserved for the consumer co-operative movement, whereas *samarbete* means literally “working together”.

23 MacPherson, “Confluence, Context and Community”, p. 425; Webster et al., “The Hidden Alternative?” p. 9.

24 Birchall, *People-Centred Businesses*.

25 In 1908 C R Fay defined a co-operative society as follows: “an association for the purposes of joint trading, originating among the weak and conducted always in an unselfish spirit on such terms that all who are prepared to assume the duties of membership share in its rewards in proportion to the degree in which they make use of their association.” C R Fay, *Co-operation at Home and Abroad*, p. 5; cited in Digby, *The World Co-operative Movement*, p. 7.

principle of budget pooling, where “several individuals or households pay into a joint fund, used to purchase goods for subsequent distribution among these individuals or households.”²⁶ As such, co-operatives are one – though not the only – strategy for individuals and households to cope with conditions of scarcity, especially as regards basic foodstuffs and other essential supplies.²⁷ Often, though not exclusively, their most important activity was the grocery store for the supply of essential foodstuffs, and in many parts of the world they have also been driven by the need to respond to other consumer concerns, for example over the quality and safety of goods, or the moral economy of their production. In many cases they were also engaged with much more than this. Co-operatives touched the lives of their members in many ways: through their emphasis on education, their provision of leisure and social activities, and their involvement in local communities.²⁸ Some consumer co-operatives adopted an explicitly socialist ideology and became identified as the “third pillar” of the labor movement, while others jealously guarded their political neutrality, insisting that co-operation was a “third way” between capitalism and socialism.

Researching the Global History of Consumer Co-operation

Consumer co-operation emerged as a global movement in the nineteenth century era of liberal internationalism. Even after 1918 many co-operators remained deeply wedded to free trade, as Katarina Friberg shows in her contribution to this volume.²⁹ The growth of co-operation went hand in hand with the expansion of global capitalism, while at the same time it often acted as a check on the worst excesses of that globalization, helping to shield poor consumers from the fluctuations of the market. Co-operative history has to be seen therefore in relation to the rise and fall of different economic paradigms: the liberal era of the late nineteenth century, the rise of monopoly capitalism and welfare states during the first half of the twentieth century and the consumer individualism of the late twentieth century.

26 Van der Linden, *Workers of the World*, p. 133.

27 Other strategies might include for example boycotts, and unilateral actions to adjust price or quantity of essential goods. See van der Linden, “Working-Class Consumer Power”, p. 110.

28 For an example, see Robertson, *The Co-operative Movement and Communities*.

29 See Ch. 9. On co-operation and free trade in Britain see Trentmann, “Bread, Milk and Democracy”.

We seek in this volume to move beyond a narrow institutional approach to co-operative history, and to place co-operatives within a wider historical context. As stated, one of our fundamental aims is to explain what makes consumer co-operation flourish and how we can explain its success or failure in different times and places. Consumer co-operatives have always had to operate within the confines of the capitalist business cycle, but exactly how this has affected them has varied. As the contributions to this volume reveal, the Great Depression of the 1930s presented severe difficulties to many co-operatives in Europe, but was a period of considerable growth and success in North America. Likewise, consumer co-operatives responded to the profound changes in consumption and retailing in the global north since the 1950s with various degrees of success, as discussed in sections 3 and 4.

Differences between consumer co-operatives might be explained with reference to a number of factors. Firstly, we need to consider the variations in the relationship between states and co-operatives and how this is expressed in the legal framework for co-operation. Is there separate legislation governing co-operatives and are they organized under commercial law, or are they considered as social enterprises or associations? The law itself may not be a guarantee of co-operative principles.³⁰ There are many historical examples where co-operatives have been co-operative in name only and they have sometimes been vulnerable to co-option by opportunistic regimes.³¹ Secondly, co-operatives vary according to the business activities that they carry out. Consumer co-operative societies have often thrived as retail businesses specializing in the distribution of foodstuffs and other essential items, but they may operate in other fields, including healthcare, education, housing, energy, communications, funerals, restaurants and cafes, laundry and travel. Thirdly, the organization of the co-operative movement at a regional and national scale may differ: what is the relationship between local consumer co-operatives (for example individual retail stores) and national federations? To what extent is the consumer co-operative movement integrated with other forms of co-operative, such as agricultural producer co-operatives? Finally, how do consumer co-operatives differ in their ideology and strategy: do they articulate a distinctive ideology aimed at producing social change or are their concerns mostly business-related?

There are a number of methodological challenges attached to this endeavor. One is the diversity of the movement as noted: what should be included as an example of consumer co-operation and what should be excluded? How do we

30 For an example see Satgar and Williams, "Co-operatives and Nation-Building", p. 180.

31 For a more detailed discussion of this point see the introduction to Section 2.

deal with the ambiguities of consumer co-operatives under authoritarian regimes, for example? We have left this decision to the authors of the individual chapters, while inviting them also to reflect on how consumer co-operation has been defined and understood in the context of the particular cases they are examining. In particular, there is a need to consider carefully the relationship between imported models of co-operation and earlier indigenous traditions, which often tend to be overlooked in the historiography as noted above.

Secondly, this diversity makes it difficult to undertake reliable comparisons across national contexts, or even within them. Co-operatives have for a long time collected statistics on their activities; indeed, one of the founding aims of the ICA in 1895 was, in common with other international organizations of its time, to collect and produce statistics on co-operation.³² This proved to be much more difficult than envisaged, however. The collation of reliable data on societies, membership, turnover and trade was in many cases complicated by the same problems of definition and the institutional divisions within national movements. Even where state authorities compiled statistics, co-operatives were, as noted, organized under many different legal frameworks, again making cross-national comparison extremely challenging. Estimating the significance of co-operative trade within local or national retailing sectors is even more difficult.

The lack of available sources can defeat the aspiration for historical justice: in our case for a study that is globally representative in its case studies.³³ These problems become particularly acute in the study of co-operative history outside the global north, that is Western Europe, North America, Oceania and Japan. Sources for co-operative history in most European countries are relatively good. These include the minute books and accounts of local societies and national federations, an extensive co-operative press and the published writings of co-operative theorists and practitioners. In many cases, especially in Europe, these have been widely exploited by historians to produce studies of different aspects of co-operative history, though the historiography is more developed in some cases than in others. Nonetheless, some limitations remain. In particular, the available sources have tended to favor institutional histories, focusing on the societies and federations and the decisions taken by those who ran them. It has been much more difficult to investigate the experiences of the members of co-operative societies who shopped at co-operative stores.³⁴ As a

32 Birchall, *The International Co-operative Movement*, p. 44.

33 Osterhammel, *Die Verwandlung der Welt*, p. 20.

34 For attempts to do this however see Robertson, *The Co-operative Movement and Communities*; Friberg, *The Workings of Co-operation*.

consequence, this means that histories of co-operation have often overlooked the problem of gender, since women were usually the most important customers of co-operative societies but often absent from their decision-making institutions.³⁵ Unfortunately, it must be admitted that this volume is no exception in that respect.

Outside Europe and North America, our main challenge has been the general paucity of research on consumer co-operative history. From the outset co-operators insisted on the universalism of their movement: that its principles were applicable in a variety of contexts. The ICA regarded itself as the world body for co-operation, though in common with other internationalist organizations of the era in which it emerged its perceptions of what this meant were shaped by contemporary national and racial hierarchies.³⁶ By 1930, according to its general secretary, the ICA had become “co-extensive with the civilised [sic] world”, and was evolving to serve the growing interests in co-operation “from the millions of China and the teeming population of Japan; from the Indies and the South American continent; from darkest Africa and the lighter States of the South; from Asia and Australia.”³⁷ The ICA admitted organizations from outside Europe to membership, but only after 1945 did it evolve to become a truly global organization with the establishment of a regional Asian office in the late 1950s.³⁸

In 2015 the ICA had regional organizations for Africa, the Americas, Asia-Pacific and Europe, and all of these sections included consumer co-operative federations among their members.³⁹ Anecdotal evidence gives examples of consumer co-operatives existing at different times in many different parts of the world. Yet discovering the history of consumer co-operation in the global south has proved to be extremely difficult. The examples presented in this volume are drawn from all continents with the exception of Africa, but the majority of cases are European or neo-European. Moreover, despite the dominance of Europe in this volume, some parts of the continent are underrepresented,

35 See Furlough and Strikwerda, “Economics, Consumer Culture and Gender”, pp. 43–52. The history of the Women’s Co-operative Guilds in the UK has attracted some attention: see Scott, *Feminism and the Politics of Working Women*; Blaszkak, “The Gendered Geography of the English Co-operative Movement”; also Ch. 3.

36 On the ubiquity of racial thinking in early twentieth-century Europe, see Boyce, *The Great Interwar Crisis*, pp. 18–21.

37 H J May, “The Vienna Congress”, *Review of International Co-operation*, August 1930, p. 281; H J May, “The International Co-operative Alliance in 1930”, *Review of International Co-operation*, February 1931, pp. 41–7.

38 Watkins, *The International Co-operative Alliance*, pp. 284–7.

39 ICA: Alliance Regional Offices.

namely Eastern Europe. Consumer co-operative societies were founded in various territories of the Russian and Habsburg empires during the late nineteenth, especially among industrial workers.⁴⁰ During the interwar years there were flourishing movements in Czechoslovakia and Poland, both of which participated actively in the ICA.⁴¹ But there are several historiographical challenges, quite apart from our difficulties finding colleagues who could write about these areas. First, much of the older literature was concerned with agricultural and credit co-operation, regarded as appropriate for an area that was seen as economically undeveloped and dominated by peasant farming. For example, the proceedings of the ICA's 1904 congress in Budapest included extensive reports on co-operation in "backward" areas, including much of Eastern Europe, but these focused largely on agricultural co-operation.⁴² Second, consumer co-operation in all these areas experienced major ruptures that came with the establishment of communist regimes, which has also had an impact on the historiography. This issue is discussed briefly in the introduction to Section 2.

In contrast to Eastern Europe numerous searches in the course of the project yielded very few examples of co-operative history writing in Africa and none at all from North Africa and the Middle East/west Asia.⁴³ The links between Catholicism and co-operation are well documented, as demonstrated in Chapter 7 in this volume, but we know very little about co-operation in societies dominated by Islam. The success of different forms of co-operation in Israel is much better known, of course, but unfortunately it was not possible

40 Salzman, "Consumer Co-operative Societies in Russia"; Reich, "Economic Interests and National Conflict".

41 Reich, "Economic Interests and National Conflict"; on Poland see Digby, *The World Co-operative Movement*, pp. 53–4.

42 Hilson, Markkola and Östman, "Introduction: Co-operatives and the Social Question", pp. 1–3. On agricultural co-operation in Eastern Europe during the late nineteenth and early twentieth centuries, see Hilson, Markkola and Östman, eds, *Co-operatives and the Social Question, passim*; and Lorenz, ed., *Cooperatives in Ethnic Conflicts, passim*. C R Fay, in the second volume of his study of international co-operation published in 1938, made brief mention of consumer co-operatives in Czechoslovakia and Hungary, but also noted the overwhelming dominance of agricultural problems further east: Fay, *Co-operation at Home and Abroad*, vol. 2, p. 172.

43 On Africa see Develtere, Pollet and Wanyama, eds, *Cooperating out of Poverty*, which is mostly concerned with agricultural co-operation; on consumer co-operation in British colonies in Africa see Shaw, "Casualties Inevitable". Examples of consumer co-operation in Africa and Asia are also discussed briefly in Ch. 2, pp. 24–6, 34–41. Bibliographic searches carried out in the early stages of this project by Giovanni Carissimo suggested that, like Eastern Europe, the co-operative historiography for Africa and Asia has been dominated by an emphasis on agricultural and producer co-operatives.

to include it in this volume. Of course, these absences probably reflect not so much the lack of research as its invisibility in international scholarship, presented in languages that the project organizers were able to read. A further problem may be that in many parts of the world consumer co-operatives have emerged at a very local level, often in response to acute crises, and this means that they may have been short lived and/or rarely developed the national federations and wholesales seen in the global north.⁴⁴ Given the variety of forms of consumer co-operation that are demonstrated in this volume, it seems highly unlikely that schemes for budget pooling or mutual purchase were unknown in predominantly Islamic societies, for example, but their history could not be included here.

At the same time, this confirms how the history of consumer co-operation can be seen as an example of European expansion and of Europe's strong influence on the rest of the world during the wave of globalization between 1860 and 1914. Our emphasis on the European influence on the history of co-operatives in other parts of the world stems not from unreflective assumptions therefore, but has been the focus of our collaborative research. The results confirm the history of globalization during the nineteenth century as being strongly influenced by developments in Europe.⁴⁵

The organization of a large collaborative project like the one on which this book is based demands a very stringent and centralized direction of research, sometimes at the cost of specific features that can get lost.⁴⁶ From the outset, we have been guided as project organizers by our understanding of *histoire croisée* or entangled history as part of our conscious efforts to combine historical comparison with the analysis of entanglements and transfers, though we have not required contributors to engage explicitly with this in the individual chapters. A focus on the comparison of national case studies carries the risk that structures will dominate explanations for transnational historical phenomena. Moreover, the focus on states and national movements means that individual actors and local differences easily become invisible in relation to national developments. Our aspiration was that by combining comparison with the analysis of entanglements, *histoire croisée* would also allow us to pay attention to entanglements created through flows of information, culture, migration and trade, together with exchanges between international organizations and also colonial and imperial powers. We seek to offer an interpretation

44 For examples see Digby, *The World Co-operative Movement*, p. 56; Birchall, *The International Co-operative Movement*, p. 180. See also Ch. 2, p. 25.

45 Osterhammel, *Die Verwandlung der Welt*.

46 Osterhammel, *Die Verwandlung der Welt*, p. 15.

of similarities and differences between consumer co-operative movements in different parts of the world, while acknowledging the transnational entanglements that have shaped them during a historical period that was characterized by a sharp increase in global networks and connectivity.⁴⁷

Inspired by the collaborative projects in global labor history developed by the International Institute for Social History (IISH), we started the project by asking scholars to respond to a set of questions that we hoped would explain the development of co-operatives.⁴⁸ This was distributed widely as an open call for papers. Following initial responses and further discussion, the questions were revised as more detailed instructions for contributors writing national case studies. The papers that resulted from this process were presented and discussed at a workshop in May 2012, attended by over 40 scholars. Participants were invited to rewrite their papers following the workshop and submit them to a process of peer review, from which the contributions to the current volume are drawn. As project organizers and editors we have also been guided throughout by the insights of a small international steering group, with expertise covering as wide an area as possible to reflect the global aspirations of the project.

The book has been organized with the aim of facilitating comparisons between the national cases and highlighting the entanglements that shaped them. For that reason, we have deliberately eschewed an arrangement based on geographical regions and instead attempted to organize the book thematically. It goes without saying that this thematic division is imperfect and we have therefore attempted to compensate for this by inserting cross references to the different chapters. Following the second introductory chapter, which gives a detailed outline of the history of consumer co-operation, the book is structured in four thematic sections. Section 1 focuses on examples of co-operatives that became known as international models, or were otherwise important for the spread of co-operative ideas. These include the Rochdale society in the UK; the socialist Vooruit co-operative of Ghent, Belgium; the French consumer co-operative movement with its roots in early nineteenth-century associations and its theorization of the “Co-operative republic”; and the Nordic countries

47 For an English version of the earlier published articles in German and French see Werner and Zimmermann, “Beyond Comparison”. For a discussion of *histoire croisée* in relation to this book project, see Hilson and Neunsinger, “Samarbete över gränser”; also see Neunsinger, “Cross-over!”.

48 See for example van Voss et al., eds., *The Ashgate Companion to the History of Textile Workers*. We are grateful to Lex Heerma van Voss and Elise van Nederveen Meerkerk for their help and suggestions with planning the project on which this volume is based.

(Denmark, Finland, Norway and Sweden), which during the interwar period were very active in the International Co-operative Alliance as the advocates of the neutrality of consumer co-operation. Two chapters – on African American co-operation and on the role of US and Canadian Catholic organizations in promoting co-operation in Central America – remind us of the need to avoid relying on rigid definitions of consumer co-operation, emphasizing the importance of informal co-operation and of the links between consumer societies and other forms of co-operation. The last chapter in this section explores debates within the ICA on ways to enhance transnational co-operative contacts, in this case with regard to trade between co-operative societies.

Section 2 explores the history of consumer co-operation in relation to the political regimes in which co-operatives have operated. The development of the co-operative movement was closely intertwined with the emergence of democratic ideas in the nineteenth century and challenges to democracy in the twentieth. Co-operatives have an ambivalent status in relation to democracy: they have been controlled and threatened by hostile regimes, and even co-opted into the state at times, but they have also served as important sites of resistance to authoritarianism. In the European cases examined in this section – Germany, Austria, Portugal and Spain – consumer co-operatives were subjected to the authoritarian regimes that emerged during the 1930s, but while this meant co-option and dissolution in Germany and Austria, co-operatives survived the Iberian dictatorships and even emerged as part of the civil society challenge to authoritarianism. Meanwhile, in China and Korea, the introduction of co-operatives was associated with western and Japanese colonial influences, but later flourished as sites of resistance. The example of China provides a fascinating example of the role of consumer co-operatives in a one-party state.

In Sections 3 and 4 the focus is more explicitly on consumer co-operatives as businesses, seen in the context of economic development and especially histories of consumption and retailing. Section 3 considers some of the problems co-operatives have faced as businesses operating in a competitive retail market and focuses on examples which have been dominated by narratives of decline. Most of the examples in this section – Canada, Australia, New Zealand, Argentina and the USA – could also be categorized as states where co-operation was shaped by mass immigration from Europe, though many European societies could also have been examined under the rubric of decline. In each case, co-operatives flourished in particular local communities as a means to help immigrant households adapt to their new circumstances and secure their basic needs, but all of them faced problems consolidating local enthusiasm into sustainable national institutions. The section also includes a chapter exploring the management challenges faced by consumer co-operative

societies and another on the reasons for the postwar decline of the British consumer co-operative movement, though like all the examples considered here there have been some signs of revival during the 1990s and after.

Section 4, finally, turns the focus to consumer co-operative businesses that have sometimes been cited as examples of success, including Italy, Switzerland, Japan and the Nordic countries since 1950. Despite considerable divergence in their origins and their fortunes during the nineteenth century and first half of the twentieth century, all these co-operatives seemed to find ways to respond effectively to the challenges of the post-1945 era, namely an increasingly competitive retail sector and the rise of mass affluence and individualist consumerism. Chapters on the overseas trade networks of the English Co-operative Wholesale Society (cws) and on co-operative marketing consider in more detail how particular co-operative societies debated and dealt with these challenges. It is here, though, that the dominance of the global north in our understanding of co-operative history is particularly problematic. As Matthew Hilton has pointed out, histories of consumerism have been dominated by a focus on “questions of identity, style and image, issues which arise only in societies of the affluent.”⁴⁹ While the luxuries of affluence and consumer choice continue to elude many consumers in most parts of the world, Hilton argues that we need a broader understanding of consumer politics, recognizing that consumer activism continues to be concerned above all with “access to the world of goods” and protests against the abuses of the market.⁵⁰ Studying the history of the consumer co-operative movement may offer one way to redress this balance and to develop a history of both co-operation and consumerism that is truly global in scope.

In the final concluding chapter we return to the question of why consumer co-operatives emerged, the chronology of their development, and the role of transnational and transcultural entanglements for the spread of models and the diffusion of consumer co-operative ideas. We consider how consumer co-operatives met the challenges of the consumer revolution after the Second World War and we discuss some of the future challenges for consumer co-operation. Although we cannot give a complete history of the development of consumer co-operatives worldwide, and although all choices of regions and themes have their merits and shortcomings, we hope that this volume will contribute to our understanding of both transnational entanglements as well as local contexts for the development of consumer co-operation into a global phenomenon during the last century and a half.

49 Hilton, “The Consumer Movement and Civil Society”, p. 405.

50 Hilton, *Prosperity for All*, pp. 1–3.

Co-operative History: Movements and Businesses

Mary Hilson

By the end of the First World War the consumer co-operative movement was well-established in many parts of Europe. In Britain, France, Belgium and Germany, co-operators could look back confidently and commemorate the progress of their movement from its local beginnings in Rochdale to the evolution of national unions and wholesales and the development of international networks of trade and supply.¹ As the historian of the British co-operative movement Peter Gurney has commented, the co-operative movement was imbued with a strong sense of the past and scores of jubilee histories were produced by local co-operative societies in Britain from the turn of the twentieth century.² The optimism which characterized these histories was also influential in shaping understandings of the path of co-operative development outside Britain. G J Holyoake's history of the Rochdale Pioneers, first published in 1858, was widely translated and influenced the development of consumer co-operatives throughout Europe in the second half of the nineteenth century.³ The original Toad Lane store in Rochdale was opened as a museum in 1931 and rapidly became venerated as a site of pilgrimage for co-operators from all over the world.⁴ In the second half of the twentieth century, however, the earlier confidence in continued progress gave way to a paradigm of decline, which has also been profoundly influential in shaping the more recent historiography, at least in the global north.⁵

This introductory chapter reviews the existing literature and explores some of the main themes in the historiography of the consumer co-operative movement. It examines how the history of consumer co-operation has been researched in relation to three different subfields, namely labor history; business history and the history of consumption; and colonial and development history.

1 Digby, *The World Co-operative Movement*, Ch. 2; also Webb and Webb, *The Consumers' Co-operative Movement*.

2 Gurney, *Co-operative Culture*, Ch. 5; also Wrigley, "The Commemorative Urge", p. 157.

3 See the introduction to Section 1; also Ch. 3.

4 Hilson, "A Consumers' International?" p. 211.

5 Black and Robertson, "Taking Stock"; Brazda and Schediwy, "Consumer Co-operatives on the Defensive". See also the introduction to Section 3.

The available literature means that there is an inevitable European bias in this discussion, the implications of which are explored further in the conclusion to this volume.

Co-operatives and Labor History

Consumer co-operatives have often been studied as part of the labor movement, especially in Europe where they were seen – both by contemporaries and historians – as part of working-class responses to industrialization and urbanization in the nineteenth century. According to Marcel van der Linden, consumer co-operatives were part of the “mutualist universe”.⁶ They were founded by working people of limited means in order to secure supplies of basic foodstuffs at fair prices and very often they were also used to protect consumers against the adulteration of foods or other dishonest retail practices. As many of the chapters in this volume show, most of the consumer co-operatives of late nineteenth century Europe were unequivocally working-class institutions, located in working class neighborhoods and patronized by working-class families.⁷ Many contemporary observers would surely not have disagreed with the Parliamentary Committee of the British Trades Union Congress, when it wrote in 1883 that, “[c]o-operation is essentially a labor movement: the flower of our workmen are its supporters, and many of our prominent unionists are among its trusted leaders. Year by year Co-operation becomes a larger employer of labour... It is undeniably a movement for the elevation of the working people.”⁸

The relationship between consumer co-operation and the labor movement was ambivalent and disputed, however, especially in Europe during the four decades or so between the 1880s and the end of the First World War. The embrace of revolutionary socialist ideology derived from Marxist historical materialism, and in particular the Lassalean concept of the “iron law of wages”, led many within the labor parties of the Second International to reject consumer co-operation as a strategy for working class emancipation.⁹ The Swedish social democrat Hjalmar Branting’s description of consumer co-operation as “an

6 Van der Linden, *Workers of the World*; see also Furlough and Strikwerda, “Economics, Consumer Culture and Gender”.

7 Also outside Europe, for example in Argentina where they helped working class immigrants adapt to their new environments. See Ch. 19, p. 483.

8 Cited in Acland and Jones, *Working Men Co-operators*, pp. 201–2.

9 Furlough and Strikwerda, “Economics, Consumer Culture and Gender”, p. 16.

old-fashioned quack remedy” in 1894 was a sentiment echoed by many of his social democratic colleagues across Europe.¹⁰ In many cases, their suspicion was heightened by the enthusiasm for co-operation shown by middle class reformers. Whatever its earlier radical credentials, by the late nineteenth-century co-operation had become an idea tainted by its associations with liberal self-help ideology.¹¹

From the 1890s there were signs that these attitudes were shifting.¹² This was due above all to the growth in the popularity of consumer co-operatives among ordinary workers, but it was also aided by changes in the ideological climate of the Second International. Firstly, the “revisionist” debate of the 1890s encouraged socialists to take an interest in consumer co-operatives as a means to ameliorate the conditions of the working class.¹³ Secondly, these revisionists were also encouraged by the tremendous success of explicitly socialist consumer co-operatives in Belgium. The most famous of these, the Vooruit co-operative in Ghent, was a decisive influence on the foundation of the Belgian Workers’ Party in 1885 and quickly became internationally famous. Hendrik Defoort has suggested that visits to Vooruit’s impressive buildings were important in winning over Bernstein and Jaurès among others to the cause of consumer co-operation.¹⁴ The official attitude of the German Social Democratic Party, decisive for the rest of the continent, shifted from open hostility towards consumer co-operation at the beginning of the 1890s, to indifference by the turn of the century, and finally, in a resolution adopted at the party’s Magdeburg congress in 1910, to acceptance of co-operation’s role within the class struggle and an exhortation to its members to join co-operatives.¹⁵ Later that year the Second International adopted the same line at its Copenhagen congress. The change of policy was welcomed by the International Co-operative Alliance, where, by

10 Cited in Tingsten, *Den svenska socialdemokratins idéutveckling*, p. 374. For examples see Chs. 10, 11 and 24.

11 See Gurney, *Co-operative Culture*, Ch. 6, for these struggles over what he calls the “middle-class embrace” within the UK movement; also Gurney, “The Middle-Class Embrace”. On the associations of co-operation with nineteenth-century liberal self-help, see Chs. 4, 10 and 11.

12 Brazda and Schediwy, “Consumer Co-operatives on the Defensive”, pp. 15–6.

13 Furlough, *Consumer Cooperation in France*, pp. 120–3; Defoort, “The Strongest Socialist Party in the World?” pp. 205–6.

14 Hendrik Defoort, “The Strongest Socialist Party in the World?” pp. 204–6. On Vooruit see also Ch. 4; on the influence of Vooruit elsewhere as a model, see Chs. 5, 11 and 24.

15 Fairbairn, “The Rise and Fall of Consumer Co-operation”, pp. 283–4.

1910, consumer co-operation had reached a position of temporary dominance compared to other forms of co-operation.¹⁶

Despite the official endorsements the alliance between socialism and co-operation remained unstable. Two issues in particular could generate tension. The first was the ambivalence of many co-operators towards the idea of class conflict, insisting as they did that co-operation was a movement open to *all* consumers, regardless of social class. Thus, the original proposal made to the founding congress of the Swedish Co-operative Union KF, that co-operation should be “an important part of the struggle of the working class”, was replaced by the milder aspiration that co-operation should “contribute to general civic improvement and raise the standards of the population both morally and economically.”¹⁷ The second issue was that, by the turn of the century, many consumer co-operatives were employing large workforces. While co-operative activists frequently argued that the movement should become a model employer, this was much harder to achieve in practice and was potentially difficult to reconcile with equally important commercial imperatives to keep prices low and dividends high. In many countries this took co-operative businesses into conflict with the trade unions organizing shop and other workers, who were sometimes prepared to resort to strike action in disputes with their employers.¹⁸

At the same time, by the end of the nineteenth century consumer co-operation was becoming ever more firmly established as a working-class organization in the industrial towns and cities of Europe. Many of its leaders and activists – those who attended co-operative meetings and edited co-operative journals – were also active in the labor movement. The growing self-confidence of the socialist wing of the co-operative movement resulted in formal splits in consumer co-operative organizations in several countries before and during the First World War. In France the Bourse des Coopératives Socialistes de France (BCS) was established in 1895, while in Belgium, famous for its socialist co-operatives like Vooruit, there were also attempts to create non-socialist Catholic consumer co-operatives, though these were much less extensive than the socialist ones.¹⁹ Separate unions for working class co-operatives were

16 Rhodes, *The International Co-operative Alliance*, p. 48.

17 Cited in Aléx, *Den rationella konsumenten*, pp. 69–70.

18 See Vorberg-Rugh, “Employers and Workers”; also Chs. 16 and 24.

19 Furlough, *Consumer Cooperation in France*, Ch. 5; Strikwerda, “Alternative Visions’ and Working-Class Culture”, p. 75. On the divisions in the French consumer co-operative movement see also Ch. 5.

established in Finland in 1916–17 and in Denmark in 1922.²⁰ By the beginning of the 1920s, there were two broad positions represented within the co-operative movement and the ICA.²¹ For social democrats co-operation was the “third pillar” of the socialist labor movement, an equal partner with trade unions and socialist parties in the struggle against capitalism. This view was mirrored in the labor movement itself, although many labor writers tended to ascribe co-operation a more subordinate role in the development of a new society. Against this group were the adherents of “co-operativism” associated with the so-called Nîmes school of Charles Gide, who argued that co-operation should concern itself with its commercial activities above all and remain strictly neutral in its politics.²² After the war, this view was taken up by the Scandinavian co-operative federations and developed above all in the writings of the Swede Anders Örne.²³



ILLUSTRATION 2.1 *Members of the Swedish social democratic youth league ssu outside the offices of KF in the 1930s*
ARBETARRÖRELSENS ARKIV OCH BIBLIOTEK. PHOTO: MALMSTRÖM.

20 See Ch. 6.

21 Hilson, “A Consumers’ International?”

22 Furlough, *Consumer Cooperation in France*, Ch. 4; see also Ch. 5.

23 Hilson, “A Consumers’ International?” On Anders Örne see also Ch. 9.

It is important to note that these divisions were not clear cut, and many ambiguities remained when co-operation was debated in national or international meetings. The question of political neutrality gained a new saliency after 1921, when the Comintern adopted a strategy to try to infiltrate co-operatives and co-opt them as instruments of the class struggle.²⁴ Since the USSR remained a member of the ICA it was able to use the Alliance as a platform for this strategy.²⁵ The actions of Soviet Union delegates at ICA meetings and congresses helped to persuade many co-operators of the need to maintain the ICA's commitment to political neutrality, while carefully acknowledging the possibilities for deviation from this line in specific national contexts. The political organization of shopkeepers in some countries also convinced many of the need for co-operatives to tread very warily when dealing with political questions.²⁶ The problem with this for the ICA was that it gave little guidance for how the movement should react to the political crises of the interwar era. Most co-operative activists were instinctively antifascist but some argued that political neutrality, strictly interpreted, did not allow them to expel the German co-operatives from the ICA after the Nazi takeover, given that the USSR had been allowed to remain. The difficulties over this issue were influential in persuading the ICA to develop a programmatic statement for co-operation that expressed its distinctiveness as a social, economic and political movement: the result was the seven principles of co-operation agreed at the ICA's Paris congress in 1937.

The ambivalence in the relationship between co-operation and the labor movement is also reflected in the historiography. The classic laborist interpretation of co-operation saw the post-Rochdale co-operative movement as a retreat from the radicalism of the earlier nineteenth century associations in Britain and France. Co-operatives did not fit a "heroic" narrative of strikes and struggles; they were concerned with the dull, everyday business of shop keeping and were often overlooked.²⁷ Moreover, labor historians had a pronounced bias towards political struggles over production, which also contributed to the neglect of the co-operative movement.²⁸ This began to change when social historians developed an interest in the history of consumption during the 1980s. Historians such as Ellen Furlough and Peter Gurney produced new and

24 Furlough, *Consumer Cooperation in France*, p. 286.

25 The following paragraph draws on the discussion of ideological debates in the ICA in Hilson, "A Consumers' International?" See also Watkins, *The International Co-operative Alliance*; Rhodes, *The International Co-operative Alliance*. Communists also attempted to influence the co-operative movement in the USA during the 1920s: see Ch. 20, p. 515.

26 For an example of anti-co-operative organization see Ch. 24.

27 For example, Pollard, "Nineteenth-Century Co-operation". The British debate is summarized in Gurney, *Co-operative culture*, Ch. 1; see also Ch. 3.

28 Balnave and Patmore, "The Politics of Consumption", p. 1.

influential interpretations of co-operation that emphasized the movement's distinctive culture and the strategies it offered ordinary consumers to cope with and challenge the capitalist relations of consumption.²⁹ Rather than abandoning the radicalism of the early nineteenth century, they argued, co-operators maintained their belief in the possibility that co-operation would replace capitalist society with a co-operative commonwealth. At the same time, the growth of women's and feminist history triggered renewed interest in co-operation as a movement for the emancipation of working-class women.³⁰ Several studies showed how in Britain the powerful Women's Co-operative Guild became the most radical and politicized part of the co-operative movement, campaigning on issues such as female suffrage, divorce law reform, maternity benefits and peace.³¹

The consumerist perspective – discussed further below – has certainly been very influential in reassessing the history of consumer co-operation. A degree of pessimism remains, however. Indeed, it could be argued that the main thrust of this research has merely been to push the notion of a co-operative “defeat” forward in time. In those parts of Europe that succumbed to dictatorship in the 1920s and 1930s the defeat was actual of course, though in some cases the co-operative movement was allowed a degree of independence and could eventually be revived in opposition to the regime, for example in Portugal.³² Elsewhere, the nineteenth century consumer co-operatives retained their radical vision of an alternative to capitalism, but lost out later in the twentieth century, to the rise of affluent consumerism on the one hand, and to the hegemony of statist social democracy on the other.³³ Even in Britain, where unusually the consumer co-operative movement had its own political wing after the formation of the Co-operative Party in 1917–18, co-operators found themselves increasingly sidelined and overlooked by the Labour Party's emphasis on public ownership as a means to socialism.³⁴ In Scandinavia, historians have shown

29 Gurney, *Co-operative Culture*; Furlough, *Consumer cooperation in France*. See also Furlough and Strikwerda, “Economics, Consumer Culture and Gender”, esp. pp. 2, 4–5.

30 Furlough and Strikwerda, “Economics, Consumer Culture and Gender”, pp. 42–52.

31 On the Women's Co-operative Guild see Gaffin and Thomas, *Caring and Sharing*; Black, “The Mothers' International”; Scott, *Feminism and the Politics of Working Women*; Blaszak, “The Gendered Geography”; also Ch. 3 in this volume. For other examples of co-operative women's organizations see Chs. 5, 11, 19.

32 See the introduction to Section 2; Ch. 12.

33 Black and Robertson, “Taking Stock”; Gurney, “The Battle of the Consumer”. See also Section 3.

34 Gurney, “The Battle of the Consumer”, p. 966; Manton, “The Labour Party and the Co-op”. On the formation of the Co-operative Party see Adams, “The Formation of the Co-operative Party”. See also Ch. 3.

how the movement became incorporated into the social democratic state as a means to educate consumer citizens and promote rational consumption.³⁵

A further problem with this interpretation is that it is strongly Eurocentric and ignores developments in other parts of the world. To be sure, consumer co-operation retained its laborist roots in many of the “settler” societies shaped by mass European immigration. In North and South America and in Australasia there are many examples of consumer co-operatives based on the collective solidarities of occupation, religion or ethnic origin.³⁶ In sparsely populated societies like Australia and Canada, for example, co-operatives often thrived in isolated settlements associated with particular occupations, such as railway or mining towns.³⁷ In North America consumer co-operatives were strongly associated with the Finnish immigrant communities of the Great Lakes region, California and the Pacific North West.³⁸ However, research on these organizations has often been shaped by the same pessimistic assumptions of decline and defeat that have characterized the labor history approach to co-operation in Europe.³⁹

For many other parts of the world, the most important observation is simply that there is a lack of research on consumer co-operatives in general. This does not mean, however, that they were absent altogether. Throughout Africa in particular and in some parts of Asia, co-operatives were associated with colonial policies to stimulate economic and social development. These efforts were concentrated on agricultural and credit co-operatives above all, but, as Paul Keleman has shown, such policies were also influenced by an explicitly laborist view of co-operatives. The Labour and Socialist International, in its colonial policy statement of 1928, called on governments “to encourage the establishment of consumers’ co-operatives among the natives”.⁴⁰ According to Keleman, the 1945–51 Labour government in the UK pursued a strategy of “Fabianizing the Empire” through the introduction of the same institutions – co-operatives, mutual societies and trade unions – which had facilitated its own rise to power.⁴¹ It seems likely that a similar instinctive sympathy for co-operation underpinned the official aid policies of the social democratic

35 Theien, “Two Phases of Consumer Co-operation”.

36 See Chs. 17, 18, 19 and 20.

37 See Chs. 17 and 18.

38 On the Finnish co-operatives in the USA see Chapter 20, p. 512.

39 Balnave and Patmore, “The Politics of Consumption”. See also the introduction to Section 3.

40 Keleman, “Modernising Colonialism”, p. 233.

41 Keleman, “Modernising Colonialism”, p. 226; also Frank, “Mainstreaming the Co-operative Ideal”.

Scandinavian governments in East Africa, though these did not always have results that were desirable from a co-operative point of view.⁴² After 1945, attempts to stimulate the growth of co-operatives in the global south were also inevitably colored by the politics of the Cold War, an area that still needs further research.⁴³

The stimulation of co-operation from the top down is not the full story, however. Co-operation has often flourished as a strategy for subaltern populations, as Jessica Gordon Nembhard shows in her contribution to this volume.⁴⁴ There is some evidence that local trade unions and socialist organizations made attempts to found consumer co-operatives from the grassroots in the south, for example in South Africa during the 1940s.⁴⁵ The colonial or missionary sponsors of co-operatives often distrusted these efforts as a potential source of native radicalism and social disruption. Their existence should not surprise us, however. As a strategy to help working people of limited means secure basic goods, consumer co-operatives may emerge in any society where people are not engaged in subsistence agriculture and are thus reliant on the market for their food. Writing in the early 1980s, Harriet Friedmann noted how the rise of a postwar “food order”, based on the transfer of American grain surpluses as aid, had stimulated mass urbanization in the south and created a proletarian class dependent on waged labor to sustain their basic needs. When the supply of cheap grain was removed, this caused difficulties in many parts of the world.⁴⁶ There is also evidence that food crises in the mid-2000s stimulated the growth of consumer co-operatives especially in urban areas, for example in Addis Ababa where an “exceptional increase” in co-operatives was reported in 2007–8.⁴⁷ The problem for historians is that initiatives like these, often drawing on traditional forms of mutualism in a specific society, are often informal, spontaneous and may be short lived. Rarely do they result in the development of a co-operative federation on the European model, and they may

42 Paaskesen, “A Bleak Chapter”.

43 On the Cold War and co-operative development see Ch. 7.

44 See Ch. 8.

45 Rich, “Bernard Huss”, p. 313.

46 Friedmann, “The Political Economy of Food”. For an example, see Bryceson, “A Century of Food Supply”, p. 186. Research published by the ICA showed a surge in the organization of consumer co-operatives in different parts of Asia, including Sri Lanka (then Ceylon), India and Malaysia, at times of acute problems with the food supply due to wartime shortages and rationing or in response to rapid food price rises. See Peiris, “Consumer Co-operation in Ceylon”, pp. 16–8, 21; Rana, “Consumer Co-operatives in South–East Asia”, pp. 38–9, 43; Sarkar, “Recent Trends”, pp. 2–4.

47 Emana, “Cooperatives”.

leave behind few written sources such as minute books or sales records. To recover the histories of such co-operative societies is thus a difficult task and one that may need to employ the research methods of anthropology or related disciplines as well as history.⁴⁸

Since the turn of the millennium there has been a well-documented revival of interest in co-operation, culminating in the United Nations' International Year of Co-operatives in 2012.⁴⁹ As part of this there were some signs that left-wing parties had begun to reappraise the role of mutualism, including co-operation, in their ideological legacies. In Britain for example, co-operation was discussed as a new version of the "third way" between state socialism and neo-liberalism on both the right and the left.⁵⁰ It is too soon to say whether this enthusiasm is temporary or whether it will lead to a permanent revival in co-operatives. Heightened interest in Europe and North America coincided however with renewed interest in co-operatives in the global south as part of a radical and emancipatory civil society, for example under the umbrella of the Solidarity Economy movement in countries like Brazil.⁵¹ This includes concerns for the needs of consumers, to which the next section now turns.

Co-operation and Consumption

As noted, social historians interested in consumption challenged the labor history bias towards conflicts in the sphere of production in the late twentieth century. These new perspectives on the history of consumption and consumerism were very influential in driving a renaissance of interest in co-operative history during the 1990s and after.⁵² Consumer co-operation was one of several strategies available to consumers seeking to challenge capitalist modes of consumption; other strategies could include consumer boycotts and actions intended to adjust prices.⁵³ Sometimes these actions could take disorderly or

48 An example of how to research co-operative history using anthropological methods was provided by Simões, "Economic Strategies".

49 Webster et al., "The Hidden Alternative?" pp. 1–2.

50 For example: McTeman, ed., *What Mutualism Means for Labour*; Patrick Wintour, "Gordon Brown to put co-op ideal at heart of Labour manifesto", *The Guardian*, 31 January 2010; available at <http://www.theguardian.com/politics/2010/jan/31/gordon-brown-labour-election-manifesto>, last accessed 30 March 2015. Blond, *Red Tory*; Norman, *The Big Society*.

51 Gaiger and Dos Anjos, "Solidarity Economy in Brazil"; Bialoskorski Neto, "Introduction to the History of Rochdalian Co-operatives."

52 Furlough, *Consumer Co-operatives in France*; Gurney, *Co-operative Culture*; Furlough and Strikwerda, "Economics, Consumer Culture and Gender."

53 Van der Linden, "Working-Class Consumer Power"; Balnave and Patmore, "The Politics of Consumption", p. 1.

even violent forms. In his seminal 1971 essay on late eighteenth century England E P Thompson argued that the food riot was more than a spontaneous expression of hunger; it was the expression of a “highly-sensitive consumer consciousness” in defense of the traditional “moral economy” that governed the price and supply of grain.⁵⁴ Co-operators may have eschewed the tactics of the food riot, but the concept of the moral economy remains highly relevant to an analysis of co-operative consumption.

Recent studies of consumer co-operation have explored its development in parallel with two major changes in the history of consumption. First, business historians have examined co-operation in the context of the so called retail revolution starting in the mid-nineteenth century, especially in Europe.⁵⁵ Second, social and cultural historians have explored the rise of consumerism, describing a society in which the consumption of goods is valued for the cultural meanings attached to the goods, as well as to serve basic subsistence needs.⁵⁶ In European historiography, consumer co-operatives are seen as coping successfully with – or even driving – what Victoria de Grazia has described as a shift from a “bourgeois” to a “Fordist” mode of consumption in the late nineteenth and early twentieth centuries.⁵⁷ Co-operatives were often in the forefront of changes in retailing and distribution: the emergence of fixed store, fixed price trading; the rise of the multiples or chain stores; the vertical integration of retailing with distribution and manufacture and the manipulation of demand through advertising and the creation of brands.⁵⁸ In the 1940s and 1950s consumer co-operatives were among the first retailers to experiment

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- 54 Thompson, “The Moral Economy of the English Crowd”. For further discussion of the moral economy of the food riot see Gailus, “Food Riots in Germany”; Bentley, “Reading Food Riots”. Bamfield notes that the spike in co-operative flour and bread societies in late eighteenth-century England was also related to the breakdown of the contemporary moral economy: Bamfield, “Consumer-Owned Community Flour and Bread Societies”, pp. 19–20.
- 55 Newer scholarship has played down the idea of a “retailing revolution” in the second half of the nineteenth century, noting instead that there were important continuities between “primitive” and “modern” forms of retailing and that the sector was often a site of conflict. See: Jessen and Langer, “Introduction”; Benson and Ugolini, “Introduction”; Webster, “Building the Wholesale”, pp. 884–5; Wilson, et al., *Building Co-operation*, p. 57; Alexander and Akehurst, “Introduction”; Hornsby, *Co-operation in Crisis*.
- 56 Stearns, *Consumerism in World History*, p. ix.
- 57 De Grazia, “Changing Consumption Regimes”; Furlough, *Consumer Co-operatives in France*, p. 29.
- 58 For example: Furlough, *Consumer Co-operatives in France*, pp. 29–37, 69–78; Purvis, “Stocking the Store”, p. 55.

with self-service grocery stores.⁵⁹ Co-operative delegations made trips to study American retailing, but Swedish KF was also an important source of inspiration and information in Europe.⁶⁰ Further, all consumer co-operatives also needed to secure a reliable supply of goods for distribution to their members and some of them aspired to an integrated system of manufacture, distribution and supply, which would eventually replace capitalist commerce. Anthony Webster, John F Wilson and Rachael Vorberg-Rugh argue that the English Co-operative Wholesale Society (CWS) can be considered a pioneer of international supply chain management (SCM) from the late nineteenth century, which is often overlooked in studies of modern business.⁶¹ Founded in 1863, the CWS was also an important model for other co-operative wholesales, as many of the chapters in this volume show.⁶² That said, consumer co-operatives often found it difficult to circumvent capitalist supply networks entirely, and most remained more or less dependent on their commercial relations with private wholesalers and brokers.⁶³

Co-operative attitudes to these historical changes were often ambivalent. By the 1920s many co-operatives had adopted new methods of branding and advertising developed by their capitalist counterparts, but they were also often deeply critical of what they saw as the manipulation of consumers to create false needs and irrational consumption.⁶⁴ This dichotomy has been one of the key questions for co-operative activists and historians alike: was co-operation an imitator of capitalist business or an alternative? Should it attempt to compete with conventional businesses or to replace them altogether? Was the co-operative movement defined by its business interests above all, or was it ideologically motivated as a social movement?

The answer to these dilemmas has often been shaped by a paradigm of pessimism and decline. Ellen Furlough described how from the 1920s and even before the First World War the French co-operative movement was forced to abandon its resistance to capitalist methods of marketing and advertising, a turn she regarded as a defeat for the last remnants of the movement's earlier radicalism. "By the end of the 1920s," she notes, "the elements that had

59 Shaw et al., "Selling Self-Service", p. 576; Alexander, "Format Development"; Sandgren, "From 'Peculiar Stores'". For examples in this volume see Chs. 11, 18, 19, 23, 24 and 25.

60 See Ch. 27; for an example Ch. 23; see also illustration 2.2.

61 See Ch. 22, pp. 560–2.

62 Ch. 4, p. 87; Ch. 5, p. 104; Ch. 10, pp. 249–50; Ch. 23, pp. 594–5.

63 Webster, "Building the Wholesale", p. 896; Purvis, "Stocking the Store", pp. 57–59.

64 Furlough and Strikwerda, "Economics, Consumer Culture and Gender", pp. 38–41; Kelley, "The Equitable Consumer", pp. 298–9. For debates on marketing and advertising in the Swedish co-operative movement, see Ch. 25.



ILLUSTRATION 2.2 *A Finnish delegation on a study tour to a Swedish co-operative around 1935*
 ARBETARRÖRELSENS ARKIV OCH BIBLIOTEK.
 PHOTO: MEYERHÖFFER.

distinguished co-operative from capitalist commerce were minimal.”⁶⁵ Under the leadership of a new generation of business-minded leaders some European consumer co-operatives were successful in rationalizing their businesses after the First World War, but this often occurred at the expense of idealism.⁶⁶ Moreover, in many cases these successes were relatively short lived, for co-operatives were often unable or unwilling to adapt to the new era of mass consumer affluence after 1945.⁶⁷ This failure has often been cited as an explanation for a long term decline that in some cases ended in collapse, not only in Europe but also in other parts of the global north including Australia and North America.⁶⁸

As many of the contributions to this volume show, however, the picture is more nuanced than this suggests. Firstly, not all co-operatives failed to cope

65 Furlough, *Consumer Co-operatives in France*, p. 259.

66 Brazda and Schediwy, “Consumer Co-operatives on the Defensive”, pp. 18–22.

67 On the challenge of affluence see also Ch. 21.

68 Furlough and Strikwerda, “Economics, Consumer Culture and Gender”, pp. 33–5; see also Section 3 in this volume.

with changes in retailing and consumer preferences. Espen Ekberg has compared how several European co-operatives responded to what he terms three “retailing revolutions” after 1945: the supermarket revolution, the introduction of the chain store and the rise of mass affluence and consumerism. In the UK the co-operatives were early pioneers of innovations like self-service but thereafter lost ground, whereas in Norway and the other Nordic countries they were able to maintain their market share against private retailers.⁶⁹ Secondly, consumer co-operatives were never about retailing alone; they have often sustained a variety of social, political and community activities in different forms alongside their business interests.⁷⁰ The relevance of applying conventional business yardsticks to measure the success or otherwise of co-operation may be questioned. Thirdly, retailing has never been static, nor is it likely to remain so. Older “obsolete” forms of retailing and distribution persisted alongside the newest developments and the sector continues to evolve further today.⁷¹ The introduction of innovations such as supermarkets was a “messy process” which varied enormously between different regions and localities, as did co-operative responses to it.⁷²

Finally, and most importantly, this Eurocentric picture is yet again only part of the story. Histories of consumerism have sometimes ignored the conflicts generated in the sphere of consumption, focusing instead on consumption as an identity-marker through the spread of luxuries and fashions. Matthew Hilton is surely correct to insist that the global consumer movement in the post-war era was not only about consumer choice, but also about access to markets. As Hilton puts it, “developing world consumer issues have simply been ignored by the historical and social scientific literature. Sociological and cultural studies have tended to focus on questions of identity, style and image, issues which arise only in societies of the affluent.”⁷³ He argues convincingly for the existence of a global consumer movement, which, although extremely diverse, has nonetheless been able to span the interests of consumers in both north and south. But his otherwise excellent study gives only a marginal role to consumer

69 Ekberg, “Confronting Three Revolutions”; also Chapter 27.

70 This point has also been made by John K Walton about the rise of co-operation, suggesting that it cannot be explained by economic factors alone, but must be understood in terms of its roots in local communities. Walton, “The Making of a Mass Movement”, p. 27. See also Purvis, “The Development of Co-operative Retailing”.

71 Trentmann, “Beyond Consumerism”, p. 385.

72 Alexander, “Format Development and Retail Change”, p. 503; Jessen and Langer, “Introduction”, p. 9; Purvis, “Retailing and Economic Uncertainty”.

73 Hilton, “The Consumer Movement”, p. 405.

co-operatives in this struggle, apparently informed by the European story of co-operative decline after 1945.⁷⁴

A global perspective on the history of consumer co-operation can thus help to address two important issues. Firstly, it challenges Eurocentric interpretations of the rise of consumer society and the development of retailing, acknowledging different forms of consumption and distribution and also the conflicts that have arisen over them. This raises some fundamental historical questions about the origins of consumer co-operation. Do consumer co-operatives thrive best in conditions of scarcity, to help consumers of limited means secure their basic needs in unpredictable markets? Are there any preconditions for their success: for example, do they thrive in competition with an established commercial retail sector or can they act as a substitute for it? What role do co-operatives play in the development of modern infrastructures of distribution and manufacture? As some of the cases examined in this book demonstrate, co-operatives have engaged – often successfully – to address other consumer concerns such as environmental standards, sustainability and the “moral economies” of the production of goods (fair trade). In Japan and Korea, for example, housewives’ groups campaigned to persuade co-operatives to supply safe food free from additives and pesticides and there was a similar emphasis in the Italian co-operative movement from the 1970s.⁷⁵ Meanwhile, in the Canada, Australia and the US for example, the late twentieth-century resurgence of co-operatives at grassroots level was associated with the supply of whole, organic and local foods, as a protest against the methods of large-scale agriculture and food manufacture.⁷⁶ Such campaigns are also found in the global south, leading us to question assumptions that concern over these matters is a “luxury problem” of affluent societies.⁷⁷ At the same time, declining living standards and rising food prices in many parts of Europe since the global crisis of 2008 mean that the era of abundance should not be taken for granted in the north either.⁷⁸

Secondly, the global history of the co-operative movement can shed light on the history of global trade from the second half of the nineteenth century. The so-called first era of globalization c.1870–1914 is widely acknowledged to be a period of growing integration in global food markets, when previously exotic goods such as coffee and tea became established as items of mass everyday

74 Hilton, *Prosperity For All*.

75 See Chs. 14, 23 and 26.

76 See Chs. 17, 18 and 20.

77 Hilton, *Prosperity for all*, Ch. 3.

78 For example, BBC, “Numbers relying on food banks triples in a year”, 16 October 2013. <http://www.bbc.co.uk/news/business-24536817>. Accessed 24 March 2014.

consumption throughout Europe.⁷⁹ Rather than relying on commercial import agencies European consumer co-operatives began to develop direct contacts with overseas suppliers. The English CWS was a pioneer in this respect, opening its first depots in Ireland during the 1870s followed by branches in New York (1876), Rouen (1879), Copenhagen (1881), Hamburg (1884) and a range of other places in the 1890s, including Sydney and Montreal.⁸⁰ In this it also benefited from its position at the heart of a global empire: as Sidney and Beatrice Webb wrote in 1921, such links would have been more difficult to develop in other countries “less intimately associated with overseas dependencies and the mercantile marine.”⁸¹ Other European co-operatives were developing their global trade fast, however. The ICA found in 1923 that over 70 percent of co-operative trade was with non-European countries, and that 67 percent of this was accounted for by just six commodities: wheat, bacon and lard, butter, sugar, coffee and rice.⁸² The joint co-operative wholesale society for the Nordic countries, Nordisk Andelsforbund (founded 1918) was by 1936 handling over a quarter of a million sacks of coffee annually and had also become an influential importer of commodities such as dried fruit, sugar, rice, spices, soya beans and copra.⁸³

These commercial links could be significant for the transfer of co-operative ideas. Icelandic farmers encountered British and Danish co-operative models through their regular contacts with a Danish merchant in Newcastle-upon-Tyne, who was the main agent for the export of Icelandic agricultural produce to the UK.⁸⁴ At the same time, however, we cannot automatically assume any connection between the movement of co-operative goods and the movement of co-operative ideas. Firstly, transnational commercial relations did not necessarily mean relations with other co-operatives. Consumer co-operatives remained tied into capitalist systems of distribution and supply, and often this meant that they were also tied into imperialist relationships with the producers of agricultural commodities outside Europe. In 1903 the English CWS purchased its own tea plantations in Ceylon (Sri Lanka), followed by efforts to

79 Nützenadel, “A Green International?” p. 153; Nützenadel and Trentmann, “Introduction”, p. 4.

80 Wilson et al., *Building Co-operation*, pp. 86–93.

81 Webb and Webb, *The Consumers’ Co-operative Movement*, p. 284.

82 Third Annual Report of the International Co-operative Wholesale Society (ICWS), 1922–23. Finnish Labour Archives, Helsinki: HNA 14; Keskusosuusliike OTK: Ulkomaiset osuuskunnat.

83 Soya beans and copra were used in the manufacture of margarine. NAF aarsberetning 1936; Finnish Labour Archives, Helsinki. See also Chs. 6 and 9.

84 Kjartansson, “Centred on the Farm”, pp. 43–4.

secure palm oil and cocoa plantations in West Africa.⁸⁵ However, maintaining low prices for consumer-members was the priority and remained so until activists for ethical consumerism challenged it in the 1970s.⁸⁶ In Ireland, where the CWS was one of the main purchasers of butter, the CWS actively hindered the efforts of the Irish Agricultural Organization Society (IAOS) to found co-operative creameries after the Danish model, since it preferred to develop its own works. Ultimately, the Irish suppliers were not able to compete with the standardized and high quality products offered by the Danish suppliers, and the market declined.⁸⁷

Secondly, despite the clearly commercial pressures that drove the European wholesales to seek overseas markets, we should not assume that this implied a total absence of transnational consumer solidarity before the more recent emergence of fair trade and other ethical consumption movements. Frank Trentmann has argued convincingly that British consumers were acutely conscious of the origin of the goods that they consumed during the late nineteenth century, so that free trade – implying access to cheap, imported basic foods – took on the status of a popular ideology, “a major channel through which Britons acquired a sense of the world.”⁸⁸ Even after the abandonment of free trade there were successful efforts to generate a sense of solidarity between metropolitan consumers and white Dominion producers through the “buying for Empire” campaigns of the interwar years.⁸⁹ Although co-operative managers often eschewed the capitalist practices of advertising and branding, as we have seen, towards the end of the nineteenth century they too were becoming acutely aware of the cultural meanings attached to the goods that they sold in their stores.⁹⁰ The extent to which shopping in the co-operative store was ever an ideological act is much debated among historians – complaints about the apathy of members are common in the primary sources, after all – but as Nicole Robertson suggests, it is possible to see the stores and the goods that were sold there as part of the “multi-layered nature of co-operative membership and the different meanings that members could draw from it.”⁹¹

85 Wilson et al., *Building Co-operation*, pp. 130–3.

86 See Anderson, “Cost of a Cup of Tea”; also Ch. 21, pp. 538–9.

87 Doyle, “Better Farming, Better Business, Better Living” pp. 80–7. For a discussion of the relationship between the English CWS and the consumer co-operative movement in Australia see Ch. 18, pp. 470–1.

88 Trentmann, *Free Trade Nation*, p. 22. For co-operative debates on free trade see Ch. 9.

89 Trentmann, “Before Fair Trade”, p. 257.

90 Kelley, “The Equitable Consumer”. See also Ch. 25.

91 Robertson, *The Co-operative Movement and Communities*, p. 52.

Thirdly, again it should be acknowledged that this discussion rests on a Eurocentric interpretation about the global food system as it emerged in the nineteenth century. Much European co-operative thinking did indeed reflect the assumptions of European imperialism, where non-European territories were integrated into the world system as the producers of agricultural commodities for European markets. The importance of European trade should not be overlooked, of course. The efforts of the CWS to develop a network of branches in Denmark during the 1880s and 1890s indicate the importance of Danish bacon and butter in the English market, most of it supplied by agricultural co-operatives.⁹² But nor should we assume that goods for co-operative consumption flowed exclusively from the south towards Europe. As Jeremy Rich has shown in his study of the food supply in colonial Gabon, the efforts of Libreville residents to organize consumer co-operatives in the early twentieth century were primarily motivated by the demand for imported European foods such as tinned goods, flour and sugar.⁹³ In the next section we turn in more detail to a focus on co-operation in the global south.

Co-operatives and Development

Co-operators have always insisted on the voluntarist nature of their movement, suggesting that co-operatives only truly flourish when they are autonomous and independent of the control or support of governments or other agencies. In practice, however, this principle has often been rather difficult to maintain. The Rochdale story of poor workers pooling their meagre resources for mutual advancement has been far from reality in many parts of the world where co-operatives were more likely to be organized from the top down as the tools of social, economic and political reform. Colonial officials, missionaries, local elites and later aid agencies, NGOs and governments all saw in co-operatives a means to inculcate desirable habits, to promote economic growth and to emancipate people through self-help. During the first half of the twentieth century these efforts often took place within colonial administrations, but after independence the co-operative idea was co-opted as part of the international development agenda. The problem was, in Andreas Eckert's words, that "development was something to be done to and for Africans, not with Africa".⁹⁴ Co-operatives were frequently introduced as part of development programs in

92 See Ch. 22.

93 Rich, *A Workman is Worthy of his Meat*, pp. 98, 101, 103.

94 Eckert, "Useful Instruments", p. 98.

ways that mirrored earlier colonial efforts. Any global history of co-operation thus has to grapple with the problem of imperial conquest and its legacies, an aspect of co-operative history that has hitherto been relatively little explored.⁹⁵

From the late nineteenth century colonial administrators became interested in co-operation and sought ways to promote it. The Indian co-operative laws of 1904 and 1912 were important milestones for co-operative development not only within the sub-continent, but also for many other parts of the British Empire, including Africa.⁹⁶ In China, efforts were made to introduce credit co-operatives as part of famine relief from the early 1920s, while here as elsewhere missionaries also had an important role.⁹⁷ The worldwide depression of the 1930s led to an intensification of colonial efforts to stimulate co-operatives, as a means to improve economic efficiency and incorporate colonial societies perceived as economically backward into the world market as the producers and exporters of raw materials.⁹⁸ Whereas earlier efforts within the British Empire had mostly been directed towards India, attention now turned to Africa.⁹⁹ Writing in 1933, the administrator C F Strickland noted how, based on successful experiences in Asia, co-operatives should be introduced to the African colonies as a bridge “between the old static order of native society and the new dynamic life of the interdependent world.”¹⁰⁰

These efforts reflected in part contemporary interest in co-operation as a means to address the social question in many parts of Europe, especially those parts that were still dominated by agriculture and thus considered backward.¹⁰¹ As in Europe, co-operatives would serve a dual function: they would ease the transition to modernity, whilst at the same time also recreating a utopian past of peasant community and restoring what Europeans imagined to

95 See however Rhodes, *Empire and Co-operation*, which is empirically detailed but does not engage with the newer critical historiography on imperialism.

96 On early co-operative law in India see Rhodes, *Empire and Co-operation*, pp. 126–30; Birchall, *The International Co-operative Movement*, pp. 166–7. Birchall writes that laws modelled on the Indian one were adopted in Ceylon (Sri Lanka) in 1911, Malaysia in 1922 and Singapore in 1925.

97 On China see Tawney, *Land and Labour in China*. Thanks to Jenny Clegg for bringing this source to my attention. See also Cook and Clegg, “Shared Visions of Co-operation”. On the role of missionaries see Rich, “Bernard Huss”; also Ch. 7.

98 Eckert, “Useful Instruments”, p. 97. See also Cooper, “Modernizing Bureaucrats”.

99 Power, “Individualism is the Antithesis”, p. 335.

100 Strickland, “Co-operation for Africa”, p. 17.

101 See Hilson et al., “Introduction”.

be some elements of traditional tribal society.¹⁰² This did not mean, of course, that colonized populations would be trusted to create their own co-operative institutions, for colonial administrators invariably tended to overlook traditional arrangements for mutual support.¹⁰³ Co-operation was thus unequivocally a top down development, imposed on local populations. By the 1930s this had become part of a strategy to ease the transition towards indirect rule, with the British colonial administrator Lord Lugard noting that, “[t]he fundamental principle of the system... is to teach personal responsibility and initiative... among a people too prone to act on the instinct of the mob without individual thought.”¹⁰⁴

This also meant that even for the British, the model for development was not Rochdale consumer co-operative but continental examples of rural co-operatives such as the Raiffeisen system. According to Rita Rhodes, the efforts of Horace Plunkett to organize rural co-operatives in Ireland had a significant impact on imperial thinking, while C R Fay’s 1908 book *Co-operation at Home and Abroad* also seems to have been influential in spreading knowledge about agricultural co-operative models.¹⁰⁵ It is ironic that at the same time as British colonial officers were trying to organize Raiffeisen co-operatives in India, representatives of the British consumer co-operative movement were fighting their own battles over the Raiffeisen model in the International Co-operative Alliance, a conflict that resulted in the German agricultural societies leaving the Alliance in 1902 over the question of state support for co-operation.¹⁰⁶ Nor could there be any question that colonial co-operatives should encroach on the interests of the British consumer movement in the form of the CWS, which by the late nineteenth century, as we have seen, had developed extensive commercial interests throughout the Empire for the supply of consumer goods.

The early twentieth century colonial interest in co-operation is thus a good example of the ambivalent meanings of the concept of co-operation, and the

102 Power has described efforts to introduce co-operatives to colonial Malawi as, “a misconceived attempt to turn the clock back”; Power, “Individualism is the Antithesis”, p. 320. On co-operatives as a means to revive a traditional past, see also Zook, “Developing the Rural Citizen”.

103 Gicheru et al., “An Analysis of Socio-Economic Impact”.

104 Lord Lugard, forward to Strickland, “Co-operation for Africa”, pp. vi-vii; cited in Rhodes, *Empire and Co-operation*, pp. 207–8.

105 Rhodes, *Empire and Co-operation*, pp. 69–71, 171–92. The colonial administrator W Bryant Mumford drew on Fay’s book for knowledge of the German agrarian co-operatives, while R H Tawney referred to examples in Germany, France and Denmark in his discussion of co-operatives in China. Mumford, “East Africa”; Tawney, *Land and Labour in China*, p. 81.

106 Birchall, *The International Co-operative Movement*, p. 46.

ways in which it could be turned to different ends. Consumer co-operatives are rarely mentioned in the literature on imperial co-operatives, but this does not mean they are absent altogether. In her study of twentieth century Yaoundé, Jane I Guyer has noted how the French colonial authorities established two consumer co-operatives for wage and salary earners as part of the Provident Societies (Sociétés de Prévoyance) intended to introduce commercial market relations into the local food distribution system. The Coopérative des Travailleurs de Yaoundé for the native population had 2000 members and served twice as many customers, while there was another smaller organization for European expatriates. These societies disappeared following independence.¹⁰⁷ Consumer co-operatives were also formed in the neighboring colony of Gabon during the 1940s, serving both Europeans and Africans who wished to buy imported goods, but this seems to have been a response to the restrictions of the colonial state rather than an initiative stemming from it.¹⁰⁸

Co-operatives gained a new prominence as part of strategies for post-independence development.¹⁰⁹ A study by Amy J Johnson explores the case of Egypt, where a co-operative law was introduced just one year after independence in 1922 in order to create a Co-operative Department in the Ministry of Agriculture. Co-operative societies were organized as part of civil servant Ahmed Hussein's plan for Rural Social Centers, and although these were intended to assist the development of agriculture in particular – Hussein's knowledge of co-operation was derived from his doctoral studies of the agricultural sector in Germany – they primarily took the form of agricultural purchasing societies. The model co-operative society founded in the village of al-Manayil in the 1930s supplied its members with essential non-food goods such as kerosene, soap, matches, cotton clothing and household utensils, as well as seeds and fertilizer.¹¹⁰ The rural co-operative movement continued to expand following the military coup d'état in 1952, initially connected to a radical program of land redistribution, though the emphasis now was on agricultural marketing societies to develop exports.¹¹¹ Such examples could also serve as models or sources of inspiration elsewhere: in her contribution to this volume Jessica Gordon Nembhard notes how examples of co-operative development

107 Guyer, "Feeding Yaoundé", p. 128.

108 Rich, *A Workman is Worthy*, pp. 98–103. The co-operatives were in decline by the early 1950s, due to problems with the embezzlement of funds and a lack of economic strategy.

109 Develtere, "Cooperative Development", pp. 13–4.

110 Johnson, *Reconstructing Rural Egypt*, pp. 21–5; 41–3; 90–1.

111 Johnson, *Reconstructing Rural Egypt*, pp. 164–6.

in Turkey were reported in the newsletter of the Young Negroes' Co-operative League (YNCL) during the 1930s.¹¹²

After the Second World War, the role of co-operatives in development strategies was taken up by leaders of newly independent states, leading to a rapid expansion of co-operatives in what was then called the Third World during the 1950s and especially the 1960s.¹¹³ According to their supporters, co-operatives offered a strategy for economic growth based on the development of the agricultural export sector, while at the same time they also appealed to a new radical generation of leaders as "liberation movements" championing the poor and underprivileged.¹¹⁴ But they were also attractive as part of a distinctive vision for "African democratic socialism", articulated for example by Tanzanian leader Julius Nyerere.¹¹⁵ Likewise in India, Nehru committed his government to the creation of a Socialist Co-operative Commonwealth in his second five-year plan 1956–1961.¹¹⁶

The former colonial powers remained influential in these developments. Nyerere took some inspiration from his knowledge of Fabian socialism, which, as we have seen, helped to shape the colonial policy of the British Labour government in office 1945–51.¹¹⁷ Many of those involved in the new co-operative societies studied at the UK's Co-operative College, which from 1947 offered residential courses aimed specifically at students from British colonies.¹¹⁸ But there were also other influences. In East Africa, Israel and the Nordic countries were to become especially significant in co-operative development for a number of reasons. Firstly, the historic development experiences of these small countries seemed to chime with the ambitions and aspirations of the newly independent East African states, with a particularly important role for the agricultural co-operative movement. Nyerere's vision of a new nation based on traditional peasant values or *ujamaa* struck a chord in Norway and several of his books were translated into Norwegian.¹¹⁹ Secondly, although not

112 See Ch 8.

113 Eckert, "Useful Instruments", pp. 110–3; Birchall, *The International Co-operative Movement*, p. 135; Develtere, "Cooperative Development", p. 14.

114 Eckert, "Useful Instruments", p. 113.

115 Eckert, "Useful Instruments", p. 112; Simonsen, *Norsk utviklingshjelps historie*, pp. 140–1, 155–8; Develtere, "Cooperative Development", p. 14. There was also a large Nordic aid program to develop agricultural co-operatives in Kenya.

116 Shaffer, *Historical Dictionary*, p. 256; Sarkar, "Recent Trends", pp. 3–4.

117 Eckert, "Useful Instruments", p. 113; see above, pp. 24–5.

118 Shaw, *Making Connections*, pp. 27–8.

119 Simonsen, *Norsk utviklingshjelps historie* p. 142. On Israel see Reich, "Israel's Policy in Africa", p. 17.

formally non-aligned, the Nordic countries were often regarded as representing a middle way between the two superpowers and moreover also as lacking a significant colonial past.¹²⁰ Thirdly, the legacy of the Nordic countries' historic missionary interests, together with the personal charisma of Nyerere and his espousal of a social democratic "middle way", seem to have been influential in establishing Tanzania as the "Nordics' favourite developing country" during the 1960s.¹²¹

The result was direct efforts to assist the foundation of co-operatives through bilateral aid programs. The Israeli trade union federation Histadrut established an Afro-Asian Institute for Labour Studies and Co-operation where participants from across Africa were trained in the theory and practice of organizing trade unions and co-operatives.¹²² Following the launch of the Nordic Tanganyika Education Centre in Kibaha in the early 1960s as a joint Nordic aid project, in 1968 the Nordic governments agreed to establish a new scheme intended explicitly to promote co-operation in Tanzania. This continued for nearly a decade, despite the abandonment of the voluntary principle when the co-operatives became part of the government's forced collectivization policy in 1973.¹²³

These bi-lateral projects were shaped partly by the assumption that both Israel and the Nordic countries had specific relevant historic expertise as far as co-operation was concerned. But they also chimed with a general emphasis on the role of co-operatives in development during the 1960s. In launching its "development decade" in 1968 the UN envisaged a key role for co-operatives, and at the same time established a Committee for the Promotion and Advancement of Co-operatives (COPAC) together with other international organizations and UN agencies including the ILO, FAO and the ICA.¹²⁴ Meanwhile, the ICA was also establishing its own strategy to support co-operatives in the developing world, acknowledging that it was fast ceasing to be a predominantly European organization. Before the Second World War the Alliance had organized ad hoc appeals for funds to support co-operatives in difficult circumstances, for example in Spain during the 1930s, but this was now given a more permanent

120 On Nordic non-alignment and the "middle way" see Hilson, *The Nordic Model*. Recent research has challenged the assumption that the Nordic states were unaffected by colonialism.

121 Engh and Pharo, "Nordic Cooperation", pp. 112–30; also Paaskesen, "A Bleak Chapter", p. 458.

122 Reich, "Israel's Policy in Africa", p. 16.

123 Paaskesen, "A Bleak Chapter".

124 Birchall, *The International Co-operative Movement*, p. 142. See also COPAC website at <http://www.copac.coop/about/>; last accessed 23 August 2016.

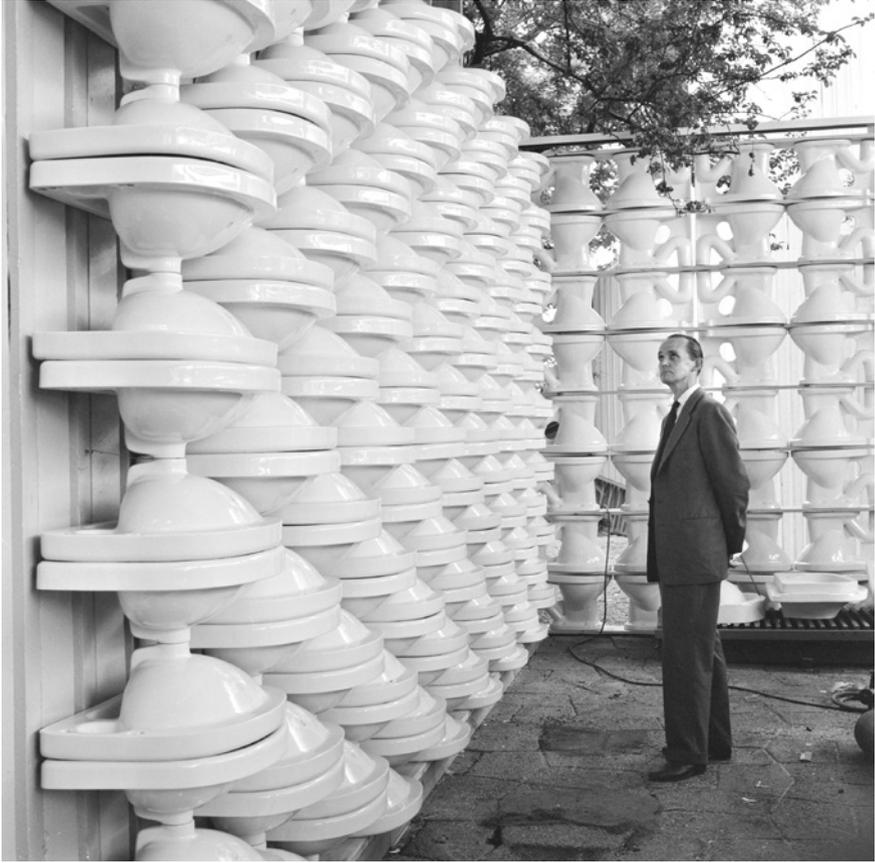


ILLUSTRATION 2.3 *Sanitary ware displayed as part of the KF exhibition “Co-operation without Borders”, organized in conjunction with the ICA congress in Stockholm, 1957*

ARBETARRÖRELSENS ARKIV OCH BIBLIOTEK, A-BILD.

structure with the establishment of a sub-committee for technical assistance in 1954.¹²⁵ The sub-committee was intended to supply materials and educational assistance to co-operatives with the ultimate aim of creating regional organizations within the ICA, and efforts were originally directed at Asia.¹²⁶ Among the member organizations, particularly influential was the Swedish Kooperativa Förbundet (KF) which launched its “Co-operation without

125 Rhodes, *The International Co-operative Alliance*, p. 198. For an early example of the role of international disaster aid in stimulating co-operatives, in drought-affected regions of China in the early 1920s, see also Ch. 15.

126 Watkins, *The International Co-operative Alliance*, pp. 270–1.

borders” program with an exhibition at the ICA’s Stockholm congress in 1957 (see illustration 2.3), and the following year donated 1 million Swedish kronor to establish a co-operative education center in India.¹²⁷

Perhaps inevitably, given the legacies of colonialism and state involvement, this enthusiasm for co-operation eventually turned to disillusion. It soon became apparent that many of the co-operatives created during the post-independence era were little more than the tools of centralized government policy and social control, frequently aided by the naive and well-meaning efforts of European donors. Moreover, the rapid expansion of the sector vastly outstripped its capacity to develop as a truly grassroots organization, which “[opened the] floodgates for nepotism, corruption, mismanagement and financial indiscipline.”¹²⁸ From the 1970s there were therefore new efforts by aid agencies and NGOs to promote co-operatives from the bottom up as part of schemes for poverty alleviation, though these were only partially successful.¹²⁹ The economic fragility of many co-operatives also meant that they were vulnerable to the withdrawal of government support, often introduced under the auspices of the International Monetary Fund’s Structural Adjustment Programs (SAPs), and many failed. The experiences of mismanagement, failure and control also left a popular legacy of distrust towards co-operatives in many parts of the developing world.¹³⁰

There are signs however that these negative experiences gave way during the 1990s and after to a renaissance of interest in co-operation as a means to encourage grassroots engagement, participation and empowerment. After the turn of the millennium the sector seemed to demonstrate a new dynamism. In the International Labour Organization’s (ILO) 2002 resolution 193 co-operatives were acknowledged as a means to tackle dislocations of globalization, also recognized by the UN’s International Year of Co-operatives in 2012.¹³¹ As Patrick Develtere has pointed out the unified model of co-operative development based on a hierarchical tiered structure and inherited from the European experience still tends to dominate, but there does seem to be some space for other types of organization.¹³²

127 Watkins, *The International Co-operative Alliance*, p. 287. Swedish aid also assisted co-operatives in Uganda and Kenya, together with other donors: see Mrema, “Uganda”, p. 166; Wanyama, “The Qualitative and Quantitative Growth”, p. 113.

128 Develtere, “Cooperative Development,” p. 16.

129 Develtere, “Cooperative Development,” p. 20.

130 Eckert, “Useful Instruments”, p. 118.

131 ILO: R193 Promotion of Cooperatives Recommendation, 2002.

132 Develtere, “Cooperative Development”.

Consumer co-operation continues to play a secondary role to agricultural producer or credit co-operation, however. Agricultural co-operation is explicitly connected to development through its dual role of promoting self-help and emancipation for disempowered peasant farmers on the one hand, while also helping to improve agricultural practice and develop valuable export crops. Consumer co-operatives seem to be understood as the child of development, rather than its parent, required only when subsistence agriculture has given way to industrialization and urbanization. To put it another way, consumer co-operatives seem best adapted to help individuals or families negotiate existing markets, rather than helping to create them. There are two reasons why they should not be overlooked, however. In the first place, few peasant farmers can avoid the market altogether, even if they are able to meet their own food needs. The line between agricultural producer and consumer societies can therefore become rather blurred: in the Egyptian example, as we saw, agricultural purchasing societies were important in supplying essential household goods to rural villages. Secondly, most if not all developing countries have experienced extremely rapid urbanization during the twentieth century and especially since independence. It has been estimated that the world's urban population will outnumber rural dwellers, for the first time in human history, at some time during the early twenty-first century.¹³³ Consumer co-operatives are potentially a very important strategy for these city dwellers to supply their basic needs, especially when food prices rise.¹³⁴

Conclusion: The Global Geography of Co-operation: Communities and Connections

“Development”, in the rhetoric of the 1950s and 1960s, was conceived of as a universal project: human societies across the world were expected to follow similar trajectories towards modernization based on European experience.¹³⁵ Co-operation fitted well with these aspirations, as co-operators have frequently emphasized the universal appeal of their movement. At the same time, co-operatives often seem to flourish best when they are deeply rooted in the communities that they serve.¹³⁶ Many of the most successful co-operatives have had a profound sense of connection to place, such as the Mondragon group

133 Davis, *Planet of Slums*, p. 1.

134 Emaná, “Cooperatives”; Guyer, “Feeding Yaoundé”; Sarkar, “Recent trends”, pp. 1–2.

135 See Cooper and Packard, “Introduction”; Cooper, “Modernizing Bureaucrats”.

136 For further discussion of this point see Ch. 16, p. 424.

with its connections to Basque cultural identity to cite one well-known example.¹³⁷ Co-operatives were connected to nationalist mobilizations especially in Eastern Europe during the late nineteenth century but also as part of anti-colonialist movements in the twentieth century.¹³⁸ Yet although co-operative history has often been written as a story of the evolution from local society to national federation, the connection between co-operatives and the nation state cannot be taken for granted. In Ireland, for example, attempts by late nineteenth century nationalists to organize co-operatives were largely unsuccessful, because they were regarded as impositions alien to the needs and traditions of the local communities for which they were intended.¹³⁹ Especially in large federal states like Australia it proved very difficult to establish permanent national co-operative organizations, even though co-operative societies were flourishing at the local level.¹⁴⁰

As Nicole Robertson has noted, the idea of community has been one of the central themes of co-operation since the early nineteenth century.¹⁴¹ “Concern for community” is one the ICA’s seven co-operative principles, expressed in the statement that, “[c]o-operatives work for the sustainable development of their communities through policies approved by their members.”¹⁴² It is often pointed out that the original rules of the Rochdale Pioneers contained a provision to set aside capital for the establishment of discrete communities modelled on Owenite ideas. Even if this commitment was later abandoned, many consumer co-operatives continued to play prominent roles in the lives of the communities they served, not only through the stores but also through sometimes extensive provisions of sporting, recreational, social and educational

137 Molina and Miguez, “The Origins of Mondragon”; Molina and Walton, “An Alternative Co-operative Tradition”.

138 On co-operatives and nationalism see: Lorenz, “Introduction”; Albrecht, “Nationalism in the Co-operative Movement”. Examples of co-operatives as anticolonial movements discussed in this volume include Korea, where Hyungmi Kim shows how a Buy Korean Products Movement inspired by the Gandhian Swadeshi movement stimulated interest in co-operatives during the 1920s; and Jamaica, where Susan Fitzpatrick-Behrens and Catherine C LeGrand write that co-operatives were part of the strategy of the organization Jamaican Welfare, which “sought to turn the colonial psyche on its head by pointing to the dignity and potential of rural people.” See Ch. 14, pp. 358–60; Ch. 7, pp. 156–7.

139 Jenkins, “Capitalism and Co-operators”, pp. 102–5; Doyle, “Better Farming, Better Business, Better Living”.

140 See Ch. 18; also the introduction to Section 3 for further discussion of this point.

141 Robertson, *The Co-operative Movement*, p. 2.

142 ICA, *Co-operative Identity, Values and Principles*. On the idea of community see Yeo and Yeo, “On the Uses of ‘Community’”.

activities.¹⁴³ Based on local studies of eight different British societies over the twentieth century, Nicole Robertson has concluded that there was some evidence that this amounted to the creation of a distinctive co-operative sub-culture, comparable to the culture building programs of social democratic labor parties in Germany and Austria for example.¹⁴⁴

The links between co-operation and community are not always clear, however, and require careful exploration. In Britain, historians have linked the strength of co-operation to localities dominated by strong working-class communities: co-operation flourished in the “traditional” industrial districts of Lancashire and Yorkshire but made much slower progress in the south of England, including London.¹⁴⁵ This is supported by evidence from other national cases, as demonstrated by some of the contributions to this volume. Even in what are considered as examples of weak co-operative movements nationally, co-operation thrived among certain groups, such as railway and coalmining settlements in Australia and Canada, and the areas settled by Scandinavian immigrants in North America.¹⁴⁶ Elsewhere in Europe, the foundation of co-operatives was stimulated by networks of solidarity developed in other social milieu, such as the labor movement in the Portuguese example.¹⁴⁷ However, John K Walton has warned that we must not take for granted the connection between successful co-operatives and strong working class community life. Co-operation developed in parallel with other aspects of a distinctively working class culture in Lancashire in the late nineteenth century, and was the beneficiary of that sense of difference as well as contributing to its formation.¹⁴⁸ Likewise the connection between the decline of working-class culture in Europe during the second half of the twentieth century and the coterminous decline of consumer co-operation still requires further exploration.

The dual nature of co-operation – at once universal and also tightly connected to place – therefore seems to call for an approach that goes beyond the confines of “methodological nationalism”. Transnational history, as has been observed many times, is not a call for the abandonment of the nation state altogether, but rather an acknowledgement that nations offer one spatial dimension that needs to be considered in relation to others.¹⁴⁹ What transnational

143 Robertson, *The Co-operative Movement*, Chs. 2, 4.

144 Robertson, *The Co-operative Movement*, pp. 89–90; cf Gurney, *Co-operative Culture*, p. 60.

145 Purvis, “The Development of Co-operative Retailing”, pp. 316, 322, 327–8.

146 See Chaps. 17, 18 and 20.

147 See Ch. 12.

148 Walton, “The Making of a Mass Movement”, pp. 23, 27.

149 Stuck et al., “Introduction”, p. 576.

history implies, in the words of Jürgen Osterhammel, is a “polycentric” analysis that “should begin from both ends at the same time.”¹⁵⁰ The contributions to the current volume go some way towards that aim, focusing on the development of national co-operative organizations in a number of different cases, but also on the connections between them: outwards to other co-operatives across national boundaries, but also inwards to the local co-operative societies who made up the movement.

We return to a more comprehensive discussion of the means and mechanisms by which co-operatives were connected across national boundaries in the conclusion. Here, however, a few preliminary comments are in order. As noted, the co-operative movement has been shaped by transnational connections since its beginnings. Convinced of the universal appeal of their ideas, many of its founders were natural cosmopolitans, and some were also actively engaged in other international organizations including the peace movement.¹⁵¹ Co-operative ideas were transmitted through overlapping networks – for example through the labor movement – but like other social movements, co-operation quickly developed its own pantheon of prophets and missionaries, its sacred texts and sites.

National co-operative histories frequently emphasize the role of their “founding fathers”, or the “social movement entrepreneur”, to borrow a term used by Fernando Molina and Antonio Miguez.¹⁵² These were individuals, like the founder of the Basque Mondragon co-operative Father Arizmendiaretta, who first “discovered” the co-operative idea overseas and subsequently made efforts to establish a co-operative movement in their home country. In many cases they were (usually) men who devoted not only time and energy but also their personal resources to the co-operative cause. Like activists in other social movements, co-operators crossed borders for a variety of different reasons.¹⁵³ They were emigrants, like the founder of the Co-operative Union of Canada George Keen.¹⁵⁴ They were academics who encountered co-operation while studying abroad, like the French economics professor Charles Gide or the Finnish agronomist Hannes Gebhard and the African American scholar

150 Osterhammel, “A ‘Transnational’ History of Society”, p. 43.

151 Birchall, *The International Co-operative Movement*, Ch. 2; MacPherson, “The International Co-operative Movement”.

152 Molina and Miguez, “The Origins of Mondragon”, p. 286. An exception seems to be Austria: see Ch. 11, p. 267.

153 See also Adam, *Intercultural Transfers*, p. 20, who discusses this point in relation to the US co-operator James Warbasse.

154 On Keen see Ch. 17, pp. 436–7; also Fairbairn, *Building a Dream*, pp. 16–9; MacPherson, “Of Spheres, Perspectives, Cultures”, pp. 337–9.

W E B Du Bois who both studied in Berlin, or the Chinese intellectuals who studied co-operative ideas in Japan, France and Germany.¹⁵⁵ In some cases they were political dissidents who encountered the co-operative idea during periods of enforced exile abroad, such as the Spanish republican Fernando Garrido;¹⁵⁶ or they were travelers and adventurers, like the Englishman George Hogg who had some influence in the establishment of Chinese co-operatives during the Japanese occupation of the 1930s.¹⁵⁷ It is important to note that many were motivated not by their interest in co-operation per se, but by wider concerns with education and social reform. In this respect we should acknowledge in particular the role of clergymen and missionaries, such as the Japanese co-operator and preacher Toyohiko Kagawa who toured America and Australasia in 1936 to great acclaim, and the Catholic priests of the Antigonish movement, which originated from Canada and became influential in the spread of co-operation in Latin America.¹⁵⁸

As Ian MacPherson has warned, it is not enough to insist on the appeal of the Rochdale or other models and their transfer across national boundaries as a straightforward, linear process.¹⁵⁹ Co-operation was a diverse and often multi-centered movement, especially in its early days. We need to know more about why different forms of co-operation appealed in some contexts and not others; and how foreign models were adapted and re-interpreted to suit local conditions. The transfer of co-operative ideas was often reciprocal, leading to complex webs of entanglement crossing many different national boundaries. Uncovering the full implications of these links and networks presents a methodological challenge, however, especially for those individuals who were very prominent in one national context but may be less well known in another. For example, the role of António Sérgio is acknowledged as extremely influential on the development of consumer co-operation in Portugal, but scarcely known

155 On Gebhard see Hilson, "Transnational Networks"; on Du Bois see Ch. 8, p. 155; on China see Ch. 15, p. 381.

156 See Ch. 13, pp. 330–1.

157 Cook and Clegg, "Shared Visions of Co-operation". See also Adam, *Intercultural Transfers*, p. 20, who discusses the US co-operator James Warbasse.

158 On the impact of Kagawa's American tour, see Teeboom, *Searching for the Middle Way*, Ch. 3, pp. 15–25; also in this volume Ch. 8, p. 193; Ch. 20, p. 516. Kagawa also visited Australia: see Ch. 18, p. 470. On the Antigonish movement see Ch. 7.

159 MacPherson notes that one of the limitations of research on co-operation has been "a tendency to underestimate difference and to assume easy transfer from one movement or organization to another, from one culture to another." MacPherson, "Confluence, Context and Community", pp. 407–8.

in France where he spent a period of involuntary political exile in contact with Charles Gide and others of the Nîmes school.¹⁶⁰

Of course, co-operative ideas travelled not only with prominent individuals, but also as part of mass migrations. This is well documented in the secondary literature, especially for the Americas and Australia where there were high levels of European immigration, but we need to explore further why some groups found co-operation a useful means to help them adapt to new environments, while others did not.¹⁶¹ The diversity of the American population is frequently cited as an explanation for why consumer co-operation was largely unsuccessful in the USA, but it flourished among certain groups such as the first and second generation Finnish immigrants of the Great Lakes region, California and the Pacific North West, and also among many African-American communities in the south of the country.¹⁶²

From the turn of the twentieth century, the co-operative movement had its own international institutions, which have also been influential in shaping co-operative connections. In common with the nineteenth-century labor movement, co-operative unions generally sent fraternal delegates to the annual congresses of their sister organizations abroad. The foundation of the International Co-operative Alliance (ICA) was largely the result of the informal networks that had developed between French and British co-operators, who in both cases looked to foreign contacts to support ideological struggles within their own national movements.¹⁶³ During the interwar period the ICA became a meeting place mostly for the representatives of consumer co-operative organizations in northern and central Europe, and though there were attempts to reach out beyond this, for example to the wheat pools of the Canadian prairies, these were stymied by the Great Depression.¹⁶⁴ There were however attempts to foster the sense of a wider international community of co-operators, for example through the adoption of common symbols (the rainbow flag) and the International Day of Co-operation from the early 1920s; the circulation of publications and especially a trilingual monthly journal; and from the 1930s the

160 See Ch. 12. I would also like to acknowledge participants of the workshop “Consumer Co-operatives in Portugal: Ideas, Experiences and International Connections”, Universidade de Lisboa, November 2012 for further insights about Sérgio.

161 Leiken, “The Citizen Producer”, p. 103; Balnave and Patmore, “Rochdale Consumer Co-operatives”, p. 988.

162 See Chs. 8 and 20.

163 On the early history of the ICA see Watkins, *The International Co-operative Alliance*; Birchall, *The International Co-operative Movement*; Rhodes, *The International Co-operative Alliance*.

164 Hilson, “A Consumers’ International?”.

adoption of programmatic statements on co-operation, the most important of which was the adoption of the seven principles, derived from the Rochdale pioneers, in 1937.¹⁶⁵ Through the ICA co-operators also sought representation and participation in other international organizations, including the ILO and the League of Nations.¹⁶⁶

An important area for exchange was also that central plank of co-operative identity, namely education. National congresses, not to mention the ICA, were always seen as important opportunities for the exchange of information about important innovations in co-operative retailing or management, but it is important to note that this was not necessarily achieved through the formal business on the congress floor. Evidence from co-operative journals suggests that it was relatively common for co-operatives to send delegations on tours of businesses in neighboring countries, perhaps as part of the journey to or from the international congress. Nor was it unusual for co-operative managers to spend a period working in a co-operative business in another European country as part of their training. Opportunities for overseas co-operative education were formalized through the ICA's international co-operative summer schools run in conjunction with the Congress from the 1920s, but national co-operative institutions such as the UK's Co-operative College, founded in 1919, were also important in this respect.¹⁶⁷

After 1945 the ICA became a truly global organization. This in turn implied a broadening of its scope away from the earlier dominance of the consumer co-operatives, so that by the time of writing in 2016 it has not only regional sections for different areas of the world, but also sectoral organizations representing the interests of credit, consumer, agricultural, worker and other types of co-operative. Although it undoubtedly gained in prominence from the UN's International Year of Co-operatives, its reach outside the co-operative movement is more difficult to judge. Certainly it seems to be relatively under-represented in the academic literature compared to other international non-governmental organizations. This is therefore an area that still requires much more research. Although the present volume can only provide limited answers to questions about how and with what impact co-operative ideas crossed national borders, it is hoped nonetheless that the examples presented here will act as a stimulant to further investigations.

165 Hilson, "A Consumers' International?".

166 For discussion of this point see Ch. 9.

167 Shaw, *Making Connections*.

SECTION 1

Origins and Models



Origins and Models: Introduction to Section 1

Mary Hilson

Co-operation takes many different forms, and as discussed in Chapter 1, it is not always possible to draw clear lines of demarcation between different types of co-operation. Co-operative enterprises were formed in many different places during the course of the nineteenth century, sometimes spontaneously and independently, but very often informed by knowledge of similar experiments elsewhere. A few co-operative societies came to achieve a particularly celebrated status as sources of inspiration or models; none more so than the Rochdale Equitable Society of Pioneers founded in northern England in 1844. Examination of these cases helps to reveal how ideas about co-operation travelled across national boundaries, while also indicating the limitations of these transfers. Further, the examples discussed in this section also suggest some of the reasons for the success and failure of co-operative businesses, especially during the formative period before the Second World War.¹ It should be acknowledged, of course, that singling out these particular cases as “models” is fairly arbitrary; indeed, it would be justified to include many if not most of the other contributions to this volume under this heading. Moreover, our focus on consumer co-operation means that we have overlooked some of the other co-operative societies that have achieved an iconic status globally, for example Mondragon or the Israeli kibbutzim.

As many of the contributions to this book make clear, the term “Rochdale” has had a powerful resonance for the international co-operative movement, even if it meant very different things in different contexts. In Australia, as Nikola Balnave and Greg Patmore show, the term “Rochdale” even came to stand as shorthand for consumer co-operative societies.² Writing in 1907, C R Fay commented that “One may measure the stores of other nations by the degree in which they fall short of the English [Rochdale] model, for it is the measure which they themselves apply.”³ The Rochdale society was also an important reference point for the International Co-operative Alliance (ICA), which turned to the original rules and statutes in its attempt to define a clear set of co-operative principles in the 1930s. ICA officials acknowledged that the

1 This theme is discussed further in Sections 3 and 4.

2 See Ch. 18.

3 C R Fay, *Co-operation at Home and Abroad* (1908), p. 273; cited in Birchall, *The International Co-operative Movement*, p. 10.

word Rochdale had “a sort of mystic appeal” and a “religious glamour” for co-operators in many countries, despite the divergences in how they operated their societies.⁴

By the early twentieth century Rochdale had become, in Ellen Furlough’s words, “a compelling model of practical economic initiative combined with social and educational goals.”⁵ Its appeal was based above all on its success and the co-operative institutions which it spawned. Some of the chapters in this volume testify to the importance of the Co-operative Wholesale Society in Manchester for co-operators seeking to establish similar wholesales in other European countries.⁶ However, as discussed in Chapter 3, any attempt to define the Rochdale principles of co-operation needs to be treated with caution. The meanings and legacy of Rochdale co-operation were always contested, in Britain as much as anywhere. By the turn of the twentieth century most authors acknowledged the multipolar nature of consumer co-operation. Typical was the distinction made in a 1922 Finnish dictionary of state administration: between the “socialist” distributive co-operatives which were seen as the “third pillar” of the labor movement and associated above all with Belgium, and the “co-operativism” of the French Nîmes school associated with economics professor Charles Gide, which conceived of co-operation as a movement for its own sake uniting consumers of all social classes.⁷

The first four chapters in this section deal with national consumer co-operative movements in Europe that came to be regarded as models. The Belgian case, which is the theme of Chapter 4, was often held up as an example of socialist co-operation. The success of the Ghent consumer co-operative society Vooruit, founded in 1881, was influential in shifting attitudes to co-operation within the German Social Democratic Party and the Second International, which agreed a resolution acknowledging the importance of consumer co-operation at its 1910 congress.⁸ But Vooruit’s commitment to socialism should not be taken for granted. Vooruit started as a co-operative bakery during the 1870s and a majority of its board actually opposed the decision to adopt an explicit political strategy. Nonetheless, in the hands of a younger group of members, “expansion, not prudence, became the catchword,” as Geert van Goethem puts it and Vooruit grew very rapidly. By the early twentieth century it was

4 Hilson, “A Consumers International”, p. 211.

5 Furlough, “Consumer Cooperation”, p. 197.

6 Furlough, “Consumer Cooperation”; Adam, *Intercultural Transfers*, p. 11; for an example see Ch. 10.

7 Wedenoja, “Osuuskaupat”.

8 See Ch. 2, pp. 19–20.

aspiring to create an alternative world for its working class members, supplying their wants from the cradle to the grave and even issuing its own currency.

As inhabitants of a small state at the “crossroads of internationalism” in the late nineteenth and early twentieth centuries, Belgian socialists and co-operators were influenced by extensive international contacts and exchange.⁹ The legacy of the First International was significant for co-operation, but van Goethem also shows how Belgian co-operators were influenced by the English Co-operative Wholesale Society and by French co-operators. Belgian migration to the industrial regions of northern France was significant in the transfer of co-operative ideas. But these links were also reciprocal. As Simon Lambersens, Amélie Artis, Danièle Demoustier and Alain Mélo show in Chapter 5, producer and consumer co-operatives may be seen as important working-class strategies to improve living standards in nineteenth-century France, and flourished in particular during the periods of revolutionary upheaval in the 1830s and 1840s. The French case thus provides a striking example of how co-operatives established on so called “Rochdale” principles pre-dated Rochdale, although French co-operators in the 1840s were also aware of developments in the north of England. Consumer co-operation entered a period of rapid expansion from the 1880s but also became divided: between the Nîmes or “co-operativist” school and those advocating Belgian style socialist co-operatives who affiliated to their own organization, BCS. To this can be added a third group, the École de Saint-Claude in the Jura mountains, which sought to develop a more comprehensive co-operative system inspired partly by Vooruit. Here, profits were not redistributed but were instead allocated to social purposes and the co-operative also collaborated with producer and agricultural associations. In 1912 the two wings of the movement were reunited, albeit under an arrangement that allowed autonomy for both parties, but this essentially marked an ideological victory for the Nîmes school’s UC over the BCS. The authors accept the interpretation advanced by Ellen Furlough that, despite rapid expansion during the First World War, during the 1930s the French consumer co-operative movement gradually abandoned its socialist aspirations and instead adopted the strategies of its capitalist rivals, seeking to offer a corrective to capitalism rather than an alternative.¹⁰

The co-operative movements of Denmark, Finland, Norway and Sweden are considered here as part of a Nordic regional block, though as Chapter 6 makes clear it is also important to acknowledge the differences between them. Nordic

9 On Belgium as the “crossroads of internationalism” see Laqua, *The Age of Internationalism*.

10 Furlough, *Consumer Cooperation in France*.

co-operators referred to parallel traditions of co-operation in different parts of Europe, including the French model of producer associations and the German credit societies founded by Raiffeisen and Schulze-Delitzsch, as well as the Rochdale model of consumer co-operation.¹¹ These ideas were discussed from the mid-nineteenth century, but it was not until the turn of the twentieth century that consumer co-operatives became permanently established in the Nordic region. Like elsewhere in Europe their rapid growth was stimulated by rising real wages and the disruptions to the food supply during the First World War, though the Nordic co-operative organizations were also able to take advantage of a relatively undeveloped retail sector. One of the distinctive features of consumer co-operation in the region was its strength in the countryside, which meant that in some cases it became integrated with agricultural co-operative movements. There were however also instances of conflict between the societies of urban consumers and those of rural farmers, in some cases intensified by political divisions between socialists and non-socialists, though all the Nordic co-operative federations insisted on their political autonomy and non-alignment.

Despite these divisions, by the 1930s the Nordic co-operative societies were attracting attention, especially from America, as the example of a successful “middle way” between communism and capitalism. President Roosevelt’s 1936 Inquiry on Co-operative Enterprise in Europe devoted the lion’s share of its time and attention to the Nordic countries, especially Sweden, but the idea of Nordic co-operation as a “middle way” also found resonance outside the USA in this period.¹² There is also evidence of collaboration between representatives of the Nordic countries within the ICA to develop a distinctive contribution to co-operative ideology and practice, including for example Swedish co-operator’s Anders Örne’s contributions to debates on co-operative trade, discussed in Katarina Friberg’s chapter.¹³ In doing so they portrayed themselves as the guardians of the Rochdale tradition of political neutrality, insisting that co-operation was primarily a set of business principles, albeit one which contained within it a critique of the conventional capitalist business model. Pernilla Jonsson’s contribution to Section 4 of this volume reveals how the Swedish co-operative union KF responded to the commercial challenges of the interwar period, adopting new strategies of marketing and advertising

11 For example, this distinction is found in an 1898 report to the Finnish Senate on European co-operation: Granström, *Om kooperativa självhjälpsföreningar*.

12 For an example, see Miklóssy, “The Nordic Ideal”. On co-operation in the USA during the 1930s see Chapters 8 and 20.

13 See Ch. 9.

while seeking to reconcile these with co-operative idealism and aspirations for social change.¹⁴ Nordic consumer co-operation could still be regarded as a successful model during the postwar period, as Espen Ekberg shows in Section 4, while in Denmark the agricultural co-operative movement attracted international attention from the 1890s.¹⁵

As Susan Fitzpatrick-Behrens and Catherine C LeGrand discuss in Chapter 7, the idea of co-operation as a “third way” between capitalism and communism also informed Catholic thinking on co-operation as means to promote social reform. Social Catholicism was stimulated by the papal encyclicals *Rerum Novarum* 1891, *Quadragesimo Anno* 1931 and *Mater et Magistra* 1961, which in turn had an impact on co-operative organization in many Catholic countries.¹⁶ Co-operation was taken up in particular during the depression of the 1930s by the Catholic clergy of St Francis Xavier University in Antigonish, Nova Scotia, though again the influences on their thinking were very broad. Very quickly these priests realized the potential of co-operation to promote development in Latin America, which became the focus for North American Catholic missions after the Second World War. Fitzpatrick-Behrens and LeGrand examine the transfer of co-operation and its entanglement with Catholicism through three case studies in Central America and the Caribbean: Jamaica, the Dominican Republic and Guatemala.

Catholic clergy were recruited from Canada to serve in Latin America and some, such as Fr Harvey “Pablo” Steele in the Dominican Republic, became leading advocates of co-operation as a means to educate and empower ordinary people. In each of the cases studied, however, these efforts became further entangled with the official government aid programs provided by the USA and Canada and in this way with the politics of the Cold War. The autonomy of co-operatives as bottom-up organizations that could give ordinary people the means to challenge and resist colonialism was always fragile. Co-operation seemed to flourish in Jamaica, though after independence the NGO Jamaican Welfare became incorporated into government welfare policies. In the Dominican Republic, however, Catholic co-operatives came to be perceived as a threat by the despotic Trujillo regime and Fr Steele was banned from the country in 1959. In Guatemala, Catholic co-operatives managed to avoid the taint of communism and survived the 1954 coup d’état which overthrew the government. From the late 1950s USAID encouraged co-operatives as part of its

14 See Chapter 25.

15 For the impact of ideas from Denmark in Korea see Ch. 14. On developments in Nordic consumer co-operation after 1950 see Ch. 27.

16 For Catholic involvement in co-operation see also Chs. 13, 17, 23 and 24.

efforts to make Guatemala a “showcase for democracy” but here too, the success of co-operatives in empowering ordinary people meant that they could come to be regarded as a threat. Reflecting the paradoxes of the Cold War, the US government continued to support efforts to train co-operative leaders, while at the same time it also aided the military that was seeking to undermine co-operatives. Fitzpatrick-Behrens and LeGrand’s exploration of the contradictory and entangled nature of these transfers provides further evidence of the multi-centered origins of co-operation, and also of how studying it can illuminate many other areas of enquiry, in this case the politics of development during the Cold War period.

As Jessica Gordon Nembhard notes in Chapter 8, the Catholic co-operatives of Antigonish were also a source of inspiration for African American co-operators. During the 1930s a delegation participated in a study visit to Antigonish together with a group of white American co-operators. Church and religious organizations more generally also helped to tie African-American co-operators into wider international networks of co-operative exchange, for example during the visit of Japanese co-operator Toyohiko Kigawa to the USA during the 1930s. African Americans were also well aware of European co-operative models, including Rochdale. But just as importantly, Gordon Nembhard shows how African American co-operatives were shaped by existing networks of trust and solidarity, not least of course by “racial solidarity and economic co-operation in the face of discrimination and marginalization”. Often co-operative initiatives took the form of informal resource pooling, for example enabling slaves to buy their freedom or providing mutual aid and support. Gordon Nembhard makes the important point – surely applicable to many other examples in this volume – that co-operatives often served “social and psychological interests as well as economic needs.”

Despite this, the history of African American consumer co-operation has been overlooked, researched by only a handful of scholars.¹⁷ Yet the African American scholar W E B Du Bois had documented the existence of 154 African American co-operatives in 1907 and as Gordon Nembhard shows the 1930s was a period of heightened activity, with examples of co-operative businesses flourishing in Gary, Indiana and Harlem, New York City, for example. In some cases these were also a direct response to heightened racial segregation in business at that time, but they also mirror contemporary American interest in co-operatives in the US among the white population, discussed in Greg Patmore’s contribution to Section 3 of this volume. There were also attempts to form African American co-operative federations with a national reach, such

17 See however Gordon Nembhard, *Collective Courage*.

as the Young Negroes' Co-operative League founded in 1930. These initiatives failed to realize the grand visions outlined for them, but as Gordon Nembhard reminds us we should not ignore the fact that they often achieved their more immediate goals, with lasting consequences for the empowerment of ordinary African Americans and through their contribution to theories of Black capitalism.

Finally, in Chapter 9 Katarina Friberg examines debates on co-operative trade and in doing so draws attention to another aspect of co-operative history that has hitherto been overlooked in the historiography, namely the importance of its international institutions. Founded in 1895, the International Co-operative Alliance (ICA) has to be seen, as Friberg argues, in the context of contemporary international organizations such as the League of Nations and the ILO, but co-operators were divided on how they should approach these.¹⁸ The question of international co-operative trade was on the agenda of the ICA from its foundation and was debated extensively at its triennial congresses, which Friberg examines. Co-operators were wedded to the nineteenth-century idea of liberal internationalism based on free trade and voted consistently to uphold the commitment to this, but interpretations of what this meant in practice were diverse and constantly changing. Friberg identifies three different positions within the ICA during the 1920s and 1930s: the USSR which sought to co-opt co-operation as part of the international class struggle; French and Belgian proposals that the ICA should become a lobby organization seeking to influence the League of Nations; and a distinctively Swedish vision for the practical international operation of co-operative trade which would tackle the problems of monopoly and help to regulate the market. Interestingly, the Swedish position, presented to congresses by leading co-operators such as Anders Örne and Albin Johansson, was justified in terms of its consistency with the Rochdale principles. It found expression in various schemes to organize an International Co-operative Wholesale Society (ICWS) but these did not come to fruition before the Second World War.

As with any other social movement, the history of co-operation is a story of failure and disappointment as well as one of success. What do the very different examples considered here tell us about reasons for the success and failure of co-operation, especially during the period before the Second World War? Van Goethem reminds us that although the Vooruit model became famous for its success internationally, direct efforts to spread it within Belgium proved more difficult. The attempts of Ghent socialists to establish a co-operative on

18 On the history of the ICA see Watkins, *The International Co-operative Alliance*; Rhodes, *The International Co-operative Alliance*; Birchall, *The International Co-operative Movement*.

the Vooruit model in the small Flanders town of Zele had failed by the early twentieth century, while similar efforts in Antwerp were also much less successful and the resulting society was eventually forced to merge with another one in Liège. By the 1930s Vooruit itself was experiencing difficulties and was able to survive in the longer term only by concentrating on its pharmacy business. Van Goethem suggests the different outcomes of attempts to found co-operatives in Belgium could be attributed to both external and internal factors. Co-operation flourished in Ghent with its compact working-class neighborhoods. In the absence of state social security it offered a strategy for working-class households to alleviate poverty and insecurity, and the society was able to use this effectively to generate member loyalty, though van Goethem suggests it did not appeal to the poorest households. Zele and Antwerp, where the economic conditions were different, lacked the pre-existing networks of social solidarity based on communities of occupation and neighborhood. At the same time, the example of the Nordic countries shows that consumer co-operatives were not only to be found in densely populated urban environments but could also flourish in very rural settings, especially where commercial networks of distribution were underdeveloped.

Similarly, Gordon Nembhard points out how internal problems of poor management, lack of knowledge and under-capitalization sometimes accounted for the failure of co-operatives, though racial discrimination and harassment were also factors in the case of African American co-operatives and doubtless in many other contexts worldwide. This points to another aspect of the dual and sometimes contradictory nature of co-operatives. Co-operatives could be introduced by elites – such as governments, Catholic missionaries or liberal reformers, as in the Belgian case – as a means to promote education and development and perhaps also to mitigate the appeal of more revolutionary ideologies. But they also had the potential to empower ordinary people and mount a subversive challenge to these elites. Fitzpatrick-Behrens and LeGrand show how the overt or covert oppression of governments both domestically and from abroad hindered the development of co-operatives, suggesting how the study of co-operatives can help to illuminate the international politics of the Cold War era. The theme of state influence and control is taken up in Section 2 of this volume, while Sections 3 and 4 examine further reasons for the failure and success of co-operative businesses.

Rochdale and Beyond: Consumer Co-operation in Britain before 1945

Mary Hilson

The Rochdale Pioneers have long held a special place in accounts of the origins of the international co-operative movement, widely acknowledged as “the prototype of the modern co-operative society.”¹ The International Co-operative Alliance (ICA) turned to Rochdale as inspiration for its seven co-operative principles, agreed in 1937, while earlier in the same decade the original Toad Lane store had opened as a museum.² Many of the contributions to this volume, including those in this section, also acknowledge the importance of Rochdale co-operation for the development of consumer co-operative societies in different national contexts. It is worth beginning, therefore, with some discussion of the “Rochdale model” and its predecessors.

Two points may be made about the history of the “Rochdale Equitable Society of Pioneers”, founded in a textile manufacturing town in northern England in December 1844. First, at the beginning there was no detailed blueprint of the society’s aims, principles and rules; rather these emerged gradually as the society developed. Second, Rochdale was by no means the first consumer co-operative society, nor was it the only one that inspired attempts to emulate it. Most of the older histories of British co-operation did indeed acknowledge the importance of the legacy of earlier co-operative thought.³ But in many accounts pre-Rochdale “experiments” with co-operation were often portrayed as just that; and their short lived existence was largely attributed to the influence of a handful of “prophets”, mostly well-to-do men who were willing to use their

1 ICA, “History of the co-operative movement”, <http://ica.coop/en/whats-co-op/history-co-operative-movement>. Accessed 3 November 2014. See also Digby, *The World Co-operative Movement*, pp. 17–22.

2 Hilson, “A Consumers’ International?”, pp. 211–2. See also website of Rochdale Pioneers Museum, <http://www.rochdalepioneersmuseum.coop/>. Accessed 3 November 2014.

3 The Rochdale Society makes its appearance only towards the end of volume 1 of G J Holyoake’s *The History of Co-operation*. Other classic accounts of the history of British co-operation followed Holyoake in devoting chapters to co-operative societies that emerged from the late eighteenth century: for example see Potter, *The Co-operative Movement*; Bonner, *British Co-operation*.

private funds to support fledgling co-operative societies. The best-known example is the Lanarkshire industrialist Robert Owen; another was the Brighton doctor William King, who supported the publication of a journal called *The Co-operator* in 1828–30.⁴

In his 1960 essay, the economic historian Sidney Pollard established the notion of a clear division between two phases of British co-operation: a pre-Rochdale movement “wholly under the influence of Robert Owen”, which peaked in 1828–34 but thereafter declined; and the second wave following the establishment of the Rochdale society in 1844. The principal difference was ideological, according to Pollard: “The former [Owenite co-operators] regarded the stores and their associated workshops as temporary means towards the grander object of the ending of the capitalist social system and its replacement by a New Moral World... The latter saw in the stores and workshops the promises and the fulfilment of a better world, in which to all intents and purposes the continuance of capitalism... was implicitly taken for granted.”⁵ This interpretation was followed by other labor historians, for whom the success of Rochdale consumer co-operation was symptomatic of the shift towards reformism and self-help among the English working class after about 1850.⁶

This interpretation has since been comprehensively challenged, with historians insisting on the continuities in the development of mid-nineteenth century co-operation and its continued appeal as an anti-capitalist force.⁷ Moreover, the early nineteenth-century co-operative societies were not exclusively the top down creations of well-to-do philanthropists and reformers like Robert Owen; they also resulted from the mobilization of ordinary men and women in response to the upheavals of early industrial capitalism.⁸ Early nineteenth-century co-operatives can thus be seen as an expression of the “moral economy” of ordinary people who found their livelihoods and living standards threatened by these changes and part of the wave of radicalization that peaked in the 1830s.⁹

4 Bonner, *British Co-operation*, Chs. 1–2; Cole, *A Century of Co-operation*, Ch. 2. For a critical assessment of the influence of King, see Durr, “William King of Brighton” and introduction by Stephen Yeo, p. 10.

5 Pollard, “Nineteenth-Century Co-operation”, p. 102.

6 The debate is summarized in Gurney, *Co-operative Culture*, pp. 4–5.

7 The most influential example of this approach is Gurney, *Co-operative Culture*; see also Thorne, “Change and Continuity”. This point is discussed further in Chapter 1.

8 See Durr, “William King”; Thorne, “Change and Continuity”.

9 See Bamfield, “Consumer-Owned Community Flour and Bread Societies”, who reports that at least 46 flour and bread co-operative societies were established in England and Scotland in the period 1759–1820, in response to market failures resulting in the high price of grain.

As such, there were also clear affinities between co-operation and Chartism, the mass movement for political reform which dominated popular politics during the 1830s and 1840s. As Peter Gurney has argued, the “politics of provision and consumption” were of central concern to the Chartists and from the late 1830s many Chartist groups adopted the tactics of “exclusive dealing”, urging working class consumers to patronize exclusively those shopkeepers who were sympathetic to the cause and to boycott others.¹⁰ Not only this, but they also established co-operative stores to enable working people to secure supplies of unadulterated essential foodstuffs.¹¹ The tactic was especially popular among women Chartists. Organized as joint stock companies, these Chartist co-operatives differed from Owenite co-operative stores, according to Gurney, in that they were motivated by directly political concerns; as he puts it, “mutual trading was now intimately bound up... with the radical transformation of an existing, corrupt state.”¹²

The early 1840s marked the peak of Chartist co-operation.¹³ Following the defeat of the Chartist strike in 1842 working-class movements adopted new tactics and by 1848 exclusive dealing had been abandoned. Gurney argues that this shift was characterized by the separation of the economic and political spheres, as Chartists focused more exclusively on political questions. An example of this, he suggests, was the Rochdale Pioneers’ insistence on the political neutrality of their co-operative society, which he sees as a more significant innovation than the celebrated practice of paying dividends on purchases, a practice adopted by co-operative societies at least a decade previously.¹⁴ This change should not however be allowed to obscure the important legacies of the 1830s and 1840s for what later came to be seen as a new system of co-operation established at Rochdale in 1844. G D H Cole, whose centenary history has for many years been one of the standard works on British co-operation, describes in some detail the vibrant and diverse local political milieu in which the Rochdale Equitable Society of Pioneers was formed. Of the original pioneers at least half, according to Cole, were Owenite Socialists disillusioned with the direction of the Owenite movement, while others were involved in Chartism and

Co-operatives are however absent from E P Thompson’s classic works on working-class radicalism in this period, appearing in neither *The Making of the English Working Class* nor “The Moral Economy of the English Crowd”.

10 Gurney, “Exclusive Dealing”, pp. 91, 98ff; see also Gurney, “Rejoicing in Potatoes”, p. 113.

11 Gurney, “Exclusive Dealing”, p. 101; Thornes, “Change and Continuity”, pp. 44–8.

12 Gurney, “Exclusive Dealing”, p. 101.

13 Thornes, “Change and Continuity”, p. 48.

14 Gurney, “Exclusive Dealing”, pp. 103–4; Gurney, “Rejoicing in Potatoes”, p. 132.

the Anti-Corn Law League.¹⁵ Cole saw the Rochdale Society as an expression of a new wave of practical reformism in working-class politics from the mid-1840s, which was also aided by improving trade conditions.

Rochdale Co-operation

The story of the Rochdale Pioneers is very well known. By the turn of the twentieth century the tale of 28 working men meeting in Rochdale on a December night and pooling their limited means to establish a modest store in Toad Lane had become well established in the collective memory of the co-operative movement, not only in Britain but also much more widely. Many of the chapters in this volume illustrate the influence and enduring legacy of the Rochdale Pioneers.

Despite ubiquitous references to the “Rochdale principles” of co-operation, co-operative theorists have acknowledged the difficulties of pinning down these principles. Arnold Bonner’s textbook on British co-operation noted that the Rochdale Pioneers lacked a clear statement of principles from the outset, and that “[a]s a consequence, nearly every writer on the history of the Rochdale Pioneers who has attempted to state their principles has given a different list.”¹⁶ Bonner himself suggested nine principles; an earlier textbook offered eight “rules and methods”, as did G D H Cole.¹⁷ The ICA’s special committee, set up in 1930 to establish a definitive version of the principles, acknowledged the difficulties of their task. “I do not know what you will accept as authoritative in this matter because there is no charter laid down which covers all the ground,” stated the Alliance’s secretary Henry May in 1932.¹⁸

Most scholars acknowledge the importance of the work of G J Holyoake in establishing the myth of the Rochdale Pioneers as the founding fathers of the modern co-operative movement. As Peter Gurney has noted, Holyoake’s 1858 book on Rochdale, *Self-Help by the People*, served both as an inspirational guide and a practical handbook for how to organize a co-operative society.¹⁹

15 Cole, *A Century of Co-operation*, pp. 59–62, 402–13. See also Dorothy Greaves, “Original Members of the Rochdale Pioneers Society Limited,” Rochdale Pioneers Museum, 1994. Retrieved from: <http://www.rochdalepioneersmuseum.coop/wp-content/uploads/2012/03/rochdalePioneersOriginalMembers.pdf>; last accessed 13 July 2016.

16 Bonner, *British Co-operation*, p. 48.

17 Hall and Watkins, *Co-operation*, p. 87; Cole, *A Century of Co-operation*, p. 64.

18 ICA: report on meeting of special committee on the Rochdale Principles, 4 February 1932. Labour Archives, Helsinki: 334.5 KOL, box 4.

19 Gurney, *Co-operative Culture*, p. 118.

Holyoake (1817–1906) devoted much of his long life to agitating for co-operation but was also involved in many of the other political and social movements of the nineteenth century.²⁰ He had a close knowledge of the various attempts to form co-operative societies in the 1820s and 1830s and lectured on co-operation in Rochdale in 1843.²¹ Holyoake recorded a declaration of co-operative principles made at a conference in Rochdale in 1855 but these were very broad, stating a belief in the shared interests of all members of society and the centrality of justice to all social exchange.²² More influential was his identification of fourteen “principal features” of the “Rochdale System” of co-operation, many of which were to form the basis of subsequent lists of fundamental co-operative rules or principles. These included the practical recommendations to trade at market prices, to sell only pure and unadulterated goods at fair weights and measures and to refuse credit. The list also made provision for the governance of the society on the basis of one member one vote with men and women treated equally. Although the aspiration to allocate a proportion of the profits to education usually remained a feature of subsequent declarations of principles, at least two of Holyoake’s fourteen principles later disappeared. These were the aspirations to extend co-operative commerce to all areas of life in order to create an entire “Industrial City” and thus “the germ of a new social life”.²³

Where Holyoake’s work was perhaps most influential was in identifying with Rochdale the system of redistributing profits to members in proportion to purchases. As noted above, the practice of paying a quarterly dividend or “divi” on purchases had been practiced in co-operative societies before Rochdale, but the influence of Rochdale helped to establish it as a defining principle of consumer co-operation across Europe. As Michael Prinz has commented, it was a system “set against the logic of spontaneous co-operation”, which contained within it a mechanism for generating and retaining member loyalty, thus giving societies a better chance of financial stability and long term survival.²⁴ Together with provisions for limiting the interest paid on share capital and for raising this capital through the weekly subscriptions of members, who thus became both members and owners of the business, this is what distinguished consumer co-operatives from other forms of business, such as the joint stock

20 On Holyoake, see Gurney, *Co-operative Culture*, *passim*.

21 The text of his lecture was reproduced in his *History of Co-operation*, vol. 1, pp. 268–75.

22 Holyoake, *Self-Help by the People*, p. 51.

23 Holyoake, *History of Co-operation*, vol. 1, pp. 156–7. Sometimes later referred to as the “Co-operative Commonwealth”, these reflected the original objects of the Rochdale Society to build houses, provide employment for their members through the purchase of land and manufacturing businesses and “as soon as practicable... to establish a self-supporting colony of united interests.” Cited in Hall and Watkins, *Co-operation*, p. 86.

24 Prinz, “Structure and Scope”, p. 19. See also Adam, *Intercultural Transfers*, pp. 11 ff.

company. Holyoake attributed the devising of these economic rules to the Rochdale co-operator Charles Howarth, but he too acknowledged that similar profit sharing schemes had also been developed independently by earlier co-operative societies in Huddersfield and Glasgow.²⁵

Holyoake's books were also influential in spreading knowledge about the Rochdale co-operative society beyond Britain. In the preface to the tenth edition of *Self-Help by the People* in 1893, he acknowledged the many translations that had appeared since the 1850s. He also noted that the officials of the Rochdale society were well used to receiving enquiries from those seeking inspiration and guidance to establish co-operative societies and recommended that those interested also visited the society in person.²⁶ That many did so, including visitors from overseas, is borne out by the copious list of signatures in the Rochdale Society visitors' book, preserved in the Rochdale Pioneers' museum.²⁷ It is worth remembering that Holyoake's writings also made very clear his views that many of the Rochdale co-operative principles were contested and that they continued to evolve throughout the second half of the nineteenth century.²⁸ When the ICA made its own attempt to agree a list of definitive principles in the 1930s, the most contentious of all proved to be the insistence on political and religious neutrality.²⁹ This was not included in Holyoake's original fourteen point list, though in the later edition of his book he cited correspondence referring to a minute from 1861 which stated the desire of the Rochdale society to avoid politics and religion.³⁰

Despite the importance of Rochdale, competing visions and interpretations of co-operation divided the British co-operative movement in the second half of the nineteenth century. Was co-operation, as championed by Christian Socialists and liberal middle-class reformers, a means to promote self-help, respectability and reconciliation across social classes, or should it form part of the emancipatory strategies of working-class socialism? One particular source of contention was the status of organizations promoting co-partnership or profit sharing within the wider co-operative movement.³¹ During the 1890s

25 Holyoake, *History of Co-operation*, vol. 1, pp. 278–9. Cf Cole, who notes that it was not the system of paying dividends in proportion to purchases that was new for the Rochdale Society but the combination of this with other principles, including open membership, democratic control and fixed or limited returns on capital. Cole, *A Century of Co-operation*, pp. 62–3.

26 Holyoake, *Self-Help*, p. 51.

27 I am grateful to Linda Shaw for this insight.

28 Holyoake, *Self-Help*, pp. 157–8.

29 See Hilson, "A Consumers' International?" for a discussion of this point.

30 Holyoake, *Self-Help*, p. 161.

31 Gurney, "The Middle-Class Embrace"; Gurney, *Co-operative Culture*, Ch. 6.

advocates of co-partnership such as E O Greening and E V Neale turned to their international contacts to seek support for their position within Britain; the result was a series of meetings leading to the establishment of the International Co-operative Alliance (ICA) in 1895.³²

The Growth and Development of the British Co-operative Movement from c. 1860

As G D H Cole pointed out, co-operative societies did not face the legal restrictions on their activities that the early trade unions did, but they were hampered by the lack of suitable legislation and the introduction of this was therefore an important milestone in their development.³³ Many early co-operatives – including the Rochdale Society – were registered under the Friendly Society Act of 1834. This was unsatisfactory in several respects, however, and it was largely due to lobbying by Christian Socialist co-operative sympathizers that a new law was introduced in 1852. The Industrial and Provident Societies Act recognized the special status of co-operatives as commercial societies and made provision for co-operative principles such as member democratic control and restrictions on share ownership. Cole reports that many of the societies already in existence quickly adopted new constitutions on the basis of the Act.³⁴ An amendment in 1862 lifted further restrictions, notably that which prevented societies from holding shares in other societies and thus made possible the organization of co-operative federations. With a further consolidating act in 1876 that allowed societies to undertake banking the legal framework for the development of a consumer co-operative movement had been established.³⁵

The co-operative movement certainly grew rapidly in Britain during the second half of the nineteenth century. Its development has to be seen in the context of an industrial and increasingly urbanized society that like much of Europe was experiencing rapid change, not least in the growing extent to which it relied on imported goods to meet its food needs. This in turn had important implications for the distributive sector of which the consumer

32 Birchall, *The International Co-operative Movement*, pp. 36–43. On the careers and international connections of Greening and Neale see their respective entries in Bellamy and Saville, eds., *Dictionary of Labour Biography*, vol. 1, pp. 137–41, 252–5.

33 Cole, *A Century of Co-operation*, p. 114. Much of the following draws on this same work, Ch. 7; see also Bonner, *British Co-operation*, pp. 66–7.

34 Cole, *A Century of Co-operation*, p. 119.

35 Cole, *A Century of Co-operation*, p. 124; Bonner, *British Co-operation*, p. 73.

co-operative movement was a part. Against this background Bonner's standard textbook describes the main milestones of British co-operative development: the formation of the Co-operative Wholesale Society (cws) in Manchester in 1863 and its Scottish counterpart (scws) in Glasgow in 1868; the first annual Co-operative Congress in 1869 and the arrangements that were agreed there for a Central Board based on five regional Sectional Boards, which was registered formally as the Co-operative Union in 1889. In 1871 the movement gained its own organ with the publication of the *Co-operative News* and during the 1870s the cws embarked on vertical integration with its initiatives in the production and manufacture of goods and also banking.³⁶

Reliable statistics on co-operative trade are no easier to find for Britain than for any other country, but there is a general consensus that the movement saw substantial growth in the years 1870–1914, whether that is measured by volume of trade, turnover, capital or membership.³⁷ G D H Cole, whose data on co-operation are still widely cited, gives a total membership of 350,000 in 1873, which had risen to over 1 million by 1891 and over 3 million in 1914.³⁸ Bonner acknowledged however the unevenness of this growth, where strong local societies in the north of England were contrasted with “co-operative deserts” in the south.³⁹

The patchiness of co-operative development has been confirmed by more recent studies of the movement. Geographer Martin Purvis' research underlined the strength of consumer co-operation in the north of England, especially Lancashire and Yorkshire, but even here it was uneven. According to Purvis, co-operative societies seemed more likely to flourish in “smaller and medium-sized centres”, especially those associated with a particular trade or workplace, while they were weaker in the agricultural areas of southern and western England and also in the larger cities.⁴⁰ For example it was not until the late 1920s that London had an amalgamated co-operative society, even though there were many separate attempts to organize co-operation in parts of the capital before then.⁴¹ Co-operation was not completely absent in the south of

36 Bonner, *British Co-operation*, Chs. 4–5. On the scws see Kinloch and Butt, *History*.

37 Bonner, *British Co-operation*, pp. 96–7.

38 Cole, *A Century of Co-operation*, p. 371.

39 Bonner, *British Co-operation*, pp. 98–9.

40 Purvis, “The Development of Co-operative Retailing”; Purvis, “Crossing Urban Deserts”. Purvis notes some examples where co-operation flourished in metropolitan areas, including the societies in Leeds, Sheffield and Newcastle.

41 Purvis, “Crossing Urban Deserts”; on co-operation in London see also Brown, *A Century of London Co-operation*.



ILLUSTRATION 3.1

Holyoake house in Manchester, opened in 1911 as the headquarters of the co-operative union and named for the co-operative pioneer G J Holyoake (1817–1906)

PHOTO: GREG PATMORE.

England – there was a large and dynamic society in Plymouth, for instance, and also examples of more rural communities where co-operation could sometimes flourish – but the general pattern prevailed and it was no accident that the national institutions of the movement came to be based in Manchester.⁴² In Scotland co-operation flourished in central and eastern areas but was much weaker in the rural north-west. In a recent study of these patterns D C G Watts suggests that the rates of dividends and educational grants allocated by different societies can be used as proxies to identify the existence of distinctive regional and local traditions of co-operation, contrasting for example the low dividend, Labour orientated co-operatives of Glasgow and Lanarkshire with the high dividend societies of Edinburgh and Midlothian.⁴³

42 On Plymouth see Hilson, *Working-Class Politics*; on examples of co-operation in rural southern England see Bee, “Co-operation in Oxfordshire”; Bee, “Co-operation in Berkshire”.

43 Watts, “Building an Alternative Economic Network?”.

The reasons for this diversity are multiple and many would also apply to the other national cases discussed in this volume. First, we cannot assume that certain types of occupational groups were naturally predisposed towards co-operation, but it does seem that co-operative societies flourished in communities that were connected through a shared workplace, trade or other networks of solidarity. In the Lancashire mill towns, as John Walton has noted, there is a correlation between the rise of co-operation and the emergence of a distinctive working class culture during the last decades of the nineteenth century.⁴⁴ Second, the success or otherwise of co-operative societies in smaller rural communities was often steered by the influence of the individuals that ran them, as well as the degree of opposition that they faced from local traders.⁴⁵ Third, and related to this point, the nature of the local commercial environment was a highly important factor. Purvis suggests that co-operation was much more likely to flourish in localities where the retail sector was relatively undeveloped and uncompetitive; as he puts it, “often co-operation was strongest at the margins, rooting itself in the times and spaces ‘in between’ rather than competing with private retailing where it was most powerful.”⁴⁶

Nonetheless, there can be no doubt that by the eve of the First World War the “Co-op” had become a significant part of daily life in very many parts of the United Kingdom. Estimates place the co-operative share of national retail trade between 7 and 9 percent during the early twentieth century, but this rose to 17–19 percent in the grocery sector and was possibly higher still in particular localities.⁴⁷ A 1908 Board of Trade report found for example that the local co-operative society was “a powerful factor” in the retailing sector in Plymouth, for example, and that “a great deal of the working class purchasing is done in the Co-operative Stores.”⁴⁸ In his influential 1996 study of co-operative culture, Peter Gurney argued that co-operative societies in late nineteenth-century Britain became “an integral part of th[e] economy of daily life... a social nexus and a defining feature of working-class community and neighbourhood life which generated fierce loyalties.”⁴⁹ Central to many peoples’ experience of co-operation was the quarterly dividend on purchases or “divi”, which was used by working-class families as a way of saving. According to Gurney however the

44 Walton, “The Making of a Mass Movement”, pp. 27–8.

45 Bee, “Co-operation in Berkshire”, pp. 190–1; Bee, “Co-operation in Oxfordshire”, p. 196.

46 Purvis, “Crossing Urban Deserts”, p. 241.

47 Wilson et al., *Building Co-operation*, p. 99, which draws on Jefferys’ classic work on retailing from 1954; also Hornsby, *Co-operation in Crisis*, p. 72.

48 Cited in Hilson, *Working-Class Politics*, p. 111.

49 Gurney, *Co-operative Culture*, p. 62.

divi was significant not just for its purely material benefits, but should be seen as “part of the ‘practical knowledge’ used by working people to cope with and simultaneously reconstruct capitalist social relations.”⁵⁰ Moreover, many co-operative societies offered not just grocery stores but made extensive provision for social and recreational activities, including tea parties, concerts and excursions; lectures and libraries; and adults’ and children’s education classes.⁵¹

Moreover, and as Anthony Webster, John F Wilson and Rachael Vorberg-Rugh indicate in their contribution to this volume, by the turn of the twentieth century the cws had developed into “a sophisticated corporate body with a well-developed managerial structure”, which was also developing an extensive international supply network.⁵² As several of the other chapters in this volume show, it had also become a model for co-operators elsewhere in Europe seeking to establish wholesale businesses.⁵³ A recent history of the cws by Wilson and colleagues shows how the expansive and innovatory strategies of the cws were partly driven by its position within a mature and well developed distributive sector and its need to compete for the trade of retail co-operative societies against well-established local or regional wholesalers.⁵⁴ In several localities this competitive environment resulted in open conflicts between co-operatives and private retailers before the First World War, with trade associations attempting to organize boycotts of co-operative trade.⁵⁵

Despite these challenges, there seems little reason to doubt the strength and confidence of the British consumer co-operative movement on the eve of the First World War. The Swedish co-operator Anders Örne was one of several foreign delegates who attended the 1914 Co-operative Congress, held that year in Dublin. Writing in the Swedish journal *Kooperatören*, Örne reported that the congress and the exhibition of co-operatively manufactured goods that accompanied it left the observer with “a strong impression of the power and influence of British co-operation, of its unshakeable economic position and

50 Gurney, *Co-operative Culture*, p. 11.

51 Gurney, *Co-operative Culture*, esp. pp. 65–74.

52 Wilson et al., *Building Co-operation*, p. 96; see also Ch. 22.

53 See for example Ch. 10, pp. 249–50.

54 Purvis, “Stocking the Store”; Webster, “Building the Wholesale”.

55 For example in Plymouth, where conflicts between the co-operative society and the Traders’ Defence Association culminated in a court case in 1905. The Plymouth Co-operative Society successfully sued the publishers and printers of the *Tradesman and Shopkeeper* for libel, for erroneously claiming that the society was near bankruptcy. See Hilton, *Working-Class Politics*, pp. 115–7. See also Winstanley, *The Shopkeeper’s World*, pp. 83, 88.

its enormous possibilities for development.”⁵⁶ The existing historiography may give the impression that these transnational contacts were largely one way before the First World War, with Britain acting as a source of inspiration for co-operators elsewhere rather than as the recipient of transnational ideas. This is an area that requires further research, but it would be erroneous to assume that British co-operators were ignorant of or uninterested in developments on the European continent. The establishment of depots in Denmark by the cws brought it into contact with representatives of the Danish agricultural co-operative movement and the International Co-operative Alliance was largely a product of Anglo-French co-operative networks.⁵⁷ Delegates of British co-operative societies attended all the ICA’s congresses before the First World War. Finally, as a legacy of its Owenite past the co-operative movement was also deeply imbued with a commitment to internationalism and the liberal belief that trade, contact and co-operation between nations was a means to peace in international relations.⁵⁸ This belief was expressed in a resolution for peace passed by the Glasgow congress of the ICA in 1913.

The British Co-operative Movement during the First World War and after: 1914–1945

The First World War is widely regarded as a turning point for the British co-operative movement. Food shortages and sharp rises in the prices of essential goods brought many more households into the movement – national membership rose from 2.8 million in 1913 to 4.1 million in 1919⁵⁹ – but it also brought co-operators into direct conflict with the government over several matters. These included the conscription of co-operative employees; the decision to subject co-operative surpluses to the so called “excess profits tax”, designed to eliminate profiteering in the grocery sector; and the initial reluctance to include representatives of co-operative societies on local food control committees charged with implementing rationing schemes.⁶⁰ To some extent these

56 Anders Örne, “Brittiska Kooperativa förbundets kongress”, *Kooperatören*, 1914, pp. 146–54. My translation.

57 On cws and Denmark see Ch. 22; on the ICA see Birchall, *The International Co-operative Movement*, pp. 36–41.

58 Gurney, *Co-operative Culture*, Ch. 4.

59 Cole, *A Century of Co-operation*, p. 371.

60 For a detailed discussion see Cole, *A Century of Co-operation*, Ch. 15; Carbery, *Consumers in Politics*, pp. 17–9; also Hilson, “Consumers and Politics”.

conflicts were a legacy of the opposition to co-operation among tradesmen's organizations, which had resulted in several attempts to co-ordinate boycotts of co-operative trade around the turn of the century.⁶¹ The impact on the movement, however, was to convince many co-operators of the need to seek direct political representation in order to defend co-operative interests. The result was a decision, taken at an extraordinary co-operative congress in 1917, to take steps to achieve this. At the general election of 1918 the Co-operative Representation Committee (from 1919 the Co-operative Party) put forward ten candidates, one of which, A E Waterson, was elected for the constituency of Kettering.⁶²

There were other examples of formal or informal co-operative engagement in political activity outside Britain as many of the chapters in this volume show, most notably in the close links that developed between consumer co-operatives and the socialist labor movement in many parts of Europe before and after the First World War.⁶³ In forming its own independent political party the British co-operative movement was, so far as I am aware, unique in an international context. But the decision was highly controversial and provided further evidence of the fragmentation of the co-operative movement, especially over the question of the relationship between the Co-operative Party and the labor movement. According to G D H Cole, the problem was partly that the Co-operative Party was formed in the context of a vacuum that briefly opened up in popular politics following the wartime split in the Liberal Party. Following the constitutional re-organization of the Labour Party in 1918 which established it as a national political force, the Co-operative Party had to struggle to assert its ideological distinctiveness against a much larger party that was appealing to a similar constituency.⁶⁴ The leadership of the Labour Party, meanwhile, was interested in the potential financial contributions of the wealthy co-operative movement, but showed little interest in embracing a co-operative inspired consumerist politics.⁶⁵

Labour and Co-operative MPs collaborated closely in Parliament – the first Co-operative Party MP A E Waterson took the Labour whip and Co-operative MPs participated in the Labour governments of 1924 and 1929–31 – but the relations between the two parties remained controversial during the 1920s. For some, the very existence of the Co-operative Party was interpreted

61 See above, p. 69.

62 Cole, *A Century of Co-operation*, p. 319.

63 See for example Chs. 4 and 11.

64 Cole, *A Century of Co-operation*, pp. 316–8.

65 See Manton, "The Labour Party and the Co-op".

pessimistically as evidence of the movement's loss of faith in the ability of co-operation to present an alternative vision on its own terms.⁶⁶ According to figures provided by Bonner, the number of local co-operative societies affiliated to the Co-operative Party during the interwar period was never more than half of the total, though by 1935 these societies did stand for over 68 percent of the membership, reflecting a tendency for the larger societies to affiliate.⁶⁷ For others, the closer relations between the Labour and Co-operative Parties were a natural culmination of the "fusion of forces" which mirrored developments in other parts of Europe and was vindicated by the election of nine co-operative MPs in 1929.⁶⁸ The question of formal relations between the two parties was discussed regularly throughout the 1920s and an attempt was made to resolve them with the so called Cheltenham Agreement of 1927, which was passed by only a very narrow majority of the Co-operative Congress (1960 votes for, 1843 against). According to this arrangement local co-operative parties were eligible to affiliate to divisional Labour parties.⁶⁹

The political question is thus indicative of the continued fragmentation of the co-operative movement and its diversity at a local level. An illustration of this can be provided by comparing political debates in two large urban societies in southern England: Plymouth in the south west and the Royal Arsenal Co-operative Society (RACS) in south east London.⁷⁰ Both were large urban societies that expanded rapidly during the early twentieth century and experienced lively debates about the merits of political activities, especially in response to the various problems of the war. In both cases – and under the leadership of dynamic educational secretaries Joseph Reeves in RACS and TW Mercer in Plymouth – this culminated in the establishment of political committees to contest municipal and parliamentary elections, which also sought affiliation with the Labour Party. During the 1920s RACS continued to pursue this line independently of the Co-operative Party and it was a significant factor

66 Writing about the 1917 decision in 1954, B J Youngjohns wrote that, "The belief in unlimited expansion was gone: the social ideals no longer found practical outlets; the Co-operative Commonwealth paled beside the effulgence of the Socialist Utopia; the Movement was (in 1914) tired and old." Cited in Carbery, *Consumers in Politics*, p. 20.

67 Bonner, *British Co-operation*, p. 194.

68 Carbery, *Consumers in Politics*, p. 34. These differences are also reflected in the historiography: see Adams, "The Formation" and the exchange between Adams and Pollard in *International Review of Social History*, 32, 2 (1987).

69 Carbery, *Consumers in Politics*, pp. 28–34.

70 The discussion here draws on the following: for RACS: Rhodes, *An Arsenal for Labour*; for Plymouth: Hilson, "Consumers and Politics"; Hilson, "Co-operation and Consumer Politics"; Robinson, *150 Years*.

in the organization of Labour Party politics in the districts which it served. In Plymouth, by contrast, after the war the affiliation to Labour became a source of friction and was successfully challenged by a group within the society that sought to re-assert traditional co-operative neutrality. A general scaling back of non-commercial activities was driven by the economic difficulties of the early 1920s in a community that was badly affected by the contraction in the naval dockyards after the end of the war.⁷¹

As Nicole Robertson has pointed out, these political struggles concerned only a minority of co-operative members. For many if not most individuals, co-operation was fundamentally about the experience of shopping in the stores and the material benefits of the quarterly dividend.⁷² But this did not mean that it was necessarily devoid of idealism. At the same time, Robertson also notes “the multi-layered nature of co-operative membership and the different meanings that members could draw from it.”⁷³ These included the divi itself as an expression of the essential difference between co-operative and private trade, but also the extensive provisions co-operative societies made for recreational and cultural activities, including sports clubs, music, outings and entertainment, travel and holidays, youth and children’s activities and education.⁷⁴ Robertson wisely cautions that the reasons that motivated members of co-operative societies to attend a co-operative tea party or participate in International Co-operators’ Day were diverse and once again the picture is of a broad and heterogeneous movement characterized by strong local variations.⁷⁵

One aspect of the British co-operative movement that deserves special consideration is the provisions that were developed for female members through the Women’s Co-operative Guild. As Ellen Furlough and Carl Strikwerda have pointed out, all consumer co-operative societies were dependent on female customers for their commercial success, but this did not necessarily translate into a prominent role for women within the movement.⁷⁶ The late nineteenth-century co-operative movement was strongly imbued with the prevailing ideology of separate spheres for men and women, meaning that women were generally excluded from management positions in co-operative societies.⁷⁷

71 Robinson, *150 Years*, pp. 121–3.

72 Robertson, *The Co-operative Movement*, pp. 52–5, 212.

73 Robertson, *The Co-operative Movement*, p. 52.

74 Robertson, *The Co-operative Movement*, Ch. 4.

75 Robertson, *The Co-operative Movement*, pp. 99–100.

76 Furlough and Strikwerda, “Economics, Consumer Culture and Gender”, p. 43.

77 Furlough and Strikwerda, “Economics, Consumer Culture and Gender”, pp. 48–52; Blaszk, “The Gendered Geography”, pp. 560–2.

Indeed, when the Women's Co-operative Guild was founded in 1883, its initial aim was to promote loyalty to the co-operative stores. Over the next few decades, however, the Guild developed into a mass movement for working-class women which was also to become "the most progressive and intellectually fertile element within the movement as whole," in the words of the authors of its centenary history.⁷⁸

Historian Gillian Scott attributes the feminism with which the Guild became identified above all to the influence and dynamism of its leader Margaret Llewelyn Davies, in office 1889–1921. At the same time, Scott acknowledges the importance of the democratic structures which Davies introduced, the Guild's autonomy and independence from the rest of the co-operative movement, and above all its role in building the confidence and consciousness of its largely working-class members.⁷⁹ The Guild's ideology was based on a feminism of difference, rather than equality, but drew on its members' experiences of the private sphere of marriage, motherhood and domestic work to campaign prominently on issues such as divorce law reform and maternal welfare.⁸⁰ In doing so it was not afraid to court controversy, even where this brought it into conflict with the Co-operative Union.⁸¹

Scott argues that the Guild lost much of its autonomy as an independent voice for working women during the interwar period and became largely an auxiliary of the Co-operative Party.⁸² By the 1930s it was also associated with an uncompromising commitment to pacifism, which increasingly placed it at odds with the majority position within the co-operative and labor movements. Scott attributes this stance to the personal convictions of the Guild's leadership, but Andrew Flinn has suggested that pacifism was a core component of the Guild's identity, rooted in its commitment to "maternalist feminism" developed before and during the First World War.⁸³ Together with the youth organization, the Woodcraft Folk, the Guild was perhaps the section of the British co-operative movement most staunchly committed to co-operative internationalism during the interwar period, expressed through its support for peace education and most famously the wearing of white peace poppies from 1933.⁸⁴

78 Gaffin and Thoms, *Caring and Sharing*, p. 43. The Women's Co-operative Guild was renamed the Co-operative Women's Guild in 1963.

79 See also the testimony of guildswomen published in Davies, ed., *Life as We Have Known It*.

80 Scott, *Feminism*.

81 Scott, *Feminism*, p. 23.

82 Scott, *Feminism*, Chs. 6–7.

83 Flinn, "Mothers for Peace"; see also Black, "The Mothers' International".

84 Flinn, "Mothers for Peace", pp. 145–6. The Woodcraft Folk was founded in 1925 and although not formally part of the co-operative movement its branches were supported by local co-operative societies in many localities. See Prynne, "The Woodcraft Folk".

Although the commitment to absolute pacifism was an extreme position, it can however also be seen as an extension of the instinctive internationalism that imbued the co-operative movement as a whole. Even though active participation in the ICA was possible for only a tiny minority of co-operative members, many more took part in other manifestations of internationalism, such as the International Co-operators' Day festivals or the Esperanto classes organized by local societies.⁸⁵ Local co-operative societies raised funds in response to the ICA's appeal to support Spanish co-operators during the civil war and British delegates led demands for the ICA to take a more active role in response to the conflict, despite fears that this would compromise the Alliance's neutrality.⁸⁶

Conclusion: The State of the British Co-operative Movement before the Second World War

Historians have been divided about the state of the British co-operative movement during the interwar period. The pessimistic interpretation is that by the 1920s the movement had largely abandoned its earlier idealism and radical aspirations to change the world of capitalist consumption. The decision to engage in politics in 1917 was a sign of defeat: it exposed the loss of confidence in the voluntarist co-operative vision and confirmed its subordinate status to the hegemony of the Labour Party on the progressive wing of British politics. Moreover, it embroiled the movement in divisive and sometimes bitter controversy. For some historians, this pessimism extended also to assessments of the commercial strength of co-operation. Co-operative societies appeared to be flourishing and undoubtedly continued to play a significant role in the nation's retail sector, but in the postwar era it was coming under growing pressure from new types of commercial retailing such as the chain store and found itself reluctantly forced to adopt the methods of such businesses, such as branding and advertising. Even so, there were signs that it was losing out to commercial retailers in the desirability of its goods. Drawing on oral history testimonies from northern England, Gurney presents evidence that the co-operative stores were sometimes perceived as dowdy and old fashioned. In the design and presentation of its goods the CWS was, as he puts it, "locked into a nineteenth-century aesthetic, with an emphasis on value, quality and durability", rather than the

85 Robertson, *The Co-operative Movement*, pp. 40–2, 82.

86 On the ICA and Spain see Rhodes, *The International Co-operative Alliance*, pp. 196–204.

more glamorous image offered by many of its rivals.⁸⁷ All that said, British co-operative institutions were strong enough to withstand the challenges of the depression era and avoid the difficulties that beset their counterparts in many other parts of Europe, but the problems of fragmentation and local rivalry that Corrado Secchi outlines in his contribution to this volume were already starting to emerge.⁸⁸

The recent historiography has produced some more optimistic interpretations, stressing the continued significance of the co-operative movement in British life and also its continued capacity to challenge the prevailing capitalist mode of consumption. Supported by their large capital reserves, co-operative societies were often at the forefront of retail innovations, including the use of new methods of advertising such as film; the provision of services to their members including recreational and cultural activities; the continued emphasis on the quality and trustworthiness of their goods and, towards the end of the period considered here, the introduction of the self-service supermarket.⁸⁹ Moreover, as Gurney has shown, much of this was accomplished against the hostility of private traders and the press that supported them, even if the British co-operative movement never suffered the direct attacks that were reported in many parts of central Europe during the 1930s.⁹⁰

How should we interpret the historical position of the co-operative movement in interwar Britain? Taken as a whole, it seems reasonable to conclude that there were grounds for both optimism and pessimism. The movement was undoubtedly fractured: it performed much better commercially in some areas than others and the role which it played in local communities also varied. A large and dynamic society such as RACS was undoubtedly a driving force not only in the retailing sector of the parts of London which it served but also in local Labour politics, but it was by no means typical of co-operative societies of the era as a whole.⁹¹ While some co-operators like RACS' Education Secretary Joseph Reeves were firmly committed to the vision of a co-operative commonwealth, for many members this was far outweighed by material benefits such as the quarterly dividend, the availability of credit and the quality and reliability of the goods supplied by the co-operative store.

87 Gurney, "Co-operation and the 'New Consumerism'", p. 918.

88 See Ch. 21.

89 On the co-operative movement's use of film, see Burton, *The People's Cinema*; on social activities and consumer protection see Robertson, *The Co-operative Movement*; on retail innovation see Shaw and Alexander, "British Co-operative Societies".

90 Gurney, "The Curse of the Co-ops".

91 On RACS see Rhodes, *An Arsenal for Labour*.

This dual nature of co-operation was recognized by the American Inquiry on Co-operative Enterprise appointed by President Roosevelt, which visited Europe in the summer of 1936. "Many English cooperative leaders are... frankly and deeply interested in the creation of a cooperative commonwealth in which private business will have no place," commented one of the committee members in the Inquiry's published report.⁹² In interviews with co-operative leaders the committee perceived some evidence for a "religious" commitment to co-operation, but they also heard criticism of the movement's political activities and found CWS and Co-operative Union officials ready to admit that most members joined "to save money on soap and potatoes and flour" and "think primarily in terms of what the dividend and saving do for them."⁹³

Finally, although this aspect has yet to be fully explored by historians, the important transnational dimensions of British co-operation in this period should not be overlooked. Despite the growth of protection and autarky in this period the co-operative movement remained wedded to the principle of free trade and local co-operative societies continued to rely heavily on imported goods, supported by the extensive international trading networks developed by the CWS.⁹⁴ Efforts to develop an International Co-operative Wholesale Society for the ICA's European members proved difficult to realize, as Katarina Friberg's contribution to this volume demonstrates.⁹⁵ Nonetheless, Britain remained one of the most important and influential members of the ICA during the inter-war period, especially in terms of its financial contribution. As many of the contributions to this volume show, Britain also continued to be an important point of reference for the whole of the international co-operative movement, despite the rise of other successful models of consumer co-operation.

92 *Report of the Inquiry on Cooperative Enterprise in Europe*, p. 109. On the Inquiry see also Hilson, "Consumer Co-operation and Economic Crisis."

93 Franklin D Roosevelt Library: President's Committee on an Inquiry on Cooperative Enterprise in Europe records, 1936–37: Box 4: interview with CWS Directors and Officials, Manchester, 20 August 1936.

94 See Ch. 22.

95 See Ch. 9.

The Belgian Co-operative Model: Elements of Success and Failure

Geert Van Goethem

In Belgium as elsewhere, interest in the history of the co-operative movement is rather limited, despite the availability of sources.¹ Co-operatives are still a part of Belgium's economic landscape, providing mainly financial services and pharmaceutical products. New co-operative societies have been established nationwide in the energy sector and in the wake of the financial crisis an initiative to set up a new co-operative bank, NewB, managed to attract more than 40 000 subscribers within a couple of weeks.² Hence, it is also useful to study the history of the co-operative movement from a contemporary perspective. In this contribution I will analyze the reasons for its success or failure in the past. To understand the development of consumer co-operatives in Belgium it is necessary to contextualize it in the wider context of the emerging nineteenth-century Belgian workers' movement. The chapter will assess the shared histories of the co-operative movement in Belgium and abroad during the period 1880–1914 when the movement began. I will take a closer look at three cases, implemented with varying degrees of success.

The Belgian Labor Movement

The emergence of the Belgian labor movement followed a similar pattern to that of most West European industrialized countries.³ Large heterogeneous groups of predominantly male industrial workers established different types

1 Amsab-1SG holds the archives of the central co-operative agency in Belgium from 1909–1987, together with the archives of the different local and regional socialist consumer co-operatives. It also holds the archives of the co-operative bank and the co-operative insurance company.

2 NewB: <https://newb.coop/fr>. Accessed 20 August 2014.

3 On the socialist labor movement in Belgium see Dhondt, *Geschiedenis van de Socialistische Arbeidersbeweging*; Van Goethem, *De Droom van een betere Wereld*. On the Christian labor movement see Gerard and Wynants, *Histoire du mouvement chrétien*.

of organizations. They operated within a strict legal framework, inherited from the French occupation of the Napoleonic period, which was repressive towards certain types of organization such as trade unions.⁴ Because of this, there was also a parallel development of organizations for self-help and mutual assistance. These organizations emerged in working-class neighborhoods and were less affected by the restrictive legal framework. Their aim was to improve the living conditions for the working-class and therefore they did not represent a challenge for the authorities. Large numbers of people participated in the mutual organizations and were potentially susceptible to the emancipatory message of a political vanguard. Despite its similarities with developments elsewhere in Western Europe, the Belgian labor movement was not united. The divisions were both ideological and regional, characteristic of the “pillarization” of Belgium.⁵ The divisions came to affect key sectors of society, such as healthcare, education, culture, trade unions, political parties and consumer co-operatives.⁶

Let us address the ideological issue first. The first sort of concerted social action and organized resistance dates back to the mid-nineteenth century. Weavers, spinners, printers and metalworkers, many of them still working as semi-artisans, organized themselves in order to improve their working conditions.⁷ Strictly speaking, they were acting against the law. In other words, the first sort of concerted action was taken by associations that provided mutual assistance – which was not prohibited – but that could rapidly shift to a less neutral and more militant stance at times of crisis. The situation did not change until the end of the 1860s, when, during a period of social unrest, the political ideas of the First International took hold of a series of organizations throughout the country.⁸ Early workers’ groups adopted a neutral political stance. Supporters of the ideals of the First International were free thinkers and often held strongly anti-clerical views. However, Belgians were not active participants

4 On this see Chlepner, *Cent ans d'histoire sociale*.

5 Hellemans, *Strijd om de moderniteit*.

6 The rise of an independent labor movement, which established its own organizations, challenged the monopoly of the Catholic social organizations. Consequently, the dominant ideologies (Catholicism, liberalism and socialism) created their own networks, i.e. similar organizations though competing with one another. As Belgium was developing into a modern industrial nation with a comprehensive social security system, it chose to have these “pillars” publicly funded instead of making them part of the public sector. The latter thus became deeply embedded in society and a strong civil society emerged, with publicly-funded social organizations that operate independently.

7 This was due to the repressive French laws *Decret d'Allarde* and *Decret Le Chapellier*.

8 Peiren, *Cesar De Paepe*, p. 43.

in the International, and Flemish Internationalists in particular tended to be followers rather than leaders, as their language skills were often underdeveloped.⁹ Nonetheless, the International marked the beginning of a development which eventually led to the establishment of the Belgian Workers Party (BWP) in 1885. The introduction of socialism split the labor movement between socialists, Catholics and liberals.

The regional division has been a problem since the 1830s when "*L'Union fait la force*" became Belgium's national motto. The lack of national and ideological unity had an underlying economic reality which opposed the industrialized Walloon, French-speaking part of the country to the under-developed Flemish and Dutch-speaking part and affected the nature of social movements. Moreover, from a European perspective, the dividing line between a southern, voluntarist, radical strand of socialism and the northern, reformist, social democratic strand followed Belgium's linguistic border.¹⁰ This was already obvious in the nineteenth century, but has long been ignored by historians.¹¹ Regional and ideological divisions reinforced each other. Given that Flanders was Catholic and hardly industrialized, an offensive strategy was deemed less appropriate to further the development of an emancipatory labor movement, while mutual solidarity and assistance entailed less risks and could easily be put into practice.¹² This provided a fertile breeding ground for consumer co-operatives.

Before the BWP came into being, the labor movement had to overcome its ideological and regional divisions.¹³ Anarchism was the dominant strand of socialist thought in the French-speaking part of the country as well as in the Flemish city of Antwerp,¹⁴ while Marxism dominated in Flanders. Brussels, as is so often the case, struck a balance between these two strands. The Internationalists, now occupying a marginal position, were inspired by the German social democrats and their idea of a mass movement changing society through representation in parliament.¹⁵ When the BWP was founded in 1885 it was a unitary party organized as an umbrella organization for a wide range of self-governing labor organizations.¹⁶ It was a loose alliance of local groups,¹⁷ operating in a highly decentralized way without a strong executive and it remained

9 Vanschoenbeek, *Novecento in Gent*, p. 13.

10 Van der Linden, "De tweede gedaanteverwisseling der sociaaldemocratie", pp. 9–31.

11 Van Ginderachter, *Het rode vaderland*.

12 Van Lerberge, *De geschiedenis van Bond Moyson*.

13 Van Ginderachter, *Het rode vaderland*, p. 32.

14 Van Goethem, *Wording en Strijd*, p. 9.

15 Van Goethem, *De Droom van een betere Wereld*, p. 19.

16 Delegates from 56 organizations, including six co-operative societies, founded the party.

17 Van Goethem, *De Droom van een betere Wereld*.

like this until the eve of the First World War. Initially, in 1877, it had included only Flemish organizations, but these were subsequently joined by the Brussels organizations, and, later, by the Walloon organizations. Gradually, three branches of the labor movement emerged – unions, health funds and co-operatives – which increasingly asserted their autonomy from the turn of the twentieth century onwards. Eventually, in 1946, the old model of organization was substituted for a new one, in which the party became a fully-fledged fourth ‘branch’. It is against this background that we need to understand the development of the Belgian co-operative movement.

The Early Co-operative Movement in Belgium¹⁸

Co-operatives and health funds were part and parcel of the same “survival strategy”. Little is known about the first initiatives, but it seems they emerged in the productive sphere among artisans such as diamond workers and printers. These groups had a high sense of professional ethics reminiscent of the ancient guilds and they disliked the new industrial relations which placed employers in opposition to employees. They preferred more egalitarian relationships and opted for production co-operatives as an alternative.¹⁹ Several of them, possibly modelled on the ones in France, existed in Brussels and Antwerp prior to 1850. None of them survived for a long time, however. As a result this type of organization was never considered a valid alternative in the eyes of the growing community of progressive intellectuals which later constituted the core group of the First International.²⁰ However, production and consumer co-operatives were promoted in left-wing and progressive liberal Brussels circles by Frenchmen – among others – who had fled to the Belgian capital following the 1848 uprising. They were also well-acquainted with the German model, and experimented with various types of production and consumer co-operatives, but all of them were short-lived.²¹

The First International and the widespread social agitation at the end of the 1860s marked a turning-point. Although the International formally opposed the co-operative model and Belgian Internationalists claimed it was a liberal and “bourgeois” concept, the Internationalists did support local initiatives and actively participated in them. They were familiar with French initiatives such

18 Laplasse, *Inventarissen van de archieven*, pp. 20–25.

19 Van der Linden, *Workers of the World*, p. 151.

20 Defoort, *Werklieden bemint uw profijt!* p. 63.

21 Defoort, *Werklieden bemint uw profijt!*.

as La Revendication in Puteaux and L'espérance in Roubaix, and also with Rochdale, which had already acquired a mythical status by this time. Internationalists in Brussels and Verviers felt encouraged to follow the French examples and Internationalists in Antwerp also nurtured the ambition to start up a co-operative business. Ultimately, all these attempts failed for lack of capital or due to poor management. Self-governing co-operatives proved not to be a viable option, whereas initiatives supported by employers or progressive liberals seemed to offer a better way forward.

Amongst these was the liberal Ghent professor François Laurent, who committed his life to “solving the labor issue”.²² The self-help concept dominated his thinking, as it made workers take responsibility for improving their living conditions by themselves. This included education and a campaign to set up savings accounts for schoolchildren, together with consumer co-operatives to avoid workers being tempted by radical ideas and movements. In 1867 Laurent, along with other investors, founded a consumer co-operative supported by the Ghent branch of the International.²³ However, this implied a top-down approach and the liberal intellectual elite could not close the gap between themselves and the workers, the industrial proletariat in particular. Supporters of the International opposed co-operatives for ideological reasons. As the Ghent Internationalist Paul De Witte put it, “Co-operatives and school savings campaigns were greeted with scorn; they were the new sleeping pills, invented by the liberals, just to keep people happy.”²⁴ Yet, confronted with the appalling living conditions in working-class neighborhoods and facing the need to overcome the gap between theory and practice, the former Internationalists from Ghent were to start one of the most successful consumer co-operatives in Europe.

Ghent: The Cradle of the Reformist Strand of Social Democracy

In rural nineteenth-century Flanders socialism was predominantly an urban phenomenon. Ghent, the ancient center of the Flemish textile industry, was one of the few industrial centers in Flanders before the First World War.²⁵ During the second half of the nineteenth century it witnessed a rapid expansion of large-scale manufacturing units modeled on the ones in England. The number

²² Erauw, *Liber Memorialis Laurent*.

²³ The co-operative society ceased to exist after two years, following a discussion on a fair compensation for the investors to the detriment of the consumers.

²⁴ De Witte, *De Geschiedenis van Vooruit*, pp. 8–10.

²⁵ Dambruyne, *Een Stad in Opbouw*.

of inhabitants grew from 50,000 to 150,000, mainly as a result of migration from the surrounding countryside.²⁶ From the mid-nineteenth century, the first mutual aid associations were founded by spinners and weavers to unite and defend the workers.²⁷ Initially these organizations echoed views reminiscent of



ILLUSTRATION 4.1 *Department store of the Vooruit co-operative society in Ghent, 1900*
DRAWING BY FERDINAND DIERKENS. AMSAB, BELGIUM

26 Vanschoenbeek, *Novecento in Gent*, p. 9.

27 Vanschoenbeek, *Novecento in Gent*.

the old corporations, but at the same time they were also susceptible to the ideas of the First International and affiliated to it in 1868. The movement was hampered by the failure of the Paris Commune in 1871 and the disintegration of the First International a year later. The organizations faced increasing isolation, a dramatic fall in membership and a huge loss of influence. It marked the end of a generation of pioneers and the arrival of a new generation, which would lay out a new course for social democracy.²⁸ The short 1873–4 economic recession marked an all-time low in the history of the movement during which major debates were temporarily postponed while the very practical issues of affordable food, health problems, and unemployment had to be addressed.

A wide range of labor organizations was active in Ghent during the 1870s. The Weavers' Union, by far the most militant and progressive of them all, did not restrict itself to defending the interests of its members. It also ran a health fund and in 1873 it established a small co-operative bakery, the *Vrije Bakkers* (The Free Bakers). It was run "democratically" by its members, but in 1881 a group of mostly young people (Internationalists), which had regularly collided over policy decisions with older board members,²⁹ established the co-operative society *Vooruit* (Forwards). This became a defining moment for Belgian social democracy. Practical considerations took precedence over theoretical ones. Long-term political goals were linked to people's immediate needs, above all the need for affordable good quality bread which was a basic item in the diet of a working-class family. This became the main feature of the so-called Belgian model: consumer and producer co-operatives³⁰ were established by political activists who pursued a clear political aim (universal suffrage) but were also willing to supply their communities with services and products. It was a formula for economic success and activists believed in its universal validity. Their mission was to spread it, both in Belgium and abroad.³¹

The Domestic Dimension

While several co-operative bakeries were established in Ghent, liberals also tried to keep up the momentum by strongly promoting the idea of co-operatives and initiating legislation. On 18 May 1873 the liberal government passed a law providing the possibility for workers to improve their living

²⁸ Vanschoenbeek, *Novecento in Gent*, p.13.

²⁹ Defoort, *Werklieden bemint uw profijt!* p. 146.

³⁰ These were supplemented later by personal saving schemes.

³¹ Nijs, *Vooruit 1913–2013*.

conditions through co-operation.³² This was a very flexible law which was inspired by the liberal “Help Yourself” (*Help U zelve*) philosophy and covered all kinds of enterprises. For example, there was no requirement for a minimum amount of start-up capital, nor was it necessary to have a notary, nor did the founders assume personal liability. The law emphasized the commercial nature of the co-operative society and its accessibility, rather than referring to the Rochdale principles. The last quarter of the nineteenth century witnessed a steep rise in the number of consumer co-operatives, although it is unclear to what extent this should be attributed to the law. When it was passed there were only eleven co-operatives in Belgium, but by the turn of the century 454 had been established.³³ The majority of these were linked to a particular “pillar”. A nationwide network of socialist co-operatives was developed with particular strongholds in Ghent, Brussels (*La Maison du Peuple*) and Jolimont (*Le Progrès*). These became the driving force behind the co-operative movement as part of the Belgian labor movement.³⁴

Two periods of expansion can be identified: the first between 1880 and 1900, and the second between 1917 and 1919. In these periods socialist co-operatives were established in all the industrial regions. They followed a similar pattern, which included a bakery, a shop and a people’s house with facilities for meetings and festivities. Only the larger co-operative societies engaged in other activities, such as supplying coal, clothes and medicine or producing beer, shoes and cigars. Periods of expansion were followed by periods of concentration. At the turn of the century the larger societies started to exercise control over the smaller ones in their “hinterlands”, leading to mergers after the First World War. Large regional co-operative societies came into being in all urban parts of the country and consequently the number of co-operatives decreased from 250 in 1914 to 73 in 1924, the year of the prestigious Ghent Exposition Internationale de la Coopération et des Oeuvres Sociales.³⁵

Socialist consumer co-operatives boomed during these years with regard to both turnover and membership but their development came to a halt in 1930, when the co-operative movement was severely affected by the economic crisis and by the banking crisis in 1934. In fact, it faced total collapse following the bankruptcy of the Belgian Bank of Labor and a number of companies originating from socialist co-operatives. Although most co-operatives were saved by

32 Guillery, *Commentaire Législatif*.

33 Witte and De Preter, *Samen Sparen*, p. 149.

34 On the Catholic, neutral and liberal consumer co-operatives see Bertrand, *Histoire de la Coopération*, pp. 581–618.

35 Laplasse, *Inventarissen van de archieven*, pp. 20–25.

government intervention, there was a high price to pay for this, as loans had to be repaid and repayments prevented co-operatives from expanding for several decades afterwards. By 1938 the co-operatives' share of the Belgian retail market had fallen to 3.15 percent, a blow that they never fully recovered from.³⁶

During the Second World War the German occupying forces forced the co-operatives to cut their political ties and to focus on the food supply. After the war their share in the rapidly expanding Belgian retail sector continued to fall, reaching 2.07 percent in 1950.³⁷ Moreover, big opportunities in wholesale trade were missed, meaning that from the early 1970s co-operatives had to close. As one of Belgium's oldest co-operatives, the Ghent Vooruit managed to survive, but only by focusing on pharmacy and closing its retail food stores. In 2016 Vooruit was an important regional player in the pharmacy sector, with an annual turnover of €38 million and a chain of 39 pharmacies.³⁸

International Contacts

Nineteenth-century Belgian co-operatives also established contact with co-operatives abroad.³⁹ They exchanged information, shared experiences and expertise, and read each other's publications. They paid visits to one another and took part in national and international conferences. Many prominent Belgian socialists played an active role in trying to revive the First International between 1872 and 1889 and they attended conferences in Ghent (1877), Chur (1881), Paris (1883 and 1886) and London (1888).⁴⁰ Delegations were also sent to both conferences in Paris (1889). Such conferences offered an opportunity to highlight the success of the Belgian co-operatives, and a brochure containing photographs of the Ghent co-operative buildings and the new industrial bakery was distributed.⁴¹ The moderate French "possibilist" socialists in particular were eager to copy the Belgian example. When the Paris possibilist co-operative La Sociale was established in 1889, this was done with explicit reference to the Ghent example.⁴²

36 Strikwerda, "Alternative Visions".

37 Strikwerda, "Alternative Visions", p. 85.

38 Coop Apotheken: www.coopapotheken.be. Last accessed 29 September 2014.

39 Defoort, *Werklieden bemint uw profijt!*; Vanschoenbeek, *Novecento in Gent*.

40 Van Goethem, *De Roos op de Revers*, p. 44.

41 Defoort, *Werklieden bemint uw profijt!* p. 281.

42 *Le Peuple*, 6 March 1889.

Belgian socialists also benefited from international contacts. It did not take them – and the Ghent socialists in particular – long to realize that co-operatives had to work together in order to buy products wholesale. The English Co-operative Wholesale Society (CWS) served as an example when the first initiative was launched in 1887.⁴³ In 1888 a Ghent delegation made a visit to the CWS and to several other co-operative societies in the vicinity of Manchester. Belgians were also very familiar with the workings of that brand of the French co-operative movement referred to as the Nîmes school. Delegates of Belgian socialist co-operatives attended an international congress of co-operatives in Paris in 1889, although they established no link to the political movement.⁴⁴

When trying to identify the influence of Belgian co-operatives abroad, we need to look primarily at industrial regions in northern France. Local metal and textile industries expanded rapidly in the second half of the nineteenth century, as they could tap into a vast reservoir of labor. Mainly Flemish Belgian migrants formed an important part of that reservoir, crossing the border and settling in industrial areas around Lille and Valenciennes. As in nearby Flanders, mainly reformist socialists celebrated success at local and national elections in northern France in the last decade of the nineteenth century. In addition, research reveals some striking similarities between the Parti Ouvrier Français and the BWP with respect to their organizational structure.⁴⁵ Both parties favored a bottom-up approach, meaning that they established sections and arranged meetings in working-class neighborhoods and co-operatives played a pivotal role in creating a network of organizations. Co-operatives modeled on the Belgian example were established in Tourcoing (1882) and Roubaix (1885). Their members were predominantly Belgian migrants, and so were the members of the boards of these societies. However, unlike in Belgium, the leadership of the Parti Ouvrier Français rejected the co-operative model. Jules Guesde himself produced a classic piece of political rhetoric concerning co-operatives, saying that he did not want to go down that road for fear of the “embourgeoisement” of the working class.⁴⁶ An important part of his supporters nevertheless continued to engage in co-operative activities.⁴⁷

Co-operatives modeled on the Belgian example failed to take roots elsewhere. Clearly, the close links with the party and the long-term political goals of the movement – the quintessence of the “Belgian model” – were the subject

43 On the CWS see Chapter 22.

44 See Penin, *Charles Gide*, p. 48.

45 Defoort, *Werklieden bemint uw profijt!*

46 Cited in Defoort, *Werklieden bemint uw profijt!* p. 192.

47 Defoort, *Werklieden bemint uw profijt!* p. 285.

of much debate and represented major obstacles. For example, the Co-operative Bakery in West Ham (London, 1892), which belonged to the Workers' Co-operative Productive Federation, was modeled on the Belgian example but it ceased to exist in 1897.⁴⁸ The relationship between politics and the co-operative movement turned out to be difficult in Britain, as politicians questioned the potential of co-operatives for bringing about a social revolution, and a significant strand of thought within the co-operative movement wished to preserve its political neutrality. It was also a big issue facing the socialist movement in Europe and eventually it was put on the agenda of the Copenhagen conference of the Second International (1910). During the preceding decades co-operatives throughout Europe had evolved to become an integral part of the labor movement and their importance had become widely acknowledged, including by the labor parties. Consequently, the Copenhagen conference emphasized that co-operatives, along with parties and unions, were major tools of the working-class struggle and had to preserve their autonomy, although close links should be established between these three branches of the labor movement.⁴⁹

Elements of Success and Failure

What contributed to the success and failure of consumer-co-operatives during their startup phase? I will consider the co-operative movement as an escape route from poverty rather than as an alternative distribution or consumption channel. As public authorities failed to provide social protection and to establish a social security system, unions, health funds and co-operatives started providing social services, in addition to performing their key tasks. While it was generally only wage laborers that had access to the unions,⁵⁰ co-operatives and health funds were aimed at families. They provided consumer goods and in particular bread, they established embryonic systems of social security and offered financial benefits in proportion to purchases. This formula proved a great success in Belgium and northern France in the last quarter of the nineteenth century. So much so, in fact, that historians seem to focus solely on the successes of the co-operative movement, thereby narrowing the scope of their

48 Defoort, *Werklieden bemint uw profijt!* p. 321.

49 Haupt, *Congrès socialiste international Copenhague*.

50 Workers are also organized along the lines of a specific trade or craft (printers, diamond workers, etc.). With regard to these craft unions, it is difficult to make a distinction between employee and employer. This article does not deal with these unions.

study even more. It would therefore be interesting to contrast these success stories with projects from the same period and region which were less successful or even downright failures. One of the most outstanding examples of a successful project, even by European standards, was the Vooruit co-operative in Ghent, which will be contrasted here with the less successful Antwerp co-operatives and the failure of De Zon (the Sun) co-operative in Zele. These three stories cover a relatively short period of time – the 30 years from 1880 to 1910 – while the geographical distance between these towns does not exceed 50km.

Vooruit in Ghent⁵¹

Vooruit originated from the Vrije Bakkers, a small co-operative which was established according to the Rochdale principles by a small circle of Internationalists in 1873. When bread prices peaked during a period of economic crisis after 1873, the necessary start-up capital was raised by thirty people, including the leaders of the moribund Ghent group of the First International. The co-operative confined itself to the production and sale of bread, the basic diet of working-class families. In 1853 an average Ghent workers' family spent 31 percent of its income on bread.⁵² The collective purchase of ingredients and baking of bread was an attractive means to keep the price of bread down. Early signs of consumer co-operative activities in Ghent date back to the 1850s. Attempts were made to establish solid co-operative societies in subsequent decades, but none of these was successful, mainly due to different views about financial management. The Vrije Bakkers did prove successful, however, and the turnover rose at an exponentially fast rate, with production increasing from 550 loaves of bread in 1875 to 11,500 in 1880.⁵³ And although it clearly presented itself as a socialist enterprise, its aim was to make profit. It was run democratically by the members, who closely monitored the costs and risks in order not to endanger profit sharing. This was a style of management which led to growing dissatisfaction among those members who believed the co-operative should have the higher aim of promoting the development of a mass movement.⁵⁴

When the Vrije Bakkers wanted to change course and found a political party, following the German example, the co-operative was deeply split on the issue. The majority of the board did not want to subordinate the society's interests to

51 Defoort, *Werklieden bemint uw profijt!*; Vanschoenbeek, *Novecento in Gent*.

52 Scholliers, *Wages, Manufacturers and Workers*, p. 170.

53 Avanti, *Een terugblik*, pp. 155–9.

54 Avanti, *Een terugblik*, pp. 155–9.

those of a political party. A group of mostly young people, which had regularly collided over policy decisions with older board members and had also criticized their patterns of spending, established the co-operative society Vooruit in 1881. Their mission was clearly political, but experience had also taught them what to do and they had a good understanding of the strategic economic decisions which were ahead of them. Indeed, the argument was not only a political one. Because it had expanded so rapidly, the Vrije Bakkers had difficulty in meeting rising demand. The younger members called for new investments, but the majority of the board opposed this view, which is why the former decided to quit. Economic circumstances proved favorable to this decision. Wheat and potato crop failures caused food prices to peak again in 1880, when the market was distorted by fraud. People were in need of a decent loaf of bread at a fair price. Going for growth involved both opportunities as well as threats. On the one hand, the result could be increased competition and rivalry; on the other the collective purchasing power could lead to cheaper deals through lower purchase prices and thus cheaper products.⁵⁵

Expansion, not prudence, became the catchword, and this explains why the new co-operative was called Vooruit, the Dutch translation of the German word *Vorwärts*. It was a political statement. German social democrats had a profound influence on the Ghent comrades. In a vain attempt to re-establish the First International Wilhelm Liebknecht had come to Ghent in 1877, while in subsequent years prominent German social democrats continued to pay regular visits to the Ghent comrades.⁵⁶

Start-up capital was provided mainly by a friendly trade union, which gave Vooruit a loan. Members did not provide any capital, or did so only to a limited extent. The company was geared for expansion right from the start. It offered a wide variety of products and, unlike other co-operative societies, membership fees were very modest, even to the extent that membership was free at times. This was a strategic decision, as a step towards the social emancipation of the working-class. The aim of the founders was clearly political, not economic. Vooruit accused the Rochdale pioneers of not trying to achieve a higher aim and of focusing solely on profit making activities.⁵⁷ This explains why Vooruit distanced themselves from the existing economic logic behind co-operatives, that is the provision of cheap bread to a limited number of customers and sharing profits afterwards. According to Vooruit, co-operatives which adhered to that principle were less inclined to take risks and avoided doing anything

55 Vanschoenbeek, *Novecento in Gent*, p. 21.

56 Vanschoenbeek, *Novecento in Gent*, p. 18.

57 Defoort, *Werklieden bemint uw profijt!* p. 216.



ILLUSTRATION 4.2 *Inauguration of the first industrial bakery of the Vooruit co-operative society in Ghent, April 1889.*
AMSAB, BELGIUM.

that might endanger their profits. Not so Vooruit, which served a higher purpose. It adopted bold investment policies, such as the purchase of industrial ovens and advanced marketing strategies. It provided an ever widening variety of products such as coffee, blankets, cloth, shoes and clothing; plus services such as a health fund and benefits for births and funerals. In addition to selling bread and coal, in 1905 Vooruit also owned three clothes shops, four shoe shops, thirteen groceries, six chemists and two *brasseries*.⁵⁸ In contrast to other co-operatives, cheap bread did not play a central role in all this, for Vooruit bread was more expensive than that supplied by other bakers and it had to be paid for one week in advance.⁵⁹ But working-class families which had bread accounts were allowed access to a series of services and financial benefits, generally settled every three months. Given that these families had limited access to savings banks at that time, this was an attractive alternative, as it provided them with some extra money on a regular basis. These benefits were converted into vouchers which could be spent at any of the Vooruit stores or used for free

58 Avanti, *Een terugblik*, pp. 297–8.

59 In 1885 the price of Vooruit bread exceeded market prices by one third.

medical care and free medicines. In this way, an internal and closed system was created. Members offered credit to Vooruit, which was converted into collective purchasing power. Vooruit even created a type of money and paid benefits through its own tokens.⁶⁰

It was, of course, vitally important for co-operatives to reach out to potential members whose income was sufficiently high to join. Share prices could prove an obstacle to that and were therefore drastically reduced in 1883, from 10 to 1 Belgian francs.⁶¹ Membership became almost free. This meant that the capital provided by the membership was not as important as low levels of consumer debt, relatively high retail prices and attractive services to compensate for the higher cost of bread. Over five years membership rose from a few dozen people to 2200 and bakery revenues grew by 350 percent. Between 1890 and 1910 Vooruit showed an annual growth rate of 5–10 percent. The relative share of the bakery in both the total turnover and the returns decreased. In 1894 the bakery accounted for 44 percent of the co-operative's revenue. In 1909 this figure had dropped to 25 percent,⁶² while the bakery's turnover had almost doubled in the same period. Moreover, a pension fund was one of the driving forces behind this success. Members of the co-operative received a pension (10 francs per month payable after the age of 60), provided that they had been members for twenty years and had spent the sum of 150 francs yearly. It was a powerful propaganda tool and it boosted consumption. It also drew fierce criticism from political opponents, but as the state did not provide support for pensioners at all, it was hugely attractive. Old age was synonymous with poverty for working-class families. In 1900, 700 members of Vooruit enjoyed a pension in this way.⁶³

Vooruit became the driving force behind a mass movement and was so successful that it was copied and promoted. The Belgian Workers' Party successfully established small and important co-operatives alike, such as the *Maison du Peuple* in Brussels. Vooruit also served as an example when the *Maison de Peuple* launched *Le Peuple* in 1885, which became the most important socialist newspaper in Belgium.⁶⁴

60 Despretz, *Het Huisgeld*.

61 Defoort, *Werklieden bemint uw profijt!* p. 152.

62 S.M. Vooruit, *Verzameling van zesmaandelijksche en Jaarlijksche Mededeelingen*.

63 Witte and De Preter, *Samen Sparen*, p. 154.

64 Bertrand, *Histoire de la Coopération en Belgique*.

De Zon in Zele⁶⁵

The Ghent case proved that socialism could thrive in the less industrialized Flanders region during a time when it proved to be very difficult to gain a foothold in rural areas. For a movement which was determined to go down the parliamentary road to political power, prospects were bleak. Distributing propaganda for universal suffrage did not result in a stable network of local branches, not even close to strongholds such as Ghent. The Ghent socialists preached the gospel in districts outside the city, which were easy to reach by train. For years they tried to establish party and union branches, but in vain. This became painfully obvious at the by-elections in January 1898, when the socialist candidate won a meager seven percent of the vote.

Following the example set by the Brussels socialists, which had succeeded relatively well in establishing co-operative societies in the surroundings of Brussels, the Ghent socialists also tried to establish a co-operative society in Zele. This was a small town with a mixed population of industrial workers, home workers in the textile industry and farmers, probably selected because of the potential for collaboration with some progressive liberals who were already running a health fund. The parent company Vooruit supported the project by offering tools and ingredients. The co-operative society De Zon (The Sun) was founded on 28 October 1898. It was located in an inn with a banquet room and a bakery oven; that is, in circumstances which were very similar to those in which Vooruit had been established twenty years earlier. The start-up capital amounted to 1000 francs, while that of Vooruit had been 2000 francs. With the exception of one local investor, the start-up capital was provided by Ghent socialists. The board was made up of Ghent people only and the co-operative's head office was also in Ghent. Karel Beerblock, the regional secretary of the socialist party, played a key role. The purpose of the project – and of the party – was to penetrate rural society. This was probably also the reason why they started selling bread at a cheaper price than at private local bakeries. Great efforts were made to introduce the Ghent model, with bread subscriptions, various services such as sickness and birth benefits, social activities and a quarterly *ristorno* or benefit paid to all members. However, the local community was extremely hostile towards the co-operative and people came under severe pressure from the church, factory owners and local shopkeepers not to join it. As a reaction the co-operative felt compelled to pay non-existent benefits and as a result its capital base was undermined. The co-operative failed to

65 Van Goethem, *De opkomst van het socialisme*; Heyvaert and Van Campenhout, *Karel Beerblock*.

appeal to a wide customer base and make a profit. According to the literature Zele, with merely 12,000 inhabitants, was too small a town and its population was too poor.⁶⁶ The area was an emerging industrial center, with mainly textile factories which had moved out of the city because of rising labor costs. It was also an ancient center of industrial homework involving weavers, rope-makers and spinners, with widespread child labor. Levels of illiteracy were very high and incomes extremely low. As a result of low wages among certain groups of industrial home workers, it did not make sense to mechanize production. Moreover, in the Zele region the ancient truck system had not yet been abolished, meaning that workers were forced to make their purchases from factory stores which provided products of poorer quality at higher prices, though they did allow customers to buy on credit. As a result, many workers were permanently indebted to their employers and, consequently, totally dependent on them. These workers could not afford to join the co-operative, despite low membership fees and low prices. They lived on credit and were therefore unable to offer credit to the co-operative.⁶⁷ In short, autonomous consumer co-operatives could not thrive in conditions of unfree labor and intolerable social pressures.⁶⁸

Moreover, inadequate infrastructure forced the board to take out a loan of 10,000 francs in order to buy and renovate the premises. The company had great difficulty in settling its debts and in June 1903 it got into trouble, becoming bankrupt on 8 August 1903. The example of Zele, together with other co-operative societies in Ostend and Hamme, showed that it was very difficult to copy the Ghent model.⁶⁹

De Vrije Bakkers and De Werker in Antwerp⁷⁰

Although Antwerp was one of Belgium's economic hotspots, due to its port and port-related industries, the socialist movement found it difficult to establish solid party structures. The majority of the Antwerp socialists clung to their anti-authoritarian principles and reluctantly followed the Ghent and Brussels

66 D'Hoey, *1200 Jaar Zele*.

67 Van Goethem, *Bijdragen tot de geschiedenis van het Kanton Hamme*, p. 37.

68 Van der Linden, *Workers of the World*.

69 Van Goethem, *Bijdragen tot de geschiedenis van het Kanton Hamme*.

70 Van Goethem, "De Samenwerkende Maatschappij De Werker"; Laplasse, "Van Nevelsteen tot Detiège".

developments. Nevertheless, the success of consumer co-operatives did not go unnoticed and in September 1880 a co-operative bakery was also established in Antwerp. It adopted the same name and the same statutes as its Ghent predecessor, *De Vrije Bakkers*. The 29 founding members raised a limited amount of start-up capital, amounting to 380 Belgian francs. It started as a loose association of individuals subscribing for the supply of bread, without a legal personality, although it did go by the name of co-operative. Lack of capital forced the society to take out a private loan after a few years. Having used the money to build a bakery (with four ovens), a café and a meeting room in 1886, the co-operative seemed well on its way towards following the Ghent example. Taking out a loan meant that it had to assume legal personality. However, for reasons that are not entirely clear, it chose to register not as a co-operative but as a commercial company, adopting the name *Collectief samenwerkend en verbruikend vennootschap De Vrije Bakkers van Antwerpen* (Collective Co-operative and Consumer Partnership the Antwerp Free Bakers). Despite having all the features of a co-operative, it had a distinct legal status, which implied that the partners were fully and collectively responsible for the financial engagements of the company.

Following the example set by the Ghent socialists, the company offered a wide variety of products. It established retail outlets in the surrounding districts and provided services such as a health fund. It delivered excellent business results due to the bakery, which accounted for more than 80 percent of company profits. However, unlike in Ghent, other activities met with less success and growth was disappointingly low compared to that of Ghent. The turnover of the Antwerp co-operative was but a quarter of that of *Vooruit* in 1892. Sloppy management was a serious problem and, in contrast to Ghent, a strong leadership with a clear vision was lacking. As was so often the case with traditional co-operatives, the company became a source of additional income for members of the board, which sparked internal feuds and quarrels. A sense of higher purpose was missing and short-term thinking prevailed. For example, no financial buffers were established and members were paid maximum benefits. The company invested in a new baking process, but when it failed and bread sales started to drop from 1899 onwards, its dynamism was waning rapidly and debts were accumulating. It had to increase its capital while simultaneously making economies, laying off employees and rationalizing production. Its legal status was also modified, as the company was turned into a true co-operative society with a new name, *De Werker* (The Worker). As of 1904 *De Werker* mainly sold bread, but over five years sales were halved and turnover continued to decrease in subsequent years. Its deep structural flaws persisted, but the society managed to survive and even turned slightly profitable. Having

survived the First World War, it had to merge with the Liège Union Coopérative in 1920.⁷¹

Conclusion: Decisive Elements of Success and Failure

On the basis of the three cases considered here, it is possible to suggest some factors which contributed to the success or failure of consumer co-operatives in a developing industrial society. These include both external and internal elements.

On the external side, the high cost of basic commodities was conducive to the emergence of collective purchasing projects. In 1853 an average working-class family still spent 31 percent of its income on bread. While this figure had dropped to 19 percent and 12 percent in 1891 and 1908 respectively, the cost of bread continued to be a matter of concern. On the other hand, the purchasing power of the population was also a factor: the Zele population was simply too poor. The Ghent socialists had faced the same problem, which explains why membership fees were very modest and membership was even free at times. Nevertheless, the poorest segment of the population was not able to join the co-operative, because they depended on credit from retailers for their daily needs. Consequently, low purchasing power may have an adverse effect though conversely, so too did high purchasing power.

Also important was the absence of public social security schemes. In addition to food and clothes, co-operatives provided services such as sick benefits, medical care, medicines, birth benefits and even a pension fund. The monthly insurance premium amounted to the price of one loaf of bread; in return, sick people were entitled to six free loaves of bread over a period of six weeks. As public social security was virtually non-existent, this was an attractive offer. Conversely, when state-sponsored social insurance schemes were developed immediately after the First World War, co-operative schemes became less tempting.

The success or failure of co-operatives was also shaped by the local and regional economic profile.⁷² Ghent was the industrial heart of the east Flanders province around the turn of the century. Large-scale industry consisted mainly of textile factories, employing many people including women and children, who were paid relatively low wages. Antwerp textile firms had achieved a less

71 Van Goethem, "De Samenwerkende Maatschappij De Werker", p. 317.

72 De Brabander, *Regionale structuur en werkgelegenheid*; De Brabander, *De regionaal sectoriële verdeling*.

dominant position and the industries were more varied. The service sector in particular was better developed and many more people were involved in producing so-called luxury goods. Also important were the characteristics of the local commercial sector. Co-operatives often originated in the context of communities dominated by small-scale retail businesses, where competitors such as department stores and industrial bakeries were absent. In 1888 there were 327 private bakeries in Ghent, each one of which was providing bread to about 40 families. Co-operative societies could benefit optimally from economies of scale, especially when they opted for industrial production. Finally, private initiative and enterprise were almost left unhindered by rules and regulation in Belgium in the last quarter of the nineteenth century. Unskilled and semi-skilled workers had therefore little difficulty in starting up a co-operative society. The Antwerp case shows that they did not even need to settle its legal status and thus the establishment of a co-operative society did not involve any costs.

Also important were internal elements. A key element to the success of Vooruit in Ghent was its pursuance of a higher social purpose, placing mission before business. Co-operatives were often small-scale businesses, geared towards short-term benefits, but not Vooruit. Its aims had nothing to do with the co-operative. Rather, it was seen as an important step towards the development of a strong labor movement, which aimed at the political emancipation of the working-class. Management literature reveals the importance of the pioneering work of a generation of visionary leaders.⁷³ Perhaps it provides an explanation for why the Ghent model was successful in Ghent, and why it failed in Zele or was less successful in Antwerp.

Secondly, open membership and customer loyalty were important. Many societies could not be accessed by outsiders. For example, membership of co-operatives which had been established by unions was restricted to union members. Although many such co-operatives managed to survive for quite a long time, their performances were modest. Vooruit succeeded in generating customer loyalty by providing excellent extra services such as pension schemes and health funds, while linking them to stringent obligations to buy. As it rapidly succeeded in broadening its product range, the higher purchasing power generated by the dividends was rechanneled into the co-operative.

Thirdly, internal economic factors including distribution costs and capital were influential. Ghent was a relatively small, compact city, with workers living closely together, while Antwerp covered a much greater area, including the city itself and a series of working-class municipalities. Rural Zele had a small

73 Vanderstraeten, *Organisatiesociologie*.

population, so products had to be distributed much more widely in order to generate sufficient turnover. This could not continue for long and not even for a short time, given that prices allowed for no profit margin at all. Like all other companies co-operative societies have to raise start-up capital. This may be provided by the membership, but such funds were insufficient for the projects undertaken by the societies discussed here. Hence, co-operatives need a certain amount of external funding and, at least in the start-up phase, profits need to be partly reinvested into the business instead of being returned to the membership. The Ghent and Antwerp projects benefited from local and external funding opportunities which allowed Vooruit to step up production and were vitally important for the survival of the project in Antwerp. Such opportunities were lacking in Zele and De Zon went bankrupt.

History of Consumer Co-operatives in France: From the Conquest of Consumption by the Masses to the Challenge of Mass Consumption

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In co-operative historiography, France is generally considered to be the birthplace of the producer co-operative. Consumer co-operatives began to emerge in the nineteenth century, mainly to cover the food needs of ordinary people. As such, they did not apply the exorbitant margins imposed by merchants, notably during agricultural crisis periods.

The specific nature of these co-operatives has at times been overlooked in the historiography of consumption which is said to “affect a multitude of objects”.¹ With the rise of industrialization, the fate and living conditions of the nascent working classes were tested: proletarians lived under the threat of pauperization. With the initial help of master craftsmen or employers, the working classes organized themselves in order on the one hand to defend the fruits of their labor through producer co-operatives and on the other hand to lower the prices of basic consumer goods.

Co-operation was theorized by Grenoble-born Joseph Rey as being synonymous with a workers' association as early as 1826 and was first linked with the idea of association by utopian socialists such as Fourier.

Consumer co-operatives were marked by an ideological “inspirational dualism”.² Less explored by historians, however, was the transformation of their nature and functions in the national context and in the field of commodity and non-commodity consumption.³ Five main evolutionary stages can be distinguished: (1) the consumer associations of 1830–1885; (2) empowerment through co-operatives 1885–1912; (3) expansion 1915–1960; (4) weakening and decline 1960–1985; (5) revival through new kinds of association from 1985 to the present day.

1 Fahrini, “Explorer la consommation”.

2 Gueslin, *L'invention de l'économie sociale*.

3 See however Brazda and Schediwy, *Consumer Co-operatives in a Changing World*; Furlough, *Consumer Co-operation in France*.

Consumer Co-operatives Anchored in Labor Organizations, 1830–1885

The start and self-propelled rise in workers' co-operation was marked by political events such as the July Monarchy and the revolution of 1848. Merchants supporting Fourier and socially-minded employers introduced specific forms of trade for the working classes to help them face shortages and price fluctuations. For instance, the Caisse du Pain, a bakery run for and by workers, was set up in Guebwiller (Vosges) in 1832, albeit under the initiative and control of an employer. Fighting against competition and laissez-faire attitudes to prices, the first alternative forms of consumption emerged following the Canut rebellions involving silk workers in Lyon, which were suppressed in 1831 and 1834. In 1835, Fourier supporters Michel Derrion and Joseph Reynier opened a grocery store in Lyon, championing the concept of Le Commerce véridique et social (fair and equitable trade). The store's profits were split four ways.⁴ This was when the notion of refunding the surplus emerged together with the basic principles of co-operation: quality of goods, *fair* prices, inclusive membership, incorporation of the consumer into the life of the society and the use of some of the profits for social works. Le Commerce véridique et social heralded the principle of co-operation "but [gave] it such a restrictive application that it only [began] to hint at distributive co-operation."⁵ However, policing and administrative obstructions eventually put a stop to the bakery's development and its founder left to join a *phalanstère* in Brazil.⁶

In 1838, the Boulangerie Véridique (equitable bakery) was created in Ménilmontant (Paris) in the middle of a grain shortage. It spread Fourier's ideas and brought together 800 consumers with its oven and shop. Ultimately, it was an attempt to put an end to growing social torment. The crises of 1836–7 and 1847–8 stemmed as much from the food situation as they did from the economy. In response, the 1848 revolution was marked by workers taking control of the food supply through production and consumer co-operatives.

During this period, workers' associations were founded on a strong professional identity backed by the political goal of emancipation. The wish to meet the food needs of the mainly urban proletariat went hand in hand with the building of almost corporative forms of solidarity in the working-class areas of cities and provincial towns in the north and east of France. In 1848, there were

4 Gaumont, *Histoire générale de la coopération*; Bayon, "Marie Derrion".

5 Lavergne, *Les coopératives de consommation*, p. 45.

6 Phalanstère, a kind of urban and rural utopia, was invented by Fourier in the beginning of the nineteenth century.

38 consumer co-operatives in France such as L'Humanité in Lille or Les Travailleurs Unis in Lyons. These produced and distributed goods, trained members, provided mutual assistance through their pension funds and with their variable prices created opposition to local shops and stalls.

Consumer co-operation developed on the basis of the doctrine of the Rochdale Society of Equitable Pioneers developed near Manchester in 1844. This shift generated various reactions: some socialists denounced the "trap of co-operative membership" while others saw it as a transient arrangement before global co-operative workshops could be set up.

Initially mistrusting the co-operatives, the public authorities came to tolerate and then to regulate them. Under the liberal Second Empire, the provincial middle classes and local employers promoted co-operatives to the working class masses. One of the first brochures on consumer societies was written by the liberal Casimir Périer in 1864, who welcomed them as "charitable institutions".⁷ This raised the question of how to supervise them. As early as 1865, the State Council examined a bill on co-operation put forward by the economists Léon Say and Léon Walras. But the bill ran up against opposition from co-operative members, who worried about being regimented. The law of 24 July 1867 finally allowed co-operatives to be set up as limited liability companies or partnerships. A clause was introduced to cover fluctuations in capital and staff, making it impossible to share the financial reserves and authorizing members to come and go as they pleased. A century later, the principles of this legal regime still applied.

As of 1873, the consumer co-operative sector enjoyed a new lease of life: within the space of thirty years, the co-operatives experienced an eightfold increase. In Paris and the surrounding region, la Moissonneuse, l'Egalitaire, l'Avenir de Plaisance and la Bellevilloise were created during this period. In January 1877, the workers' union Union Ouvrière des Sociétés de Consommation was created to federate the consumer societies created in each Paris district.

However, for the followers of the Marxist Jules Guesde, consumer co-operatives could not improve workers' conditions. According to them the reduction in the price of products sold by a co-operative meant a drop in wages for producers. Nevertheless, in spite of these differences in doctrine, in 1885 89 associations came together to create the Fédération des Coopératives de Consommation (Federation of Consumer Co-operatives, FCC). This organization had an economic chamber to provide members with business information and a consultative chamber as a genuinely legal and, above all, political body.

7 Périer, *Les sociétés de coopération*.

Empowerment of the Consumer Co-operative Movement (1885–1915)

At the start of the 1880s, the number of co-operatives created increased. At the same time, shops with multiple branches were set up. The first organization with branches was a mutual enterprise: the Société des établissements économiques de Reims, or Docks Rémois. This was followed by Casino in St Etienne (1898). At the same time, workers' unions geared themselves up to fight against the high cost of living. Having been state-regulated, co-operatives now began to be managed by their own members.

Two movements came into being within the FCC: on the one hand the "Nîmes school" created by Charles Gide, Edouard De Boyve and Auguste Fabre, while on the other hand the socialist movement set up its own Bourse (co-operative exchange) in 1895. The Nîmes school wanted to establish a co-operative republic while the socialists aimed at the collective appropriation of the means of production and consumption. The FCC became the Union Coopérative (UC, co-operative union) in 1889, adopting new principles different from both liberal and household co-operation. It was given a co-operative office so that it could act as a genuine trade organization.

Meanwhile, the boom in co-operative setups continued, supported by part of the labor movement. This led to the creation of groups such as La Solidarité in Sotteville-lès-Rouen in Normandy. After the elections of 1889, workers in Rouen had become dissatisfied with the attitude of merchants towards their candidate and decided to create a consumer co-operative. The co-operative sold commonplace consumer products at advantageous prices.

But there was still much dissension. For the people in Nîmes, the consumer was the central and pre-requisite pivot from which the co-operative sector would extend itself towards future producer co-operation and, eventually, agricultural co-operation. For the socialists, on the other hand, consumer co-operatives were the seat of political propaganda. The split gave rise to the Bourse, which became the Bourse des coopératives socialistes de France (BCS) in 1900 and later part of the Confédération des Coopératives socialistes et ouvrières for socialists and workers. In 1907, the Bourse covered 186 enterprises and had 79,000 members.

A third, even more radical movement began during this period: the "Ecole de Saint Claude" (Jura). This school stemmed from the society La Fraternelle, which was born in 1881 from a Masonic society bringing together traders and the working-class elite. The society adopted a socialist and, above all, mutual form of co-operation in 1896 following a coup orchestrated by friends of the working-class leader H Ponard. The movement was affiliated with the Bourse

socialiste but its practice differed from the other enterprises that were evolving as part of the “revolutionary” movements. The members of consumer co-operatives in the Jura supported the diamond and pipe production co-operatives and developed inter-co-operation with agricultural co-operatives. The Saint Claude school differed above all in that it decided against redistribution of its profits, which were used instead to boost solidarity funds, hence offering its member-consumers the same if not better than a mutual enterprise. Its difference also stemmed from the fact that ownership of the enterprise was collective, and this could not be changed even at the request of the majority of members. A mutual dispensary, restaurant, cinema, support of popular culture, unions and the socialist press were some of the services created by the members.⁸ In Belgium, the creation and continuation of the Ghent-based Vooruit (1880) which, according to E Anseele, had “to be a fortress able to bombard capitalist society with potatoes and four-pound loaves” was a source of inspiration for the Saint Claude co-operative members.⁹ The People’s House (*Maison du Peuple* or *Volkshuis*) was the trigger for the Jura *Maison du Peuple* as well as for similar enterprises in the north of France such as those of the Roubaix socialists, again linked to a consumer co-operative.

In Gide’s words, the consumer co-operative was, “real solidarity since it makes it impossible for any one person to become rich without all the others benefitting”.¹⁰ According to him, the co-operative association offered the biggest opportunity for emancipation of the masses. Its objective was universal and it required self-organization. The co-operative republic to a certain extent heralded the European republic that Gide hoped for, which he “glimpse[d] in the mist and where everything will be settled through free agreements”.¹¹ Gide believed that the consumer co-operative was a powerful economic instrument since all workers were consumers. In Gide’s thinking, producers were “the belligerents” while consumers were the “pacifists” and had to “struggle to live”.¹²

This period also witnessed a rise in women’s concerns, reflected in the *Ligue sociale des acheteurs* (Social League of Buyers), founded in 1890 by bourgeois Catholic women and associated with “nebulous reform activity” in France and

8 Mélo, *Une maison pour le peuple*.

9 Renard, *Le mouvement coopératif*; Mélo, *Une maison pour le peuple*; Mélo, “L’Ecole coopérative de Saint-Claude”; Defoort, Vanschoenbeek and Verbruggen, *Gent Saint-Claude heen en terug*.

10 Gide, “La solidarité économique”.

11 Gide, Charles, “Chroniques”, *Revue d’économie Politique*, vol 2, 1890, p. 15.

12 Pinto, “Le consommateur”.

Europe.¹³ “Their defence of ethical consumption with respect to producers took a different stance to that of consumer co-operatives and Gide’s socialist attitude and defence of consumer rights (and not obligations).”¹⁴ The Ligue des Femmes coopératrices (League of Co-operative Women) was created in 1910 to defend women belonging to the working classes.

Professional solidarity continued with the creation of other co-operative undertakings, notably in the public service sector, such as the Coopérative des employés des Postes set up in 1905 (Co-operative for post office employees). At the same time, the law of 1901 liberalizing the status of associations allowed non-professionals to group together to defend specific and general interests.

In 1906, socialist co-operatives led by Louis Hélie, a member of La Bellevilloise co-operative, founded the Magasin de Gros des Coopératives de France (MDG). Hélie drew inspiration for this co-operative wholesale society from a wholesale sector study trip in Manchester. Before it became a reality with backing from the socialist majority, the idea of a wholesale had been put forward by conservative Catholics. During debates about the form that the French wholesale would take, the Breton Emmanuel Svob elected himself “spokesperson of a decentralized and federating organization”.¹⁵ The MDG was a member of the BCS and the UC. A Département de Banque et de dépôts was then instituted in



ILLUSTRATION 5.1 *Co-operative store in France at the beginning of the twentieth century*
FÉDÉRATION NATIONALE DES COOPÉRATIVES DE
CONSO MMATEURS.

13 Topalov, *Laboratoires du nouveau siècle*.

14 Chessel, *Histoire de la consommation*.

15 Gautier, *La Prolétarienne*.

1913. With an initial capital of 500 francs, this banking and depositary organization almost went bankrupt in 1911. Co-operative members began to diversify their activities, opening clothes shops. For example, a shoe shop was opened in Saint-Claude in 1911.

In the face of the economic obstacles caused by the division between co-operative movements, the "Gide" and the socialist co-operatives signed the "Unity Pact" on 12 June 1912. The pact was ratified the following November and ensured that co-operatives were granted or kept their "autonomy", though they could help political parties locally and according to their own wishes. Furthermore, they claimed to be "bodies for the emancipation of workers", which was a terminological concession to the socialists. This pact nevertheless reflected the Union's ideological victory over the Bourses. Both branches of the co-operative movement (UC and BCS) founded the French national federation of consumer co-operatives, *Fédération nationale des coopératives de consommation* (FNCC), in 1912. This body promoted the federalization, concentration, centralization and responsible management of co-operatives. The FNCC targeted the collective and gradual appropriation of the means of exchange and production by member consumers, according to the doctrine laid out by Gide and developed in practical terms by national managers such as the socialist Ernest Poisson.

As of 1914, the FNCC federated two thirds of consumer co-operatives, while the *Union* and *Bourse* only represented a sixth in 1907. In 1912, the Parisian co-operative members' union began a process whereby it gradually absorbed the oldest co-operatives and a concentration policy was adopted at the Reims congress in 1913. In 1914, France was ranked fourth in Europe in terms of co-operative members: 876 000 people were members of the FNCC together with 3 166 co-operatives.

After attending the UK co-operative congress in Plymouth in 1886, Charles Gide, who was very admiring of the organization of English co-operatives, put forward a proposal for an international co-operative federation. He welcomed the creation of the International Co-operative Alliance (ICA) in 1895 but he remained somewhat skeptical about its activity. The founding core of the ICA was formed by English producer co-operatives which were dissatisfied with the politicization of continental co-operative societies. This was the reason why Marc Pénin wrote that the ICA had experienced a difficult birth and not much success in the initial years. At the second congress of the ICA in Paris in 1896, Gide reaffirmed his skepticism.

The International Co-operative Alliance was one of the organizers of a fourth co-operative congress held during the World's Fair in Paris in 1900, again without attracting much enthusiasm. The turning point came at the ICA

Congress in Manchester in July 1902, when the socialist Louis Helies was elected to the central committee thanks to the influence of Gide. As Gide put it, the ICA was changing from a period of bourgeois influence to one of working-class influence, a line which was confirmed at the congresses of Budapest (1904) and Cremona (1907) in which Gide participated. Gide continued to promote the ICA in France.¹⁶ Once the ideological conflicts had subsided, the influence of Gide's English contacts began to be felt on national co-operatives in France.

The Institutionalization and Expansion of Co-operatives (1915–1960)

At the start of the twentieth century, consumer co-operatives had aimed to some extent to transform society by inserting themselves into a multi-functional network and adopting the principle of the wholesale. This was at a time when big stores had already sprouted in the better-off areas of major cities. As the backbone of solidarity, this growing "cooperativism" became truly territorial.

During the First World War co-operatives used political support to gain recognition. Reunification had led to the progressive standardization of regional practices and principles, but the development of shops and trading tools was a drain on the renewed membership. The First World War fueled the rise in consumer co-operatives as they were supported by the French government to sell basic products and groceries. The number of co-operative members doubled. With the role co-operatives played in the war economy, in charge of providing supplies to rear positions and, in some sectors, to the Western Front (for example in Toul and Meurthe-et-Moselle), by the end of the war the co-operative idea had made headway in general opinion and won the esteem of governmental authorities.

Designed by socialist reformists Paul Ramadier and Albert Thomas, the law of 7 May 1917 symbolized the institutional recognition of co-operatives. Its aim was to organize credit for consumer co-operatives in partnership with the Banque de France. A co-operative high council was created in the winter of 1918 by the French Ministry of Labor. Empowered by all this support, the number of co-operative shops, co-operative members and sales volume increased rapidly between 1917 and 1920. In 1918, when the Alsace-Lorraine region became part of France once more, the FNCC absorbed the Union des Coopérateurs d'Alsace, a co-operative distribution enterprise founded in Strasbourg in 1902.

16 Furlough, *Consumer Co-operation in France*, p. 235.

Thanks to the trade union charter led by Albert Thomas, a union charter was included in the national collective agreement of co-operatives in 1920. From this point on, co-operation benefited from firmer support from trade union and intellectual circles. The period between 1920 and 1929 was thus a fertile one, with the consolidation of growth in sales volume and co-operative members, albeit at a slower pace.

To back the rise and diversification of membership, a national education commission was created by the FNCC in 1923. Co-operative proselytism was spread via the FNCC bulletin, *L'Action coopérative*, and from 1928 a regular newspaper was published, *Coopérateur de France*. Consumer co-operatives drew closer to producer co-operatives with the creation of a joint committee bringing together the FNCC and the consultative chamber of production workers' associations in 1924.

The statutes establishing the autonomous Banque des Coopératives de France (BCF), which replaced the banking department of the wholesale MDG, were voted in at the Marseilles congress of the FNCC in 1922. Proposals for this bank were already under discussion in 1913 but the war had prevented it from coming to fruition. The initial deposit made was 60 million francs. In 1926, the bank held over 57,000 accounts and in 1934 its deposits amounted to almost 400 million francs. A purchasing contract system was introduced for MDG co-operatives in 1922 and, as of 1927, the MDG began to prosper. In 1932, it federated 14,000 co-operatives bringing together 2.5 million families. Consumers became savers: credit unions allowed co-operative members to invest their savings internally, hence bolstering the co-operatives' reserves. Deposits generated interest and could be drawn on at any time, very much like conventional savings banks.

The 1930s were more difficult, from both a commercial and a financial point of view. First, the growing number of rival shops hindered the co-operatives.¹⁷ To increase the visibility of co-operatives and the qualitative aspect of their products, the idea of a national co-operative brand emerged. Apart from the now classical names (La Fraternelle, La Famille, La Fourmi, La Ruche, L'Espérance, L'Avenir, etc.) and the use of the political symbols of socialism such as the sun and the color red, local co-operatives had no other promotional strategies until the national COOP brand was adopted in the 1930s. The COOP brand backed the ideas of quality and ethics, even if co-operative members had striven in the past to deliver cheap quality products in line with their production ethics.

17 Furlough, "French Consumer Co-operation".

Following some risky investments and “irresponsible lending”,¹⁸ the BCF closed its tills and filed for bankruptcy on 30 April 1934. The MDG and its member societies refunded creditors and replaced the bank with a central co-operative body, the Société Centrale des Coopératives de France (SCCF). The MDG entered into relations with the fresh fruit and vegetable producers’ co-operative federation, Fédération nationale des coopératives de producteurs de fruits et primeurs, and the threshing society, Société de décortilage. In 1936 they established a co-operative for the distribution and sharing out of farming products, Coopérative de Répartition et d’Echange des Produits Agricoles, which then became the Union des Coopératives de Production et de consommation.¹⁹

Government instability led to fluctuations in the measures geared towards co-operatives. The Laval government (1935) took away the co-operatives’ commercial tax exemption obtained eight years previously, thus penalizing the sector. The FNCC worked on becoming more streamlined and armed itself with a co-operative management society, Société coopérative de gestion, in 1936, and then created a guarantee fund, Caisse de garantie des co-operatives, in 1939. A union for co-operative production and consumer societies was set up according to the legislative decree of June 1938 with the aim of financially “supporting and encouraging” the development of co-operatives by allocating them credit for investment, which had previously been awarded directly by the Ministry of Labor. In autumn 1938, a new decree led to the creation of the Caisse Centrale du Crédit Coopératif (4C) as the appropriate structure even if this was initially welcomed with mixed feelings by some of the FNCC managers. Urged on by the co-operative movements, the Crédit coopératif next gave rise to the creation of four co-operative bodies registered by the national credit union as specialized financial enterprises, notably the Société coopérative d’équipement specializing in equipment and managed by consumer co-operatives.

To summarize, we share the idea of historian Ellen Furlough according to which the transformation of the movement towards capitalist business strategies during the interwar years can be explained by the co-operative members’ wish to be represented as a movement aiming to correct capitalism rather than as a genuine alternative.²⁰

18 Dreyfus, *Financer les utopies*.

19 Sterin, *Les coopératives de la dernière chance*.

20 Furlough, *Consumer Co-operation in France*.

Co-operatives in the Second World War and Reconstruction

The years 1939 to 1946 saw a decline in sales volume coupled with an increase in the number of co-operative members. Following the armistice of June 1940, many co-operative members joined the Resistance, such as those belonging to the St Claude La Fraternelle (Jura) and some members of the Coopérateurs de Haute-Savoie. In December 1940, the decision was made to dissolve the FNCC under the joint pressure of the Vichy government and representative authorities. Newspapers stopped being published and the SCFF and MDG merged into a general body called Société Générale des Coopératives de Consommation (SGCC). After the Liberation, the co-operatives emerged from the war period weakened, even if they had not stooped, it would seem, to black market operations. In the Jura, La Fraternelle was forced to borrow money in order to re-establish itself at the end of 1944. In the same year, the FNCC was reborn at the Paris Congress, which once more included the Alsatian co-operatives that had been momentarily annexed to Germany. To manage group capital, in 1946 the consumer co-operatives and central organizations recreated a depository bank, the Banque Centrale des Coopératives (BCC).

In 1947, a law drafted by former co-operative member Paul Ramadier and passed on 10 September gave a truly general status to co-operation. The front cover of the FNCC newspaper, *Le Coopérateur de France*, paid tribute to the law with the headline "A Law of Freedom", with co-operative members being encouraged to promote and develop this status. According to the newspaper, the law was seen as a way to promote and develop the co-operative.²¹

Some professional co-operatives, such as the post office and telecommunications branch, the Coopérative des Postes Télégraphe Téléphone, joined the FNCC, but most remained outside the movement. The miners' society Coopérative centrale du personnel minier in Hénin-Beaumont, Pas de Calais did not join until 1979, after many unfruitful approaches. Supplying needs for primary school teachers' apartments, the CAMIF (Coopérative des adhérents de la Mutuelle des Instituteurs de France) was born in 1947, as a consumer co-operative to help teachers in financial difficulty at the end of the war. In 1949, it became a co-operative public limited company with variable capital, open only to National Education members. The Union Coopérative de Crédit Ménager was founded in 1951 by the FNCC to help co-operative members buy household goods. It was financed by the Banque centrale des coopératives, and the Banque de France. This Union was registered by the National Credit Council in February 1955.

²¹ *Le Coopérateur de France*, October 1947.

This quantitative boom came on top of a growing drive for quality in both products and social relations. The partnership with the unions focused on defending consumers and improving social relations with co-operative employees. In 1955, the Laboratoire Coopératif d'Analyses et de Recherches was created as an association, encouraged by the consumer co-operative movement producing the COOP brand. It was located first in Gennevilliers (Hauts-de-Seine) then in Saint-Prix (Hauts-de-Seine). The aim of this laboratory was to inspect and analyze mainly foodstuffs in order to determine their precise level of quality or their compliance with legislation on fraud or their effect on health. In 1959, it performed over 200 analyses per month and published the results. The laboratory was available to all consumer bodies.

In the field of social partnership, the national collective agreement of consumer co-operative employees was signed in 1956, affording union representation to co-operative employees. Consumer co-operatives did not follow the initiative of the Organisation Générale des Consommateurs (ORGECO), founded in 1959 by the unions Force Ouvrière Confédération Générale des Travailleurs and Confédération Française des Travailleurs Chrétiens, but they did collaborate with other co-operative movement organizations. In the following decades, their efforts were to lead to the revision of consumer laws, ensuring the consumer had a better deal.

1946–1960 saw sales volume increase more rapidly than the number of co-operative members. This was due to an increase in purchasing power: in 1959 one person out of six was a consumer co-operative member. The “concentration of regional societies the type of operations they carried out with their members and, finally, the changing role they played in the economy” were observed by Vienney. Paradoxically, the low national concentration of the movement’s forces was the result of “this regional concentration”.²² The technical and sales organization of regional co-operatives was that of “enterprises with many branches”, which perhaps explains why the co-operatives adopted the same methods as their national competitors, notably in the 1950s.

Geographical coverage was unequal, as at the start of the movement. In 1960, the co-operative presence in France was denser in the north east from le Havre to Belfort, while the Parisian region had lost ground and the south east and south west remained areas where there were fewer co-operatives. Until the 1970s the real power within the FNCC was wielded by the Coopérateurs de Lorraine group from the north east.

In the mid-twentieth century co-operation thus focused on economic dimensions while adding consumer information and quality certification

²² Vienney, *L'économie du secteur coopératif français*, pp. 214–6.

to their list of services. However, as co-operatives set up different branches and large-scale distribution emerged, products became diversified within a highly dense distribution system. This was a turning point that co-operatives delayed in following. The business management taught in business schools became preponderant. Since the universal nature of consumption was now recognized, the link with the social environment weakened as the identity of co-operative membership disappeared in the act of consumption. This was the consequence of the loss of the political emancipation project and the social “solidarity” project.

Weakening and Decline with the Emergence of the Mass Consumption Society (1960–1985)

At the start of the 1960s co-operatives seemed to be in a winning streak. The time when individuals would be freed of profit, perceived as a capitalistic tithe, and able to meet their material, intellectual and moral needs, seemed to be drawing closer. But the advent of mass consumption undermined this utopian vision: the first private hypermarket opened in 1963 in the Paris region. Its name was Carrefour. Facilities were made available to help large supermarkets set up outside cities. Commercial zoning was generally applied. Co-operative members, located in more rural areas and growing old in relation to other consumers, were outstripped.

Meeting at its congress in Evian in the Haute-Savoie in 1960, the FNCC boasted three and a half million households as co-operative members. Its active members accounted for only 12 percent of all households, however.²³ Since 1945, its turnover had climbed from 12 to 250 billion francs. It continued to work on its concentration policy with half of its turnover coming from five societies.

Co-operative members debated the best co-operative policy to be applied. The FNCC leader Roger Kérinec talked about “co-operative planning” during the FNCC’s 1964 congress. The future president of the ICA and Eurocoop was a connoisseur of American business planning techniques but the French efforts in this field remained limited to a “hesitant introduction”. Then, towards the end of the 1970s and under the influence of Henri Desroche, the debate shifted to the revival of the co-operative project in terms of shared values.

The economist Vienney observed the practical disappearance of ideological links, which had been both the initial cement that brought consumers

²³ Vienney, *L'économie du secteur coopératif français*.

together, and the driving force of their spontaneous development.²⁴ The bodies representing co-operative members questioned the strategy of building loyalty based on dividends. Co-operative members were divided over whether the dividend represented an investment or a return.

In 1961 the FNCC carried out a survey on the reasons of co-operative members for joining a co-operative. The survey revealed that these were mainly economic (dividends, proximity, quality/price ratio, etc.) rather than ideological (democratic management). Two thirds of the turnover came from 1.5 million households. This percentage was declining, although the extent to which it was declining was not specified, perhaps because it was too sensitive an issue. On the other hand, the proportion of purchases made by members at the co-operative stores decreased from 84 percent in 1970 to less than 70 percent in 1977. Eight percent of active members were recruited on a yearly basis. The geographical divide widened with the COOP's over-representation in municipalities with less than 50,000 inhabitants and its under-representation in more populous districts. The idea of member-only benefits was promoted, like an individual contract linking members to their co-operative. The survey had suggested that people became members because of the dividend (82 percent), rather than for the co-operative ideal (12 percent). Consumer loyalty was notably stronger for food products, with groceries at the top of the list. Non-food products represented only 16 percent of regional co-operative sales on average in 1963.

The consumer society was also a leisure society offering services to its members. Co-operative members set up a co-operative mutual assistance body (Entraide coopérative). This took over from the co-operative childhood assistance organization (Enfance coopérative), which was like a social service and managed up to ten children's holiday camps and health centers at Saint-Trojan-les-Bains (Charente-Maritime) and Azay-le-Rideau (Loir-et-Cher). The Comité National des Loisirs and Coop Voyages extended their involvement in leisure activities.

In 1961, an insurance company called La Sauvegarde was set up as a fixed capital company managed by consumer co-operatives. Together with the Belgian welfare organization for Belgians, the Prévoyance sociale des coopérateurs belges, it offered life insurance. Similarly, a brokerage firm for co-operatives, the Société d'assurance et de courtage pour les Coopératives et leurs membres, was also created. Co-operatives joined the Coopérative d'Etudes et de réalisation des centres commerciaux whose role focused on supermarkets.²⁵

24 Vienney, *L'économie du secteur coopératif français*, pp. 217.

25 Vienney, *L'économie du secteur coopératif français*.

However, because the state social security system now covered the risks and hazards of life in general, consumers were turning away from co-operatives offering this type of assistance. The Saint Claude school in Jura disappeared once the *Mutuelle de la Maison du Peuple* was closed in 1973. Up until then this mutual company had used the profit made by the consumer co-operative *La Fraternelle* (which had become *Les Coopérateurs du Jura* in 1966), and had offered its consumer members social benefits.

Co-operatives underlined the importance of providing the general public with information. After publishing several works, the FNCC held a number of fairs for young consumers (*Salons du jeune consommateur*) between 1977 and 1985, drawing inspiration from Parisian consumer trade fairs (*Salons de Consommateurs*). The consumer training center (*Centre de formation des consommateurs*), set up in 1975, was in charge of education for the *Association d'aide à la formation d'animateurs des organisations de consommateurs*, an association that trained consumer organization managers and which brought together nine consumer organizations. At inter-co-operative level, the FNCC took part in the creation of the National Co-operation Group (GNC) in 1968 with 4C and CGSCOP, among others. This allowed it to extend its presence in different areas through the regional groups set up by the GNC.

The rise in large retail outlets, boosted by the “hypermarket revolution”, lowered prices through mass sales and self-service systems. These new retailers drew inspiration from the dividend idea and developed less global loyalty-building mechanisms. Like other chains with branches, the co-operatives did not manage to negotiate their way through this structural revolution. Co-operation continued in medium-sized towns and semi-rural areas and to a lesser extent in cities, but did not immediately react to the appearance of supermarkets and the diversification of products. The first co-operative supermarket was opened in 1961 and the first co-operative hypermarket six years after the national movement.

Legislation of 11 July 1972 on co-operative trade made it possible to restructure entirely the legal status of retail merchants' co-operatives allowing them to introduce branding policies and joint sales operations. Retail co-operatives (*Système U* for example) thus started to compete with consumer co-operatives. A more consumer-focused approach was adopted by the latter in 1972: product quality, order monitoring and customer advice became priorities in the drive to modernize infrastructures. In 1973, the 24 regional structures making up 94 percent of the Federation's turnover managed 7470 branches operated as self-service businesses.

As the co-operative movement sought to expand into less well-covered urban areas, the 1973 Jean Royer law limited the opening of shops over 400m²,

with the deliberate aim of defending small shops. In fact, what the law did was protect the large retailers Carrefour and Leclerc from new competitors, as they already had the best business locations. These restrictions, on top of internal management mistakes such as extravagant investments to acquire materials and equipment at high interest rates, overhead costs that were too high and low rates of return per square meter, caused the downfall of many co-operatives. The number of regional co-operatives as well as the number of shops decreased between 1960 and 1980. Traditional shops were devastated – there were 7770 shops of this type in 1965, 2292 in 1980 – to the benefit of small cash-and-carry outlets, mini markets and supermarkets/hypermarkets.

Although the percentage of food products was higher by 5.3 points in co-operative sales structures compared with organizations with conventional branches, the shift towards mass consumption had not yet occurred. Throughout the entire 1970–1982 period, the dividend rate declined radically from 2.6 to 0.5 percent. By contrast it had stood at 10–11 percent at the start of the twentieth century. Co-operative members wondered what to do, fearing that the dividend might be perceived as a tax-free self-financing instrument. It also became a hindrance for another reason. “[T]he victims of a drop in payback in the fiscal year were not the same as those who later benefited from improved results,” unlike in a capitalistic enterprise with a more stable shareholding.²⁶

Massive investment and closing some of the local shops was not the solution chosen by co-operative members even though profits were dwindling and the number of customers was dropping. Co-operative structures were not quick to become computerized or start advertising. They did not benefit from the dynamic movement that had crowned large retailer co-operatives like E Leclerc and Système U with success. Instead, they generally failed to accept the turning point and their market shares were quickly redistributed. Instead of turning to their members as soon as they began to feel seriously snubbed, co-operatives turned to the state. Perhaps the co-operative authorities expected the socialist government of 1981 to provide it with solutions for a recovery, given that it was investing in the emerging social economy at that time. In fact, they received little help from the powers that be.

Like their Belgian and German counterparts, most French co-operatives disappeared in the 1980s. This was the case of Coop Bretagne, swallowed by Leclerc, Coop Île de France et Orléanais, Coop Languedoc (transformed into Codisud), Coop Lorraine, Coop Nord, Coop Provence, Coop Rhône-Méditerranée and Coop Saint-Étienne. The Coopérateurs du Jura were absorbed into the Coopérateurs de Saint-Etienne, who in turn became part of

²⁶ Lacroix, *L'apport des coopératives*.

the Coopérateurs de Champagne. The Jura co-operative, after surviving for one hundred years, put a stop to its co-operative operation in 1985, after giving birth to the association La Fraternelle, entrusted with the Maison du Peuple by the co-operative members. It was thus up to this association to keep the memory of the Jura movement alive and pursue the work of public education that had underpinned the movement since its beginnings. In 1983, the bimonthly paper *Le Coopérateur de France* disappeared and the following year, after surviving for over ten years, the Société coopérative d'édition et de librairie co-operative publishing body was closed.

Although the co-operatives' failure was partly due to major trends such as urban development and the increase in social and economic inequality, it was the co-operative members themselves who sacrificed their tools. The management of the BCC was transferred to the Garantie Mutuelle des Fonctionnaires (GMF).

In 1985, the Laboratoire wound up its activities and, at the same time, the FNCC was hit by a very serious financial crisis. To prevent it from going bankrupt, the more resistant co-operative members obtained backing from capitalist central purchasing bodies, this being a more advantageous solution for competitively priced supplies. The 51 percent stake held by the national purchasing federation for management employees was transferred to GMF and Habitat. The four Rond-Point Coop hypermarkets became part of the Carrefour brand and management and a public limited liability company, Carcoop, was set up in exchange for 215 million francs. The real estate assets were sold: the Maison de la Coopération was bought by a finance company.

Shouldering a loss of 752 million francs, the FNCC was liquidated then rebuilt with a strictly representative function. It targeted certain products, notably organic. Consumer co-operatives gradually became distribution enterprises like the others: members gave up their dividends, relations between members and staff became distant and it became difficult to collect members' funds, heralding "co-operation without co-operative members".²⁷ In 1986, the number of members had fallen to below that of 1920. But this did not make consumer activism disappear. Instead, it shifted towards consumer associations.

Renewed Access to Consumption from 1985 to the Present Day

The triumph of anonymous mass consumption left a lasting dent on consumer co-operatives who suffered competition from money-making large-scale

27 Toucas and Dreyfus, *Les coopérateurs*.

retailers and the supermarkets they set up. The FNCC specialized in food distribution, abandoning its centralized operating structure, its information tools and its quality laboratory. Most co-operatives were swallowed up by the consumer society that they had themselves helped to forge. The only resistance came from the north of France. Some saw salvation in their alliance with the franchised trade sector while renewed access to consumption stemmed from consumer associations.

The most striking aspect to be seen in contemporary developments is undoubtedly the sharp drop in the number of regional co-operatives (from 20 in 1980 to 4 in 2010) and in the number of co-operative members, from 3.5 million to 1.4 million. In 2016 there were only four major food co-operatives (Coop Alsace, Les Coopérateurs de Champagne, Coop Normandie-Picardie and Coop Atlantique). In 2001, the FNCC no longer had any members in the capital. The €3 billion turnover came from less than one thousand shops and 12,000 employees. Consumer co-operatives gradually declined to benefit of other types of co-operatives.

In 2007, the CAMIF, which had prospered since 1947, had to face numerous difficulties. Its strong point in the past had been mail order sales, for which it ranked third nationally, but these were undermined by the arrival of online sales. Although it opened up its capital to the financial participation of the Osiris-Partner American pension fund, the CAMIF went into receivership. Its employees were made redundant and the brand was bought by the Matelsom group in 2009.

The more enduring consumer co-operatives continued to follow changes to consumer needs and food supply requirements by creating associations. In 1986, the Association régionale was set up. This became the Association atlantique des consommateurs coopérateurs in 1994, and began to participate in events such as “taste week” and to carry out public education actions.

The remaining consumer co-operatives wavered between continuing to belong to the food distribution sector, dominated by lucrative sales structures, and upholding their commitment to the co-operative movement.

On 1 April 2011, the FNCC signed an agreement officially sealing its alliance with the inter-professional fund-collecting body Opcalia. This was part of the overall reform of Opcas, the associative structures that collect financial contributions from companies to finance the professional training of private sector employees. Until then, it had been a member of the Opcad, a certified fund-collecting body for the retail food sector. The contract stipulated that the branch's training fund should be transferred to Opcalia on 1 January 2012. This was partly a political decision since, as Olivier Mugnier, FNCC general

secretary, explained, “our main co-operatives are members of the Medef [the main union of employers in France]”.²⁸

Furthermore, a number of laws have had an impact on consumer co-operative strategies. The law of 13 July 1992 relating to the modernization of co-operative enterprise introduced new financial tools and allowed the participation of non-co-operative members.²⁹ However, the law also limited external contributions to 35 percent of the capital and the principle of indivisible reserves remained embedded in the co-operative’s articles.³⁰

The law of 15 May 2001 relating to new economic regulations contained provisions that concerned conventional types of public limited companies. Consumer co-operatives were affected by measures targeting transparency and the number of concurrent mandates possible. Nevertheless, several professional co-operatives, like those of the French post office and France Télécom, continued to operate in 2016, as did some small shops in rural areas, for example in the Jura, with a limited range of products (groceries, household appliances, and cars), and a clientele made up of employees, retired employees and company employee dependents. Companies like the La Poste group and France Télécom have several regional co-operatives (Lyon, the coast, Franche Comté, etc.). Other more isolated structures continue to exist, like the consumer co-operative for the personnel of Staubli, a company which makes connectors, engines and electromechanical components.

The 1970s and 1980s were marked by the development of new types of alternative consumer structures, such as fair trade shops belonging to the federation Artisans du Monde and organic product consumer co-operatives. In 1971 the first organic co-operative, called Prairial, appeared in Lyon as the initiative of several co-operative member activists. Prairial was different in terms of its aims: it was a co-operative enterprise distributing goods and services to promote natural and organic products and services, notably in the food, hygiene, healthcare and solidarity economy fields. As in some other countries, the traditional co-operative movement was decreasing whereas new ones were created linked to environmental topics. Defending “ethics based on democracy,

28 Retrieved from <http://www.droit-de-la-formation.fr/vos-rubriques/actualites/la-reforme-au-quotidien/Reforme-des-Opca/Cooperatives-de-consommateurs-le.html>. Accessed latest 23 May 2017.

29 Loi n° 47-1775 du 10 septembre 1947 portant statut de la cooperation. Retrieved from <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT00000710374>. Latest accessed 23 May 2017.

30 Law n° 92-643, 13 July 1992: “modernisation des entreprises coopératives.” Retrieved from <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT00000710374>. Latest accessed 23 May 2017.

solidarity and the environment”, Prairial³¹ challenged the large-scale distribution sector, which then seized the grocery market by incorporating it into the supply of multiple products. From 1973 to 1990, the co-operative furthered its development by getting involved in the life of local neighborhoods; it won over local customers who liked what the shop had to offer and were close to activist networks of anti-nuclear protesters, conservationists and pacifists.

In Grenoble (Isère), the La Clé des Champs association was born in 1974 and founded the SARL Casabio limited liability company. The first Casabio shop opened in 1978 in partnership with groups of farmers and a bakers’ worker co-operative. At the time of writing in 2016, the association still co-managed Casabio which had three shops.

Organic product associations and co-operatives grouped together in 1987 to form the Biocoop federation, which was set up as an association. In 1993, Biocoop opened up to non-co-operative sales structures. In 2002, the association was transformed into a co-operative public limited company. The same year, in order to finance its expansion, it launched an account for industrial development with the Crédit Coopératif. In 2006, only 40 percent of the 290 Biocoop shops were so-called social economy structures.

Moving beyond the pure consumerism led by consumer associations, these retail co-operatives (Prairial and Biocoop) stimulated the production and consumption of organic products. Some structures were devoted to pure charity works, running associations and food banks, etc., while others provided support but made sure they were seen differently from other aid-based structures, offering grocery stores with a social and solidarity-oriented approach. The relationship between producers and consumers was redefined along different lines in “AMAPS”, associations supporting small farmers. New local shops strove to promote a link with society. In July 2001 a law created community-oriented co-operative societies: an enterprise with a hybrid status somewhere between a co-operative and an association allowing the development of forms of multi-functionality in the area to which they belonged.

This revival of the co-operative movement in the form of associations and regional co-operatives demonstrates that the failure of consumer co-operatives is not synonymous with the absolute and enduring success of the lucrative large-scale distribution structure. Whether with respect to quality, solvency or proximity, new structures have proved to be necessary. These have emerged through an approach based on affinity and/or philanthropy. However, to achieve the influence enjoyed by consumer co-operatives in their

31 Artis, Demoustier and Lambersens, “Les innovations organisationnelles de l’ESS”.

heyday, these enterprises have had to find their own structures and modes of dissemination.

General Conclusion

The French history of co-operative societies followed the history of commercial capitalism: first in the fight against traders in alliance with worker-craftsmen at the beginning of the nineteenth century; then in the fight against the employers' retail stores (*économats*) and the high cost of living towards the end of the nineteenth century, partially in alliance with the new labor unions; finally in the access of wage earners to mass consumption during the twentieth century. The shape of the co-operative society gradually adopted the dominant model of the ordinary store, benefitting from a wide membership of local consumers to whom it provided multiple services. This system developed through concentration, technical innovation and standardization of products. The renunciation of co-operative specificities and competition from large scale distribution eventually caused the bankruptcies of the 1980s and repurchases, such as the example of Coop Alsace in 2013–14.

The repercussions for French social movements were expressed first by a certain osmosis between co-operation and a craft and/or industrial associationism, but the convergence with the interests of trade unionism gradually slackened. Co-operatives and trade unions shared the fight against the high cost of living at the end of the nineteenth century, and the first collective agreement between FNCC and the trade union CGT was made in 1920. These large structures remained distant during the revival of alternative social movements in the 1970s.

The support of public authorities at the beginning of the twentieth century turned gradually into mistrust, which can explain how co-operatives felt first victims of instrumentalization and then of desertion, once the viability of the classic forms of trade were assured. The gradual concentration of co-operatives led to the formation of a technostructure within their midst, which was quite different from the original idea of a membership structure based on strategic specialization and technical innovation. Diversification was by nature peripheral owing to the services offered such as insurance and leisure activities. The building of different tools for credit, information and quality never led to the creation of an integrated whole as in the case of Mondragon. The anonymity of the act of consumption weakened the social link at the heart of the co-operative project. Educating people to co-operate was replaced by simply informing the consumer. Finally, the formerly powerful territorialization

process, which had drawn on local solidarity, was undermined once managerial and commercial practices became uniform.

As well as the strategic choices and competitive positioning adopted, more global factors can explain the rise and then fall of consumer co-operatives. The ideologies that came to hold sway within the French labor movement did not help to support and defend the co-operative movement, either from a production or consumption point of view since the movement opted for an anti-capitalist, anti-establishment stance. At the same time, Gide's belief in unity and consumer awareness as a springboard for socioeconomic transformation failed in the face of the powerful social divisions and consumerist development witnessed in later years. Public intervention was intermittent owing to the state's fairly instrumental vision of co-operation as a system for the provision of supplies during the two wars and competition in periods of growth.

In recent decades some new forms indicate a re-emergence of co-operatives. These co-operatives are territorialized and very often close to the consumers' associations. They are also multifunctional, which is to say that they ally health concerns with environmentalism and they offer much more partnership than in the past, allying consumers and producers in an exchange which does not deny the division of labor. These models are still trying to find their way between association and co-operation, including one type or different types of members.

The main obstacle to their success lies in the inevitable difficulties during the period of emergence. These new organizations have difficulty in taking shape and spreading and how the transition from local premises to a global level can be achieved is not obvious even with structures such as MIRAMAP, which has tried to federate the Associations of Preservation of Peasant Agriculture, or BIOCOOP which has created a purchasing center. Some co-operatives try to combine the interests of producers and consumers, but the temptation to reconstitute a network of intermediaries such as the former GRAP network in Lyon is large.

The history of French consumer co-operatives reveals how difficult it is to maintain social consistency between economic development, solidarity and a political project that ties the act of consumption with individual emancipation. The revival of collective forms of consumption in the 1970s can be studied in the light of these questions.

Restructuring the organizations of consumption, re-socializing the act of consumption and a general re-politicization on the theme of responsible purchasing can inaugurate a new co-operative period which does not push aside the memory of past splendors but which is able to learn from a rich past.

Consumer Co-operation in the Nordic Countries, c. 1860–1939

Mary Hilson

The traditional view of the Nordic region (Denmark, Finland, Iceland, Norway and Sweden)¹ as geographically isolated and peripheral to the rest of Europe has been challenged in recent research. Research on the early modern Baltic iron trade, for example, has shown how Scandinavia's economic development was shaped by the growth of Atlantic trade, while Scandinavian missionaries, merchants and scientists also participated in the European imperial expansion.² This view contrasts with common perceptions of the region as one that was not only marginal but also backward, and whose societies were shaped by hardship, poverty and mass emigration until well into the twentieth century. In all five countries the history of the co-operative movement has been part of a narrative of Nordic modernization, as a driver of economic modernity and efficiency, but also as the source of a democratic politics based on consensus and compromise.³

Even if we reject the notion of Nordic economic exceptionalism, there were nonetheless several distinctive aspects of nineteenth century Nordic social and economic development which shaped the co-operative movement. Above all, the region was sparsely populated and predominantly rural. Despite rapid industrialization in the last decades of the nineteenth century, agriculture remained very important both as an export sector and in terms of domestic employment. As is well known, the Nordic peasants were not formally serfs, but despite this the problems of land reform and agricultural modernization

1 In the languages of the region the five countries are known as *Norden/Pohjanmaat*, while the term *Skandinavien* usually refers to Denmark, Norway and Sweden only. This chapter follows the conventions of the English speaking world in using the term "Scandinavia" also to mean *Norden*. This usage is also found in contemporary sources: for example the name of the Nordisk Andelsforbund, founded in 1918, was usually translated as Scandinavian Co-operative Wholesale Society in ICA documents during the interwar period. Unfortunately, it has not been possible to include Iceland in this chapter.

2 Evans and Rydén, *Baltic Iron in the Atlantic World*; see also Müller et al., *Global historia från periferin*.

3 See Musiał, *Roots of the Scandinavian Model*, pp. 196–201.

dominated late nineteenth century debates on the “social question”, just as they did in Eastern Europe.⁴ For this reason, interest in co-operation was often directed towards agricultural co-operatives, including rural credit and savings co-operatives based on German models, societies for the processing, marketing and export of agricultural products, or societies for the joint purchase of agricultural supplies. Co-operative dairies and slaughterhouses were most influential in Denmark, where they are generally credited with the transformation of Danish agriculture following the worldwide agricultural depression in the 1870s and its regeneration as a successful export sector based on high quality processed animal products.⁵ But strong agricultural co-operatives were also found in Finland, Norway and Iceland, where – especially in Finland – they also became associated with nationalist demands for independence during the 1890s and after.⁶

The history of consumer co-operation in the Nordic region was thus closely intertwined with that of agricultural co-operation. The distinction between the two was always ambivalent and sometimes even produced outright conflicts. As in other parts of Europe, the emergence of consumer co-operation in the Nordic countries during the late nineteenth century also has to be seen in the context of contemporary changes in consumption, distribution and the retailing sector. First, industrialization produced rapid economic growth across the region in the last quarter of the nineteenth century, and with it rising real wages and general prosperity.⁷ It has been estimated for example that private consumption trebled in Norway in the period 1850–1920, as a result of rising real wages especially in the agricultural and construction sectors.⁸ Within this overall context, periods of rising prices could also give an extra impetus to the development of co-operation, for example in Sweden following the introduction of tariff reforms in 1888.⁹ Secondly, new legislation in the mid-nineteenth century (in Denmark 1857, Sweden 1864, Norway 1866–74, Finland 1879) broke the traditional monopoly of the towns over retail trade, in line with the general trend towards the liberalization of national economic policy at this time.¹⁰ This change has been described by one historian of co-operation as the most

4 Hilson et al., “Introduction: Co-operatives and the Social Question”.

5 Iversen and Andersen, “Cooperative Liberalism”, pp. 279–80.

6 Östman, “Civilising and Mobilising the Peasantry”; Kjartansson, “Centred on the Farm”. On Norway see Espeli et al., *Melkens pris*.

7 Larsen, *Convergence?* pp. 9–20.

8 Grytten and Minde, “The Demand for Consumer Goods”.

9 Millbourn, “Kooperatistmen”, p. 93.

10 Pedersen, “Svenske og danske andelsorganisationer”, p. 305; Lange, *Organisert kjøpekraft*, p. 40; Rasila, “Kauppa ja rahaliike”.

significant upheaval in this area since the middle ages.¹¹ Thirdly, increased urbanization and developments in transport networks allowed the consolidation and expansion of national and international networks for the distribution of food and other goods.¹²

Against this background, the idea of consumer co-operation began to be discussed throughout the Nordic countries from the 1850s. In common with many other parts of Europe, the initial wave of interest was mostly associated with reform minded individuals interested in the emerging “social question”, who looked to co-operation as a means to help industrial workers cope with economic insecurity. There were several early attempts to form co-operative societies as part of self-help working men’s associations (*Arbejderforeningar*).¹³ As Poul Thestrup has shown, these waves of interest in Denmark coincided with spikes in the price of bread in the 1850s and again in the late 1860s.¹⁴ Knowledge of the Rochdale model certainly informed these attempts, mediated partly through Holyoake’s book which appeared in a Danish translation in 1868, but also through German sources.¹⁵

In summary, two points can be made about these early transnational influences on the Nordic co-operative movements. Firstly, for debates about co-operation as for other economic, social and political questions, the most important source of information and reference point for the Nordic societies was probably Germany, not Britain. Or perhaps more accurately, knowledge about the industrially advanced European countries was more likely to be disseminated through the German *language*. This included knowledge about Rochdale co-operation, but also about other models including the German Schulze-Delitzsch and Raiffeisen credit societies and the French industrial associations. Secondly, the routes that these transfers took varied across the region. Danish interest in German social reforms declined after the military defeat of 1864, but remained strong in Sweden and Finland.¹⁶ In Norway, reformers were perhaps more inclined to seek inspiration across the North Sea in any case. In the case of Iceland, Helgi Skúli Kjartansson has shown how knowledge about the international co-operative movement was mediated partly

11 Thestrup, *Nærbutik*, p. 160.

12 For this development in a local context see Friberg, *The Workings of Co-operation*, pp. 152–4.

13 Lange, *Organisert kjøpekraft*, p. 34; Christiansen, “Denmark’s Road to Modernity and Welfare”, pp. 27–28.

14 Thestrup, *Nærbutik*, p. 125.

15 Thestrup, *Nærbutik*, pp. 113, 122, 127; Lange, *Organisert kjøpekraft*, p. 34.

16 Thestrup, *Nærbutik*, p. 144; Stolpe and Stolpe, *Boken om Albin Johansson*, p. 137.

through trade contacts with a Danish merchant, but one who was based in Newcastle-upon-Tyne.¹⁷

The Development of the Nordic Co-operative Movements, 1860s–1939

The traditional story of the beginnings of co-operation in the Nordic countries is broadly similar. According to this narrative, early efforts to form distributive societies were largely unsuccessful until the adoption of sound co-operative principles derived from the Rochdale or other models. The “discovery” of co-operation was often attributed to a lone pioneer who stumbled across the idea abroad and successfully transplanted it to his home country. In Denmark this was pastor H C Sonne, who founded a consumer co-operative society based on the Rochdale principles in his home parish of Thisted, northern Jutland, in 1866.¹⁸ In Norway, a similar role is ascribed to the Kristiania lawyer O Dehli who travelled in England in the 1890s, as did the Swedish co-operative pioneer G H von Koch.¹⁹ In Finland, the acknowledged “father of co-operation” was the agronomist Hannes Gebhard who encountered the co-operative idea on a study trip to Berlin.²⁰

Inevitably, however, the story of the beginnings of consumer co-operation in the Nordic countries is rather more complicated than this suggests. Late nineteenth century consumer co-operation was a diverse and multi-centered movement which experienced a number of failures and false starts before the establishment of permanent central organizations around the turn of the twentieth century.²¹ Not surprisingly, the subsequent history of these organizations would be shaped by the fractured nature of their beginnings. In some respects, the consumer co-operative movement seems to conform to Henrik Stenius’ typology of Nordic voluntary associations, where a “west Nordic” model (Denmark and Norway) of strong grassroots organization and regional disparities contrasts with the more centralized, top down “east Nordic” model.²²

17 Kjartansson, “Centred on the Farm”, pp. 43–4.

18 Poul Thestrup suggests that the Thisted society has “an almost mythical position” in the history of Danish co-operation. Thestrup, *Nærbutik*, p. 138.

19 Arnesen, *Co-operation in Norway*, p. 3; Pählman, *Pionjäreerna*, p. 234.

20 Hilson, “Transnational Networks”, p. 88.

21 Olof Ruin suggests that over 300 consumer associations were founded in Sweden 1867–79, though these were mostly very short-lived. Ruin, *Kooperativa Förbundet*, p. 4.

22 Stenius, “Nordic Associational Life”, p. 55.

In Sweden and Finland local co-operative societies were often formed under the auspices of strong central unions: in the Swedish case Kooperativa Förbundet (KF, Co-operative Union) and in Finland Pellervo. Both disseminated model rules and in Pellervo's case helped to draft the 1901 law on co-operation.²³ The central consumer co-operative organizations, and their dates of foundation, are given in Table 6.1.

Consumer co-operation grew rapidly in the Nordic countries during the first decades of the twentieth century. Esko Aaltonen reports that the Finnish distributive movement grew by 250 percent in the years 1904–8, boosted partly

TABLE 6.1 *National co-operative organizations in the Nordic countries*

Country	Organization	Type	Date founded
Denmark	Fællesforeningen for Danmarks Brugsforeninger, FDB	Wholesale	1896
Denmark	Andelsudvalget	Co-operative Union (consumer and agricultural co-operatives)	1899
Denmark	Det kooperative Fællesforbund	Central organization for consumer co-operatives affiliated to labor movement	1922
Finland	Pellervo	Central organization for all types of co-operative	1899
Finland	Suomen Osuuskauppojen Keskuskunta, SOK	Wholesale	1904
Finland	Suomen Osuustukkukauppa, OTK	Wholesale – formed after split with SOK to serve “progressive” consumer co-operatives	1917

23 Stenius, “Nordic Associational Life”, p. 55. In Sweden, by contrast, there was no specific legislation on co-operatives but as Katarina Friberg points out, this gave KF even more influence over the development of co-operative forms. Friberg, *The Workings of Co-operation*, pp. 320–2.

TABLE 6.1 *National co-operative organizations in the Nordic countries (cont.)*

Country	Organization	Type	Date founded
Finland	Kulutusosuuskuntien Keskusliito, KK	Co-operative union for “progressive” consumer co-operatives	1916
Finland	Yleinen Osuuskauppojen Liitto, YOL	Originally part of SOK; after 1916 the co-operative union for the “neutral” consumer co-operatives	1904
Iceland	Kaupfélag Þingeyinga, KP	Consumer/agricultural marketing society	1882
Iceland	Samband íslenskra samvinnufélaga, SÍs	Central union for all types of co-operation	1902
Norway	Norges kooperatieve landsforening, NKL	Wholesale and co-operative union	1906
Sweden	Kooperativa Förbundet, KF	Wholesale and co-operative union	1899

SOURCE: HILSON, MARKKOLA AND ÖSTMAN, “INTRODUCTION: CO-OPERATIVES AND THE SOCIAL QUESTION”, PP. 20–3.

by the general strike of 1905 and subsequent events, and the impetus that this gave to popular organizations of all kinds.²⁴ This period of expansion was followed by some more difficult years 1907–11 when over a quarter of societies failed, but as in many other parts of Europe there was further expansion in response to the food crisis of the First World War, with membership of the Finnish movement doubling in 1915–16 alone.²⁵ These wartime increases in co-operative membership and trade were mirrored across the rest of the region, for, although the Scandinavian countries were neutral, they were nonetheless vulnerable to the wartime disruptions in shipping and trade, and the food shortages and high prices that ensued.²⁶

²⁴ Aaltonen, *Finlands konsumenter*, p. 26.

²⁵ Aaltonen, *Finlands konsumenter*, p. 52.

²⁶ Lange, *Organisert kjøpekraft*, pp. 120–4; Kylebäck, *Konsumentkooperation*, p. 64.

These early years were often turbulent, however, marked by conflicts over the ideological direction of co-operation and also difficulties in organizing central organizations. In Norway in particular, it proved difficult to overcome strong regional disparities and found a national organization, and although this was finally achieved in 1906, still by 1917 only a third of local co-operative societies had actually joined.²⁷ In Denmark there were efforts to try to establish a central organization for consumer co-operation from the 1880s, but this was only realized in 1896 with the merger of the unions for Sjælland (Zealand) and Jylland (Jutland).²⁸ In Sweden, too, the first two decades of KF's operations were marked by struggles to achieve the loyalty of local distributive societies to its fledgling wholesale business and to impose its norms on local societies. This it attempted to do through the adoption of model rules in 1907 and the establishment of a special "solidarity department" in 1909.²⁹

These difficulties were not eased by the strongly rural nature of consumer co-operation in the Nordic countries. Nordic consumer co-operation was divided between a large number of rural societies and a much smaller group of urban societies serving the industrial workers of the major cities. These were much larger than the rural societies in terms of both membership and trade. A report for the ICA in 1911 found that 84 percent of consumer societies in Denmark were rural, in that they were located between one and two Danish miles (6–13 km) from the nearest town, and moreover they were also very small with an average of 121 members, compared to over 1700 for consumer co-operative societies in England at the same time.³⁰ In Finland, for the same period, the average membership was 217, which was less than the 266 strong workforce employed by the largest urban society, Elanto in Helsinki.³¹ In Norway, the growth of co-operative societies was limited by legislation preventing societies from operating branches in the same locality. Of 521 societies affiliated to NKL in 1937, 406 of them operated only one shop, though here too there were differences between the larger urban societies and the smaller rural ones.³² In Sweden, KF made efforts to overcome the problems of fragmentation and intervened locally to negotiate amalgamations, sometimes in the face

27 Lange, *Organisert kjøpekraft*, p. 127.

28 Bjørn, *Fortid med fremtid*, p. 20.

29 Kylebäck, *Konsumentkooperation*, pp. 21–6.

30 Cited in Hilson, "The Nordic Consumer Co-operative Movements", p. 221. This fundamental characteristic did not weaken over time and in 1953 it was reported that the average membership of a Danish consumer society was 230. See Nelson, ed., *Freedom and Welfare*, p. 200.

31 Aaltonen, *Finlands konsumenter*, p. 54.

32 Arnesen, *Co-operation*, pp. 8, 13; Lange, *Organisert kjøpekraft*, pp. 74–6, 107.



ILLUSTRATION 6.1 *A rural co-operative store at Österbybruk in Sweden during the 1940s*
 ARBETARRÖRELSENS ARKIV OCH BIBLIOTEK. PHOTO: ELLEN
 DAHLBERG.

of entrenched local rivalries.³³ The rural–urban divide was also at the root of the ideological fractures in co-operation, which later resulted in institutional splits in both Finland and Denmark (see below).

Despite the strongly rural nature of co-operation, the preference for more centralized models of organization was largely influenced by foreign examples. The English organizations were important references for the founders of KF and NKL.³⁴ Albin Johansson and Väinö Tanner, influential in KF and KK/OTK respectively, had spent periods working in co-operative societies in Germany, and in Johansson's case in Switzerland. In Germany they met Heinrich Kaufmann, who became a lifelong friend of both men and

33 Kylebäck, *Konsumentkooperation*, pp. 18–9. During the period 1900–1915 there were 56 co-operative societies founded in the greater Stockholm area, 24 of which were within the city limits, but these were gradually merged into one society for the whole city. See Nilsson, *Stockholms kooperation*, pp. 3, 14, 17.

34 Kylebäck, *Konsumentkooperation*, p. 35.

consistently took an interest in the Nordic organizations.³⁵ According to Hugo Kylebäck, Johansson's attempt to establish a centralized system for auditing local societies through KF was derived directly from his German experience.³⁶ Also important, however, were influences from closer to home, and especially from Denmark, considered to be a Nordic pioneer in the development of its co-operative institutions. Practical information and advice was exchanged through the attendance of national congresses by fraternal delegates, and sometimes even more directly, as in 1900 when the KF congress in Malmö included a visit to the FDB headquarters across the Öresund.³⁷

These Nordic contacts eventually led to the establishment of a joint purchase society for the whole Nordic region, Nordisk Andelsförbund (NAF), in 1918. There was some informal collaboration before 1918, with the wholesale societies in Norway, Finland and Sweden making purchases through the Danish FDB. The idea gained a new urgency under the wartime disruption to trade, and a new wholesale organization was formally constituted at a meeting in Kristiania (Oslo) in July 1918, as a co-operative society registered under Danish law.³⁸ The two Finnish wholesale societies were not founding members, but joined in 1928. By 1924, after nearly five years of trading, NAF was well established, with offices in both Copenhagen and London. Its most important commodity was coffee, for which it employed a special expert buyer, but it had also become a significant purchaser and importer of dried fruit from the Californian markets.³⁹ Such was its success that during the 1920s and 1930s it came to be discussed within the ICA as a potential model for a broader international organization of co-operative trade, but this proved to be more difficult to achieve in practice.⁴⁰

The growth of NAF trade can also give some clues about the relative strength of the consumer co-operative movement across the Nordic region, and the relations between its different organizations. It certainly illustrates the movement's growth during this period. Percentage shares of annual trade by member are given in tables 6.2 and 6.3. The Danish wholesale FDB was by far the largest organization, accounting for almost two thirds of NAF's total

35 Stolpe and Stolpe, *Boken om Albin Johansson*, pp. 130–1; Aaltonen, *Finlands konsumenter*, p. 40. On Tanner see Paavolainen, *Nuori Tanner*, pp. 123 ff.

36 Kylebäck, *Konsumentkooperation*, pp. 19, 26.

37 Hilson, "The Nordic Consumer Co-operative Movements," pp. 232–3; also Lange, *Organisert kjøpekraft*, pp. 78, 91.

38 Hummelin, *Nordisk andelsförbund*, pp. 38–42.

39 Hummelin, *Nordisk andelsförbund*, p. 49.

40 See Ch. 9.

TABLE 6.2 *Percentage shares of NAF annual turnover, by member, 1919–1927*

Member	1919	1920	1921	1922	1923	1924	1925	1926	1927
Norges Kooperative	3.0	2.9	3.0	4.2	3.7	4.3	5.8	3.1	8.1
Landsforening (NKL)									
Kooperativa Förbundet (KF)	23.2	26.0	21.0	32.8	35.6	38.4	41.9	33.2	32.1
Fællesforeningen for Danmarks Brugsforeninger (FDB)	73.8	71.0	75.9	62.0	60.7	57.3	52.3	63.6	59.8

SOURCE: HUMMELIN, *NORDISK ANDELSPORBUND NAF 1918–1993*.TABLE 6.3 *NAF annual trade, by member, as percentage of total, 1928–1940*

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
SOK	0.8	9.2	14.6	10.8	13.7	13.6	10.7	12.1	9.1	9.4	7.7	7.2	0.6
OTK	0.4	9.3	13.1	9.7	10.2	8.7	9.3	8.3	9.8	10.0	10.8	6.2	4.7
NKL	3.4	4.3	3.7	2.8	5.4	4.2	4.3	5	2.9	3.0	2.7	2.5	1.8
KF	45.2	40	33.1	43.6	41.2	51.6	56.6	58.2	62.0	65.0	59.6	66.2	71.1
FDB	50.2	37.2	35.5	33	29.5	21.8	19.2	16.4	16.1	12.5	19.2	18.0	21.7

SOURCE: LABOUR MOVEMENT LIBRARY, HELSINKI: NORDISK ANDELSPORBUND: AARSBERETNINGER, 1928–1940. FDB FIGURES FOR 1938 AND 1939 INCLUDE A SMALL AMOUNT OF GOODS PURCHASED BY VEJLE STEAM MILL, WHICH WERE LISTED SEPARATELY IN THE REPORTS.

turnover during the years 1919–1927, while FDB and KF combined dwarfed the trade from Norway, which accounted for just under 4.5 percent (table 6.3). Improved relations between the two Finnish wholesales, OTK and SOK, helped smooth the path to their admission in 1928. This significantly increased trade, and although the financial crisis of 1929 meant that turnover fell in 1930–31, the volume of goods handled actually increased. During the 1930s KF came to replace FDB as the dominant partner within NAF, with the two Finnish organizations accounting for around a fifth of the total, until the outbreak of the Winter War in 1939 forced the suspension of international trading relations. NKL's percentage share of the total remained relatively small, though it is worth noting that by 1939 this amounted to 1.8 million Danish kroner annually.

Splits and Unity: The Structure of the Nordic Co-operative Movements

By the late 1930s the Nordic countries had gained a prominent position within the ICA, not just through the trading activities of NAF but also as the staunch defenders of the co-operative principle of political neutrality. During the tense years of political and economic crisis, representatives of the Nordic organizations upheld this principle against those who wished the Alliance to take a more active stand against political extremism and fought against the British Co-operative Union for the inclusion of political neutrality among the seven principles of co-operation agreed by the Alliance in 1937.⁴¹ Inevitably, however, unity on the international stage concealed a range of different positions at home. As elsewhere in Europe, Nordic co-operators were divided between those who regarded consumer co-operation as a “third pillar” of the socialist labor movement, serving above all the needs of the waged working classes, and those who rejected this view, insisting instead that if co-operation were to be a broad based movement for all it should remain strictly neutral. For their part, the Nordic social democratic parties had initially been, like their European counterparts, lukewarm towards co-operation in the 1890s, but attitudes softened in parallel with those of the international labor movement and a Scandinavian labor congress in 1907 passed a resolution encouraging workers to join consumer co-operative societies.⁴²

The politics of consumer co-operation remained a contested area, however. The most serious division was in Finland, where internal conflict culminated in a formal split in the consumer co-operative movement in 1916. Divisions had already emerged among the 12 societies that had founded the wholesale SOK in 1904: between the large urban societies in cities like Tampere and Turku that served mainly working-class consumers, and the much smaller rural ones which felt themselves to be connected to agricultural co-operation through Pellervo. By the eve of the First World War the conflict had deepened, and it flared up over the question of representation at co-operative congresses. The larger organizations argued that delegations should be composed in proportion to membership, while the smaller societies supported the principle of one vote per society. Matters came to a head at the 1916 congress, where the so called “progressive” (*editysmielinen/framstegsvänlig*) societies favoring proportional representation walked out and took steps to found their own

41 For a discussion of the Nordic countries in the ICA see Hilson, “A Consumers International?”.

42 Theien, “Two Phases of Consumer Co-operation”, p. 80.

union, Kulutusosuuskuntien Keskusliito (KK), which held its first meeting in November 1916 under the chairmanship of Väinö Tanner.⁴³ Supporters of the new organization hoped initially to continue to conduct their trade through SOK, but this quickly proved impossible and led to the foundation of a rival wholesale organization, Suomen Osuustukkukauppa (OTK).

The split has to be seen in the context of the deep social and political divisions which overshadowed Finland during the transition to independence and the subsequent civil war. In his analysis of the debates, Esko Aaltonen pointed out that the pattern of voting within SOK before the split foreshadowed the territorial divisions of the 1918 civil war.⁴⁴ The split was not a straightforward division between town and countryside, however. OTK continued to serve many smaller societies in the rural districts, while the SOK-affiliated “neutral” societies were also active in the cities.⁴⁵ In the tense years 1916–18, both organizations used their international contacts to legitimize and garner support for their positions, with lengthy articles appearing in the ICA’s *International Co-operative Bulletin*, for example.⁴⁶ Both sides of the movement struggled with the disruptions of the civil war, and claimed to have experienced attacks on their premises and stocks. What is more remarkable is the speed with which the divisions were overcome, leaving the two sides of the movement to settle down to a peaceful co-existence, at least as it was portrayed outwardly. As early as 1923 there was agreement that the two congresses could be held simultaneously in Helsinki, in order to ease the attendance of foreign delegates. Henry May, attending on behalf of the ICA, seems to have struggled to understand the conflict, which he described as being based on “the keenness of brothers who fight harder because they are of the same family”, while commenting that the terms “neutral” and “progressive” used to designate the two movements “only makes intelligible to the initiated the differences which exist.” He went

43 Aaltonen, *Finlands konsumenter*, pp. 40–7, 110.

44 Aaltonen, *Finlands konsumenter*, p. 84.

45 In a KK English language publication from 1950, Jorma Jalava suggests that only one third of the societies affiliated to KK were in towns, and most of them also served the surrounding rural districts. In 1949 the distribution of membership was as follows: industrial workers 61.6 percent, smallholders (*torpare*) or agricultural workers 11.8 percent, farmers 17.7 percent, civil servants 7.9 percent. Jalava, *Finland’s Progressive Co-operative Movement*, pp. 8–9.

46 KK, “The Latest Developments in the Co-operative Movement in Finland”, *International Co-operative Bulletin*, September 1917, pp. 177–91, 209–13; “The Establishment of a New Co-operative Society in Finland”, *International Co-operative Bulletin*, August 1918, pp. 146–50; “The Finnish Co-operative Societies during the Revolution”, *International Co-operative Bulletin*, October 1918, pp. 200–1.

on, “The membership of each is drawn from the same community and represents the same interests – that is to say, those of agricultural, industrial and professional classes: the proportions of each class included in the respective organizations differ and are determined more by economic convictions than by class divisions.”⁴⁷ Finnish co-operators acknowledged that the split had hindered the accumulation of capital, and thus prevented the two organizations from developing more extensive manufacturing operations, but by the late 1930s foreign commentators were citing the contribution of the co-operative movement to helping overcome the bitter social divisions engendered by the civil war.⁴⁸

Elsewhere in the region, the ideological divisions within co-operation were perhaps not quite so outwardly visible, but they existed nonetheless. In Denmark, too, there were rival claims to consumer co-operation, which resulted in the development of separate central organizations after the First World War. Danish social democrats were skeptical towards the rural co-operative societies, regarding them as institutions of liberal self-help and rejecting consumer co-operation on the Lassallean grounds that it would reduce wages.⁴⁹ Historians have also suggested that the Social Democratic Party was reluctant to alienate the small retailers serving urban working-class districts, as they drew much of their electoral support from this class.⁵⁰ By 1900 there were only 15 urban consumer co-operatives in Denmark, in contrast to the 1000 or so in the countryside.⁵¹ Attitudes began to shift in the first decade of the twentieth century, and following the rapid growth of urban societies the Social Democratic Party also adopted a more tolerant line towards co-operation at its 1908 congress. Some wished to take Danish consumer co-operation further, to a formal alignment with socialism on the Belgian model, but support for neutrality prevailed.⁵² This also allowed an accommodation with the institutions of the rural co-operative movement. The urban co-operatives purchased goods through FDB and generally received what one historian has described as “friendly attention” from the rural movement’s central committee, *Andelsudvalget*.⁵³ Nonetheless,

47 H J May, “My Visit to Finland”, *International Co-operative Bulletin*, September 1923, pp. 218–22; October 1923, pp. 249–51. Also O Dehli, “The Finnish Congresses”, *International Co-operative Bulletin*, September 1920, pp. 264–8.

48 J W Keto, “Co-operation in Finland”, *International Co-operative Bulletin*, February 1930, pp. 57–64; Odhe, *Finland*, pp. 141–2.

49 Christiansen, “Denmark’s Road”, pp. 27–9.

50 Christiansen, “Denmark’s Road”, pp. 28–9; Bryld, “Kooperationen”, p. 3.

51 Christiansen, “Denmark’s Road”, p. 34.

52 Bryld, “Kooperationen”, pp. 10–1.

53 Bjørn, *Fortid med fremtid*, p. 43.

this did not prevent the establishment of a separate central union, Det kooperative Fællesforbund, to serve the interests of the urban societies in 1922.

In Norway, the movement remained nominally united within one organization, NKL, which served as both wholesale and propaganda union, but here too there were divisions and even after the First World War only one third of local consumer co-operative societies was affiliated to NKL.⁵⁴ The Norwegian Labor Party was initially hostile to consumer co-operation, but as elsewhere in the region the 1907 Scandinavian labor congress marked a turning point, and in many localities the co-operative society shared both its leading personalities and its broader ideological outlook with the labor movement.⁵⁵ In 1911 the labor movement formally agreed to acknowledge co-operation's political neutrality, but here too there were also those who wished to go further and establish co-operation as the "third pillar" of the labor movement.⁵⁶ Matters came to a head immediately after the First World War, with the shock resignation of the liberal O Dehli as NKL chairman at the 1919 co-operative congress after he had narrowly failed to win an outright majority. This laid the ground for a change of leadership, and the election of Andreas Juell and Randolph Arnesen, both of whom had connections with the labor movement.⁵⁷ This new generation continued to insist on co-operative neutrality, but in the fractured political climate of the 1920s NKL often found itself accused of breaking that neutrality by detractors from both left and right.⁵⁸ Halldor Heldal has shown how the deep rifts within the working-class organizations hindered Norwegian participation in other international organizations such as the ILO.⁵⁹ It may thus also explain why the representatives of NKL were much less active in the ICA than their Nordic counterparts, given that the ICA in this period was also an arena for conflict with the Soviet Union. During the debate on the Rochdale principles in the early 1930s NKL had again to reassert their political neutrality, supported this time by an intervention from their Swedish colleagues in KF.⁶⁰

As this suggests, by the 1930s political neutrality had become an article of faith for Swedish KF as well. Its leaders criticized the events in Britain which

54 Lange, *Organisert kjøpekraft*, p. 127.

55 Lange, *Organisert kjøpekraft*, p. 109.

56 Lange, *Organisert kjøpekraft*, pp. 112–4.

57 "Formandsskift i landsforeningen", *Kooperatøren*, July–August 1919, pp. 49–50.

58 "Sensationsjagt", *Kooperatøren*, November 1919; "Vor nøytralitet", *Kooperatøren*, February 1923. The November 1919 leading article was written in response to allegations in the Communist paper *Ny Tid* that NKL's agreement to allow goods to be delivered to Archangel via its Vardø depot was a deliberate counter-revolutionary action.

59 Heldal, "Norway in the International Labour Organization".

60 Lange, *Organisert kjøpekraft*, pp. 175–9.

led to the 1927 Cheltenham agreement between the Co-operative and Labour Parties, and staunchly resisted any attempts to dilute the principle of political neutrality within the ICA.⁶¹ In practice, as elsewhere, there were strong informal ties between co-operation and social democracy, especially at the local level, and the Social Democratic Labor Party formally recognized the role of consumer co-operation in its 1911 programme.⁶² The debates within the movement in this period can be seen as a struggle between adherents to rival overseas models: the pre-1917 British model of strict political neutrality, and the Belgian one of co-operation in the service of socialism.⁶³ KF's second secretary Martin Sundell (1905–1910) was influential in strengthening the ties between co-operation and the labor movement, but as an anarchist he also distrusted party politics and KF remained formally unaligned.⁶⁴

A further influence on KF's ideological development was the French co-operator Charles Gide, who, Peder Aléx has suggested, was influential on Anders Örne's attempts to theorize a distinct ideology of "co-operativism" immediately after the First World War.⁶⁵ Some years before the ICA attempted to do the same, Örne distilled co-operative ideology into seven principles.⁶⁶ Taken at face value, these seem rather bland and terse; co-operation reduced to its business principles but otherwise devoid of ideological content. According to Aléx, however, behind Örne's principles lay a sophisticated critique of capitalism based on the distinctiveness of co-operative democracy and ownership, which was to form the basis for the development of an influential strand of distinctively Swedish and Nordic co-operative thought during the interwar period.⁶⁷ Co-operation was shaped by many different ideological currents from across the political spectrum, but stood out in its ambitions to transcend the divisions of social class by organizing all consumers, and to defend the

61 Ruin, *Kooperativa Förbundet*, p. 167; Hilson, "A Consumers' International?".

62 Ruin, *Kooperativa Förbundet*, p. 140.

63 Ruin, *Kooperativa Förbundet*, p. 143.

64 Sundin, "Kooperationen som utopi", p. 86.

65 Aléx, *Den rationella konsumenten*, pp. 44, 103.

66 First presented to the ICA's Basle congress in 1921, these were as follows: (1) co-operative societies must be supported by their own capital; (2) good quality goods; (3) cash trading; (4) sales at market prices; (5) surplus redistributed in proportion to purchases; (6) one member one vote; (7) proportion of surplus allocated to education. Örne, "The Policy of International Co-operation", pp. 101–20; Aléx, *Den rationella konsumenten*, pp. 103 ff.

67 Aléx, *Den rationella konsumenten*, pp. 105–10, 113. See also Millbourn, "Kooperatismen", pp. 89–90.

principles of economic and democratic freedom.⁶⁸ This was to find expression most noticeably in KF's well publicized opposition and actions against monopoly capitalism, which at times took on the characteristics of a veritable crusade against international trusts and cartels.⁶⁹

The need to tackle monopolies was seen as important by the leadership of the co-operative movement throughout the Nordic countries, and the matter was given space both at co-operative congresses and in the co-operative press. The more difficult question for historians is to understand the impact that this had on the ordinary members. As in the rest of Europe, the main experience of co-operation for Nordic consumers was shopping at the co-operative store. Given the rural character of much of the region these stores had a prominent position in many local communities, but there is less evidence to suggest that local co-operative societies, many of which were still very small, embraced the culture building aspirations found in the British movement for example.⁷⁰ But this is not to say that co-operation was devoid of meaning, indistinguishable from shopping at any other retailer. Firstly, local societies remained true to their co-operative principles in their structures for member democracy and control.⁷¹ Secondly, all the central federations made efforts to develop a comprehensive co-operative press, that aspired not just to report on co-operative matters, but to offer a broader "family magazine" aimed at consumers in general.⁷² Thirdly, the materiality of co-operation itself could carry meaning, both in terms of the store itself and the goods that were sold there. Nordic co-operative leaders were extremely proud of their efforts to rationalize and modernize retail and distribution, which included the establishment of dedicated architecture departments to design new, efficient and modern stores.⁷³ Despite the declared neutrality of the movement, in many locations the very act of shopping at the co-operative store seems to have been understood as a gesture of class solidarity. In Finland, where the movement was split, Finnish consumers continued to define their class and political allegiances in relation to their choice of co-operative store until relatively late in the twentieth century.

The main aim of co-operation during this period was always to provide its members with supplies of essential goods, at reputable quality and for a

68 Aléx, *Den rationella konsumenten*, p. 122; Millbourn, "Koooperatismen", p. 97; Sundin, "Koooperationen som utopi", p. 86.

69 See especially Kylebäck, *Konsumentkoooperation*.

70 Robertson, *The Co-operative Movement*.

71 See Friberg, *The Workings of Co-operation*.

72 See for example Elveson, *Koooperatören – Konsumentbladet – Vi*.

73 See Ch. 25.

reasonable price. But there is some evidence that some co-operative consumers also imparted wider meanings to the goods that they bought, even if it was only a minority that acted on these. Katarina Friberg reports that the Malmö co-operative society Solidar debated the merits of importing American flour during the early days of the twentieth century, and KF's conflict with the margarine cartel in 1909 led to a widely supported boycott of the cartel's brands, co-ordinated by trade unions and local labor councils.⁷⁴ KF claimed its successes in breaking cartels as triumphs for the consumer, which led to immediate and tangible falls in the retail prices of the goods in question. One of the best-known examples was electric light bulbs, where the cartel was defeated through a joint venture between the Nordic countries and Scotland to establish a factory to produce "Luma" brand bulbs.⁷⁵ In Denmark, co-operative production organizations owned and capitalized by trade unions were established for the manufacture of distinctively "co-operative" goods, one of the best known of which was the brewery Stjernen.⁷⁶

Nordic Co-operation and a Nordic "Middle Way"

It is probably fair to say that the history of the Nordic consumer co-operative movements has been less widely studied than that of other contemporary popular movements, such as the temperance movement or the labor movement. The co-operative movement itself has produced its own histories for domestic and international consumption alike, but until recently there was less interest from academic historians.⁷⁷ The exception is possibly the rural Danish co-operative movement, long regarded as a key component of modern Danish national identity, but here interest has been directed more towards agricultural co-operative societies.⁷⁸ In the Nordic countries, as elsewhere, economic and social historians turned to consumer co-operation in the context of a growth of interest in histories of consumption and consumerism. Peder Aléx explored the role of co-operation in fostering rational, "good" consumption and thus in shaping the moral education and empowerment of the consumer citizens of

74 Friberg, *The Workings of Co-operation*, p. 412.

75 Hilson, "A Consumers' International?" pp. 229–30.

76 Månsson, "Stjernen – arbejderbevægelsens bryggeri".

77 A notable exception is Olof Ruin's 1960 study of KF: Ruin, *Kooperativa Förbundet*.

78 On co-operation and Danish national identity see Christiansen, "Denmark's Road"; Mordhorst, "Arla", p. 340; Mordhorst, "Arla and Danish National Identity".

the emerging welfare state in the early twentieth century.⁷⁹ Similar concerns were highlighted by the authors of NKL's centenary history, particularly in the co-operative movement's struggle to outlaw credit.⁸⁰

Economic historians have explored co-operation in the context of the development of the retailing sector and there seems to be little doubt that this was an area where the movement had a significant impact, right across the region. In the partial absence of a highly developed commercial retail sector, co-operative societies were at the forefront of introducing retail innovations including the design and layout of stores, the standardization of brands and the presentation of consumer information, and the vertical integration of production and distribution with retailing operations.⁸¹ KF's energetic secretary, Albin Johansson, was particularly active in this field and has been described as the epitome of the new generation of business-minded co-operative managers and leaders emerging across Europe after the First World War.⁸²

Co-operative successes in this field were reflected in the growing market share for the sector, in as far as this can be reckoned with any confidence. It has been estimated that in 1939 approximately a quarter of all Norwegians lived in a household with co-operative membership.⁸³ Nordic co-operative societies were allowed to trade with non-members so co-operation's market share could have been even higher than this suggests. Katarina Friberg suggests that one tenth of the inhabitants of Malmö were members of the co-operative in 1930, but she also estimates that KF as a whole had over a third of the entire food retail sector during the 1930s and 1940s.⁸⁴ Meanwhile the SOK co-operator Hugo Vasenius reported in 1934 that the two Finnish co-operative wholesales accounted for over 40 percent of total Finnish retail sales in 1932, almost exactly the same as the market share of the private wholesalers.⁸⁵

By the mid 1930s the Nordic co-operative organizations were also attracting considerable international attention, as part of a broader wave of interest in the Swedish or Nordic "middle way", especially in the USA. Marquis Childs' 1936 bestseller, *Sweden – The Middle Way* extolled the virtues of consumer co-operation as a moderate, pragmatic means to tackle economic crisis, and in

79 Aléx, *Den rationella konsumenten*.

80 Lange, *Organisert kjøpekraft*.

81 Sandgren, "From 'Peculiar Stores'". For a contemporary discussion: Hugo Vasenius, "Wholesale Trade in Finland", *Review of International Co-operation*, January 1934, pp. 16–21.: See also Ch. 25.

82 Brazda and Schediwy, "Consumer Co-operatives", p. 18.

83 Lange, *Organisert kjøpekraft*, p. 130.

84 Friberg, *The Workings of Co-operation*, pp. 166, 400.

85 Vasenius, "Wholesale Trade in Finland".

particular lauded KF's successes in breaking some large monopolies.⁸⁶ The effects were tangible: the ICA's *Review of International Co-operation* reported on the "crowd of American visitors to Sweden to study co-operative enterprise on the spot."⁸⁷ In the summer of 1936 this was followed by the visit of an American Inquiry on Co-operative Enterprise in Europe, commissioned by President Roosevelt himself, which paid particularly close attention to Sweden.⁸⁸ The inquiry ultimately failed to make a significant impact on New Deal policy, but its report, published in the spring of 1937, offers a useful snapshot of the state of the consumer co-operative movement in the Nordic countries at this time. The six members of the inquiry encountered a movement that was highly confident, both in its principles and organization, as in its wider position in society. One of the highlights of the Americans' stay in Sweden was a formal dinner hosted by KF and attended by representatives of Swedish business and politics from outside the co-operative movement, an event which the inquiry members felt "dramatically illustrated" the breadth of support for co-operation and its ability to overcome deep social and economic divisions. Like many contemporary visitors from the USA and elsewhere, they were also clearly impressed by the modernity of the co-operative buildings and factories which they visited, and the efficiency of operations they were shown.⁸⁹ This success was also borne out by the statistics collected by the Inquiry, which showed the extent of the movement's reach among the Nordic populations (Table 6.4).

Consumer co-operation was certainly flourishing in the Nordic countries by the late 1930s. Organizations that scarcely three decades earlier had looked overseas for models for how to conduct their business were now themselves widely regarded as sources of inspiration in their own right. The relative speed with which the Nordic countries had recovered from the Great Depression, and the apparent resilience of their democracies to the political challenges of the era, meant that the region attracted considerable international attention, not only from America but also from many parts of Europe.⁹⁰ Childs was criticized by some of his reviewers for over-estimating the significance of the Swedish co-operative movement, but co-operative organizations were given prominence in many of the books and pamphlets published in praise of

86 Childs, *Sweden – the Middle Way*; see also Teeboom, *Searching for the Middle Way*, Ch. 3, pp. 43–63; Hilson, "Consumer Co-operation and Economic Crisis".

87 Cited in Hilson, "Consumer Co-operation and Economic Crisis".

88 Teeboom, *Searching for the Middle Way*; Hilson, "Consumer Co-operation and Economic Crisis".

89 Hilson, "Consumer Co-operation and Economic Crisis".

90 Stadius, "Happy Countries"; Marklund, "The Social Laboratory".

TABLE 6.4 *Membership of consumer co-operative societies in the European countries visited by the Roosevelt inquiry, 1934 and 1935*

	Czecho- slovakia	DK	FIN	France	GB ¹	NOR	SWE	Switzerland
	1934	1935	1935	1934	1935	1935	1935	1934
Membership	817,731	354,000	517,763	2,540,290	7,483,976	138,557	568,161	402,535
No of societies	903	1939	532	2908	1188	497	719	545
No of stores	4500			9239		795	4144	2542
Population	14.7 m	3.7 m	3.8 m	41.8 m	46.1 m	2.8 m	6.3m ²	4.1 m
Membership as % of population	5.6	9.6	13.8 ³	6.1	16.2	4.9	9.1	9.9

Source: *Report of the Inquiry on Cooperative Enterprise in Europe* (Washington, D.C.: United States Government Printing Office, 1937). Cf. the figures on membership as a percentage of population in 1952 given in Nelson, *Freedom and Welfare*, pp. 201–2: Denmark 10.8 percent; Finland 24.1 percent; Iceland 21.4 percent; Norway 8.3 percent; Sweden 14.0 percent. Nelson gives the co-operative share of total retail sales as c. 10 percent for Denmark and Norway; c. 15 percent for Sweden. Katarina Friberg suggests that KF accounted for over one third of the market share in the food retail sector in Sweden during the 1930s and 1940s and that in Malmö one in ten citizens were members of the local co-operative society Solidar. Friberg, *The Workings of Co-operation*, pp. 166, 400.

Notes:

1. Figures for Britain include the Irish Free State.
2. Swedish population data are taken from Statistics Sweden (www.scb.se).
3. This figure is the combined membership of societies affiliated to SOK and OTK.

Scandinavia during the 1930s.⁹¹ In many of these publications the co-operative movement was connected to the idea of co-operation in a wider sense: the compromise between socialism and capitalism and the famous “red-green” co-operations formed between social democratic labor parties and agrarian parties in all five Nordic countries between 1933 and 1937. The idea of co-operation as a “third way” was invoked not only in the services of American liberal capitalism, but also as part of a movement for national mobilization and modernization in

91 For example Sune Carlson's review of Childs in *The Journal of Political Economy*, from 1937.

Hungary which, as Katalin Miklóssy has shown, drew on an utopian portrayal of Finnish co-operation.⁹²

As Kazimierz Musiał's influential work has shown, however, the idea of the Scandinavian or Nordic model was not simply an external construction, but was formed reciprocally at the intersection of what he calls the "auto-stereotype" or self-image and the "xenostereotype" or external image.⁹³ In other words, foreigners' perceptions of the Nordic middle way were also shaped by internal efforts to project a particular image for international consumption. By the mid-1930s, co-operative tourism was a well-established phenomenon within the ICA, with different national organizations vying with each other to lay on entertainments and excursions for the foreign delegates attending ICA committee meetings, or even the triennial ICA congress with its accompanying exhibitions, displays and performances. KF hosted the ICA's congress in Stockholm in 1927, the first of the Nordic countries to do so. In the summer of 1935 the ICA's Executive Committee travelled to Helsinki for the first time, and the *Review of International Co-operation* carried a very favorable report of the hospitality that had been received there, and the "shocks and thrills" enjoyed by the foreign visitors on their encountering "the fine institutions which our fellow co-operators in Finland were able to show them... [and] devices and methods the perfection of which even Western Europeans had not yet reached."⁹⁴

At the same time, Nordic co-operators remained keenly alive to the importance of contacts with organizations overseas, and looked abroad for inspiration in developing their movements further. The president of OTK Väinö Tanner travelled extensively in his role as president of the International Co-operative Alliance, often journeying together with KF's Albin Johansson who was a member of the ICA's executive committee. Based on the ICA sources, it seems that representatives of the Norwegian and Danish movements were less prominent in these international debates, although both countries sent delegations to the major international co-operative gatherings. But even outside the ICA, co-operators in all the Nordic countries looked abroad to learn about the latest developments in technical procedures associated with retailing and distribution, or the manufacture of processed foodstuffs. As the Roosevelt Commission arrived in Helsinki in the summer of 1936 a delegation of SOK managers was touring America and Albin Johansson had also visited in

92 Miklóssy, "The Nordic Ideal of a Central European Third Way".

93 Musiał, *Roots of the Scandinavian Model*, pp. 20–2. Musiał also notes the importance of the co-operative movement in Denmark and Sweden in shaping international perceptions of the Nordic region.

94 "The ICA executive in Finland", *Review of International Co-operation*, July 1935, p. 241.

1934.⁹⁵ Meanwhile the Helsinki co-operative Elanto reported on the visit to Finland of a former emigrant from the USA, returning to the land of his birth to study co-operation further.⁹⁶ The role of the Nordic diaspora in shaping interwar perceptions of the region and its international contacts, in an era where emigration had peaked scarcely a generation earlier, remains hitherto under researched in the history of the Nordic co-operative movements.

Conclusion

As Espen Ekberg shows in his contribution on the development of Nordic consumer co-operatives after 1945, the Nordic region continued to maintain its reputation as a “model” co-operative region. Membership and market share remained enviably high in all four countries for much of the postwar period, and although as Ekberg notes this success story conceals some important variations, the Nordic consumer co-operatives managed to avoid the disastrous decline faced by their counterparts in many other parts of Europe during the 1970s and after. Co-operation perhaps lost its close associations with the idea of the Nordic model, displaced by the growth of the welfare state, but the Nordic societies continued to be linked to the idea of co-operation in its broadest sense, widely admired for their apparent success in promoting consensual politics and industrial relations. The Nordic co-operative movements could thus be seen in the context of the Nordic *Sonderweg*, part of the popular movements that shaped the development of these states as consensual democracies, though, as noted above, they have only rarely been studied in this context.

As Ann-Catrin Östman has pointed out, however, interpretations of co-operation as an essential attribute of the Nordic peasant does not accord with the attitudes of the social reformers seeking to organize co-operative societies in the late nineteenth century.⁹⁷ The founders of Pellervo argued that the Finnish peasant needed to be educated if he were to awaken to the potential of co-operation, and the inspiration for this was to be sought abroad. What the example of co-operation in the Nordic countries shows above all, then, is the reciprocal and entangled nature of the transmission of co-operative ideas, and the transnational contacts and networks that shaped it. Although foreign examples provided the inspiration for the first attempts to found co-operative societies in the 1850s and 1860s, only a couple of generations later the

95 Teeboom, *Searching for the Middle Way*, Ch. 3, pp. 11–2.

96 “USA:n osuustoiminta valtavassa nousussa”, *Elanto*, 21 August 1936.

97 Östman, “Civilising and Mobilising the Peasantry”.

Nordic societies were themselves regarded as model examples and the subject of international attention. Swedish co-operators in particular liked to present themselves as the true defenders of the Rochdale legacy, especially after the British co-operative movement moved away from strict political neutrality, but the development of the Swedish and the other Nordic organizations was also shaped by other external influences, in particular from Germany and during the 1930s from America.

Above all it is important to acknowledge the role of inter-Nordic contacts in the development of the Nordic co-operative movement. After the turn of the century the personal networks among the first generation of co-operative activists gave way to the development of more formal and institutionalized contacts between the different countries. Arrangements were made to send fraternal delegates to annual congresses, and to exchange journals and other publications (the Finnish Pellervo society seems to have published the Swedish language version of its journal partly for this reason).⁹⁸ These contacts served practical purposes above all: the exchange of technical information and the development of trade. But they could also take on a more idealistic tone, especially at times of tension such as the breakup of the Swedish-Norwegian union in 1905. In this way co-operation, like the labor movement, belonged to the tradition of “oppositional Scandinavianism” and it undoubtedly contributed to the development of closer inter-regional ties during the 1920s and 1930s. Nordic co-operation (*kooperation*) also meant Nordic regional co-operation (*samarbete*) in other words.⁹⁹

If we reject the *Sonderweg* argument that co-operation was somehow intrinsic to Nordic society and culture – there are after all many other examples of societies where co-operation has been claimed as an essential national characteristic – why, nonetheless, was co-operation so successful in the region? Here, as Ekberg suggests for the post-1945 period, we probably have to consider co-operation as a retail business above all. Late nineteenth century Scandinavia provided an unusual context for the development of co-operation. The relatively small size of the domestic market and the relatively low density of population in what were overwhelmingly rural societies meant that the retail sector remained relatively underdeveloped, even after the easing of legal restrictions on trade. At the same time, in contrast to many parts of contemporary Eastern Europe for example, rapid industrialization brought with it rising real wages and thus growing demand for the basic consumer goods provided

98 Though also, of course, for distribution to Swedish-speaking districts within Finland, which then, as now, was officially a bilingual country with a Swedish-speaking minority.

99 See Götz et al., “Nordic Co-operation in the Voluntary Sector”.

by co-operative societies. Alongside institutions such as the “people’s house” (*folkets hus/työväen talo*), the co-operative store became an important feature of rural life throughout Scandinavia, and in many cases it was the only retail store available to rural consumers. The Nordic co-operative societies were able to develop networks of retail and distribution relatively unhindered, at least compared to societies such as Britain for example. At the same time, it should be noted that this by no means precluded the possibility of conflict between co-operation and other forms of business, as the examples of KF’s struggles with different manufacturing concerns show.

Finally, the Nordic countries also provide an illustrative example of the complex relations between consumer and other forms of co-operation. The difference between consumer and agricultural co-operation was probably greatest in Sweden, even though tensions between KF and the national agricultural organizations were not always replicated at the local level. In Finland, where interwar politics was more polarized than elsewhere in the region and where the consumer co-operative movement was ideologically split, there was never however a clear cut division between town and country, urban consumers and rural producers. In Denmark there was also a separation between those stores serving rural agricultural communities and the social democratic working class co-operatives in the towns, but here too there were also some connections through the wholesale FDB. It is worth noting that international connections seem to have played an important role in helping to reconcile conflicts: bitter internal divisions that were accentuated in the domestic context were often played down for a foreign audience. The relations between the different forms of co-operation came to be seen in a new light following the negotiation of political compromises between social democratic and farmers’ parties in all the Nordic countries during the 1930s and the so called “red-green” governments that followed.

Canadian and US Catholic Promotion of Co-operatives in Central America and the Caribbean and Their Political Implications

Susan Fitzpatrick-Behrens and Catherine C LeGrand

This chapter examines the early development of Catholic co-operatives in Canada and the United States and traces their movement through the mediation of Catholic missionaries to Latin America. By doing so, it offers insight into a transnational and religious dimension of co-operative development. In the case of Catholic-initiated projects in Latin America, credit, agricultural, and artisan co-operatives played a central role, while consumer co-operatives often appeared secondary. This distinction may reflect the particularities of the Catholic mission regions in the Caribbean and Central America, where co-operatives developed to meet specific community needs and often originated in rural rather than urban areas. It may also be the result of the way co-operatives were embedded in mission projects that emphasized the development of Christian communities and viewed economic cooperation as an essential component of this development. This essay provides brief case studies of Catholic co-operative development in Jamaica, the Dominican Republic, and Guatemala to illustrate the way that co-operatives evolved in the political context of each country. Finally, it suggests that in the 1960s Canadian and US Catholic-initiated co-operatives became integrated with the Canadian government's International Development Agency (CIDA, created in 1968) and USAID development projects, suggesting a convergence of Church-State projects, with religious agents' initiative preceding secular support for co-operatives.

The Spread of Catholic Co-operativism: The Antigonish Model in Canada and the United States

One important thread in the history of co-operativism in the twentieth century comes out of Catholic social thought and practice, which, building on the Rochdale principles, sought to articulate a "third way" between communism and capitalism. Catholic approaches to co-operatives have been manifested historically in the Desjardins credit unions of Quebec, the Antigonish

movement of eastern Canada, and the renowned Basque co-operatives of Mondragón.¹ Addressing the topic of Catholic co-operativism, this chapter focuses specifically on how the Antigonish movement of Nova Scotia spread to the United States and then to the Caribbean and Central America. Our aim is to make sense of the mechanisms of diffusion and the differing political implications of a Canadian Catholic co-operative movement in three countries: Jamaica, a British colony moving toward independence; the Dominican Republic, ruled by dictator Rafael Leonidas Trujillo; and Guatemala, where co-operatives that had been supported by democratic and military governments garnered the widespread participation of native Maya people. This international study also sheds light on how, during the Cold War, governments and NGOs drew on the Catholic experience with co-operatives as they attempted to formulate approaches to community development that would modernize the countryside, improve the living conditions of the rural poor, and win the hearts and minds of rural people away from communism.

Twentieth-century social Catholicism, as expressed in the papal encyclicals of *Rerum Novarum* (1891), *Quadragesimo Anno* (1931), and *Mater et Magistra* (1961), comes out of the Church's endeavor to grapple with the socio-economic and spiritual effects of the development of capitalism on laboring people and to think through what a just economy might be. The crisis of capitalism manifest in the Great Depression of the 1930s generated multiple responses. Catholic clergy in some places, inspired by the social encyclicals, sought novel solutions to poverty, exploitation and inequality. In Canada, the Antigonish movement, one of the most innovative of Catholic utopian visions and economic movements, was initiated by Fathers J J Tompkins, Moses M Coady and other priests connected to the small Catholic university St. Francis Xavier in the town of Antigonish in eastern Nova Scotia.² This was a region of poor highland Scottish agricultural, fishing and mining communities, exploited by a few large British and central Canadian companies and hard-hit by economic

1 See Molina and Míguez, "The Origins of Mondragon", pp. 284–98; and Molina Aparicio, *José María Arizmendiarieta*. On the Desjardins credit union movement, see Rudin, *In Whose Interest?* and Girard, "Québec et le Mouvement Desjardins", pp. 59–71.

2 On the Antigonish movement, see Coady, *Masters of Their Own Destiny*; Laidlaw, *Man from Margaree*; Dodaro and Pluta, *The Big Picture*; Baum, *Catholics and Canadian Socialism*, pp. 189–211; Cameron, *For the People*; Laidlaw, *The Campus and the Community*; MacPherson, "Patterns in the Maritime Co-operative Movement", pp. 31–52; and Remes, "In Search of 'Saner Minds'", pp. 58–82. Many of the Antigonish movement's records have been digitalized: see <http://coadyextension.stfx.ca>. Accessed 2 May 2017.

recession. Beginning in the 1920s, Coady, Tompkins, and local parish priests formed study groups in the surrounding communities meant to strengthen common people's confidence in their abilities to solve their own problems, foster the emergence of local leaders and improve people's lives, materially and culturally. The aim of the study groups was adult education and to mobilize people to discuss their socio-economic problems and devise community solutions. Then, in the depths of the Great Depression, through the extension department of St. Francis Xavier University, the priest-organizers encouraged local people to form credit unions, co-operative stores and co-operatively owned fish and lobster processing plants. In the 1930s the co-operative idea began to take root in North America. The Antigonish movement was one important North American co-operative initiative in these years. In Father Coady's words, the purpose was to strengthen community life and to stimulate "people [to] create the institutions that will enable them to obtain control of the instruments of production.... It is the privilege of the people," he said, "to work overtime in their own interests for the creation of the new society where all men are free."³ The Antigonish movement drew on many precedents: the principles of Rochdale, the Danish folk high schools, Quebec's *caisses populaires*, Roy Bergengren's work in the US, and mutualism, Christian socialism and social Catholicism.⁴ By 1938–39, 21,000 adults in eastern Canada were involved in study groups and 60,000 in the credit union movement, which was giving rise to consumer co-operatives.

The influence of Antigonish spread across Canada and gathered rapt attention in Catholic circles in the US. In his praise of the Antigonish movement, Edward Skillin, Jr observed in the pages of the US Catholic journal *Commonweal* that "For the past ten years we [Catholics in the United States] have all done a lot of talking about the principles in the social encyclicals. [...] But what new institutions have we set up to meet the new conditions inimical to man, the family and society resulting from modern capitalism? ...The priests of Antigonish do not talk about it much," he concluded, "but by collaborating with

3 Coady, *Masters of Their Own Destiny*, pp. 17–8.

4 See Dodaro and Pluta, *The Big Picture*; and Tompkins, "Knowledge for the People". Race Mathews argues that two important co-operative movements with Catholic roots – Antigonish in Canada and Mondragón in Spain – built on Chesterton's British Distributism, which originated in social Catholicism: Mathews, *Jobs of Our Own*. Father Arizmendiarieta, founder of the Mondragón co-operatives, also drew inspiration from the British Labour Party and from French Catholic social thinkers such as Emmanuel Mounier, Jacques Maritain, Jacques Leclercq and Pierre Teilhard de Chardin (see Molina Aparicio, *José Maria Arizmendiarieta*).

the people in meeting their basic problems of existence they believe they have achieved far more than the most eloquent preaching could do.”⁵ The National Catholic Rural Life Conference (NCRLC) founded in the US in 1923 by Edwin Vincent O’Hara, a rural priest active in promoting lay engagement in the Catholic Church, became especially interested in the Antigonish movement.⁶ Luigi Ligutti, who became director of the NCRLC in 1937, used grants from the New Deal’s Farm Security Administration to create Granger Homesteads in Iowa founded on ideals of co-operation that included methods and models introduced by the Antigonish movement.⁷

There are a number of factors that appear to have distinguished the co-operative movements that emerged from Antigonish and the NCRLC from the strictly consumer co-operative model. The movements were centered in rural areas, where economic problems were defined by production as much or more than by consumption, so that credit, production, and marketing were dominant concerns. Additionally, the initial focus of the movements was not co-operatives, *per se*, but social development. The Antigonish movement began as a project designed to facilitate education among impoverished adults so they could reflect and act together to address local problems. The NCRLC was established to promote:

programs for the “whole” community encompassing (1) Physical life concerned with health care in the face of a paucity of hospitals and clinics; (2) Economic life with an emphasis on the importance of co-operatives as a means of enhancing income; (3) Family seen as the foundation of Catholic life; (4) Religious life with an emphasis on religious instruction and the use of summer vacation camps as a principal means of reaching youth; (5) Training for life through education; and (6) *Community life*, in the Catholic sense, as such, viz parish life.⁸

Co-operatives appeared as a means of resolving economic problems, but perhaps for Catholics their more important role was to promote strong communities founded upon Christian values.

5 Skillin, “Antigonish Ten Years After”, pp. 232–3.

6 Marlett, “Harvesting an Overlooked Freedom”, p. 90; Bovee, “Catholic Rural Life Leader”, p. 144.

7 Bovee, “Catholic Rural Life Leader”, pp. 101–2; Gremillion, “Global Overview of Development Problems”, p. 84.

8 LaFarge, John, S.J. “Two Catholic Conventions.” *America*, 9 November 1929, pp. 104–6.

The Influence of the North American Catholic Approach to Co-operatives in Latin America

The directors of Antigonish and the NCRLC recognized early the potential of their movements and co-operatives for developing countries, especially those of Latin America. Allan J MacEachen observes that "As early as 1939, Coady advocated the application of adult education and co-operative organization to the underdeveloped world."⁹ In Coady's view, "Credit unions and co-operatives would not only give the people democratic control over a significant portion of the total economy, they would foster local leadership and instill a spirit of self-reliance and social cooperation."¹⁰ As director of the NCRLC, Luigi Ligutti was among the first to promote mission to Latin America and to link it to the principles of the co-operative and NCRLC movements. Monsignor Ligutti "began traveling to [Latin America] in the 1940s and in the 1950s to develop on an international basis the same kind of rural life congresses he had engineered at home."¹¹ He helped to convene nine conferences of global rural Catholic leaders, most of which were held in Rome or Latin America between 1950 and 1967. The conferences contributed to Ligutti's overseeing the foundation of the International Catholic Rural Association (ICRA) in 1962.¹²

The development of co-operative movements in Canada and the United States immediately preceded and became linked with global changes that influenced the universal Catholic Church and its role in the world. As US Maryknoll mission Father John J Considine observed in 1958, "Since 1945 some 750,000,000 non-Western people, or approximately 30 percent of the inhabitants of the globe, have obtained self-government. In this same period over 50 countries have either adopted constitutions for the first time, or voted new constitutions, or introduced substantial changes in their existing documents."¹³ And, as MacEachen noted, the co-operative movement's "philosophy fitted well with the ideas that were gaining force in developing countries as they moved to independence. In many new nations [...] leaders held high hopes that self-determination could be given real substance through a transformation of political, economic and social institutions. [...] the co-operative approach stressed self-reliance, the development of local leadership, broadly-based

9 MacEachen, "Canadian Approaches to Co-operation", p. 12.

10 Ibid.

11 Costello, *Mission to Latin America*, p. 28.

12 Bovee, "Catholic Rural Life Leader", p. 151.

13 Fordham-Rural Life, *Missionary's Role in Socio-Economic Betterment*, p. 3.

education, and a peaceful redistribution of economic benefits."¹⁴ The leaders of the Antigonish movement believed that co-operatives would appeal to these emerging countries because co-operatives were neither capitalist nor communist and could be integrated with communal practices of life common to many developing countries.

This general emphasis on the potential of co-operatives in newly independent and developing regions was especially important in Latin America, which became a focal point for North American Catholic mission in the era following the Second World War. Although most of the countries of Latin America became independent nations in the early years of the nineteenth century and were 99 percent Catholic, Latin America never produced sufficient numbers of its own priests and nuns. In the mid-twentieth century, Latin Americans comprised 35 percent of the world's Catholics but produced only 10 percent of the priests. In most Latin American countries in the 1940s and 1950s, 60–80 percent of the clergy were foreigners.¹⁵ For the Catholic hierarchy, this scarcity of clergy came to appear as a threat to the well-being of the Catholic population and the Church, especially as the appeals of communism and Protestantism grew in the 1950s and 1960s.

By 1944, Canadian Catholic missionaries had received mission territories in Haiti, the Dominican Republic, Cuba, and Brazil,¹⁶ and several years later they began important work in Chile, Bolivia, Peru, Colombia, and Honduras. By 1959, 3300 Canadian Catholic church people, 90 percent of them from Quebec, were at work in 68 countries, nearly 1000 of them in Latin America, and by 1971, the number in Latin America increased to almost 2000.¹⁷ The number of clergy from the United States in Latin America also surged, and those affiliated with NCRLC played an especially important role in the first stages of mission to Latin America. "The earliest figures in the United States' post-war move toward Latin America were almost exclusively connected in some way or other with rural life work".¹⁸ An exception was the Maryknolls, the first Catholic overseas mission-sending organization, founded in the US in the second decade of the twentieth century, which was influenced by the NCRLC but not directly linked with it. The number of priests and religious from the United

14 MacEachen, "Canadian Approaches to Co-operation", p. 13.

15 Klaiber, *Church, Dictatorships, and Democracy*, pp. 43, 76, 94, 122, 141, 196, 241.

16 Champagne, *Manuel d'action missionnaire*, pp. 232–47.

17 Goudreault, "Les missionnaires canadiens à l'étranger".

18 Costello, *Mission to Latin America*, p. 28.

States working in Central and South America increased from 222 in 1940 to 3391 in 1968.¹⁹

For Canadian and US clergy, mission to Latin America became linked with development issues. In 1958, Father John J Considine, who later became director of the National Catholic Welfare Council's Latin America Bureau (NCWC-LAB), guided a conference held at the Maryknoll Catholic mission center to identify and consider ways of addressing the "problems confronting the less-developed areas of the world."²⁰ The Catholic International Rural Life Movement (an offshoot of the NCRLC) was one of the co-sponsors of the event, and Father George E Topshee of St. Francis Xavier University, Antigonish, was a key invited speaker. He made a "powerful plea to the missionary to understand the influence of economic life on man's religion" and emphasized "the great importance of the role of the economic side of life in the establishment and *in the maintenance* of Christianity"²¹ Economic development thus became a defining influence in faith and mission.

The emphasis on development increased as Canadian and US clergy expanded their mission to Latin America. In 1953, the first Latin American Catholic Congress on Rural Life Problems (which the National Catholic Rural Life Conference of the United States helped to organize) had called for the "establishment of professional organizations, co-operatives, savings banks, and other social works... among rural people."²² In 1954, Maryknoll held a conference in Lima, Peru to identify mission goals and methods for Latin America.²³ The discussions during the conference made evident that clergy identified co-operatives as a crucial element of mission and that they relied on materials and education provided by Father Harvey Steele and by the Credit Union National Association (CUNA).²⁴

In fact, Catholic co-operative training centers played a defining role in development in Latin America. In 1959, a few months after Father Moses Coady's death, St. Francis Xavier University in Antigonish established the

19 A Missionary Index of Catholic Americans, Catholic Priests and Religious of the United States in Missionary Work Outside the USA. Cincinnati: Catholic Students' Mission Crusade, 1946; U.S. Catholics Overseas: A Statistical Directory, Washington, DC: Mission Secretariat, 1968, Catholic Foreign Mission Bureau/Maryknoll Mission Archive (MFBA/MMA), Box 62.

20 Fordham-Rural Life, *Missionary's Role in Socio-Economic Betterment*, citing an article from the *New York Times*, 8 April 1958, p. xi.

21 Fordham-Rural Life, *Missionary's Role in Socio-Economic Betterment*, p. 23.

22 National Catholic Rural Life Conference, *Conclusions of Manizales*, p. 22.

23 Fitzpatrick-Behrens, *Maryknoll Catholic Mission in Peru*, pp. 87-94.

24 Maryknoll Fathers, *Proceedings of the Lima Methods Conference*, p. 164.

Coady International Institute to provide more systematic training and research for international co-operative development.²⁵ In 1964 Canadian Father Harvey Steele, of the Scarboro Foreign Mission Society, established the Instituto Cooperativo Interamericano (ICI) in Panama City to train co-operative leaders in Spanish from all over Latin America.²⁶ In addition to teaching clergy and laity about co-operatives, training centers provided educational materials including books, posters, and even films that could be disseminated to people working in remote mission areas.

Catholic/Secular Co-operative Endeavors in Latin America

In the 1960s and 1970s, at the height of the Cold War, the governments of the United States and Canada began to promote co-operatives as a central focus of their international development programs; this had a strong impact in Latin America. The Foreign Assistance Act of 1961 encouraged community self-help through the establishment of the US Agency for International Development. USAID established co-operatives as a central component of its development strategy in Latin America. Section 601 of the Foreign Assistance Act declared that “the policy of the United States – [is] to encourage the development and use of co-operatives, credit unions, and savings and loan associations...in foreign assistance.”²⁷ In the 1970s, CIDA appointed Alexander Fraser Laidlaw to be Special Advisor on Co-operatives and Rural Development. Laidlaw, who had been associate director of the extension department at Antigonish from 1944 to 1956 (the years when it began to go international), played an important role in making co-operatives a major focus of CIDA activity. Around the same time, the large Canadian federations of co-operatives – the Cooperative Union of Canada (later the Canadian Cooperative Association, CCA) in the English provinces and, in Quebec, the Confédération des caisses Desjardins and the Service international du Conseil de la coopération du Québec (CCQ) – all created foundations to involve themselves in international co-operative work in Latin America, Asia, and Africa (the Société de développement international Desjardins (SDID, 1970) and the Société de coopération pour le développement international (SOCODEVI, 1984)).

25 MacEachen, “Canadian Approaches to Co-operation”, p. 14.

26 Steele, *Dear Old Rebel*, pp. 161–90.

27 United States. Congress. House. *Technical and Economic Assistance*, p. 1.

CIDA-funded projects involving support for co-operatives in the global south came to be channelled through the Canadian co-operative federations, which now had international reach.²⁸ The United States established relationships with the Cooperative League of the USA (CLUSA), CUNA and the Farmers Educational and Cooperative Union of America (NFU), which seemed to fulfil roles similar to that of SOCODEVI.²⁹ These United States-based co-operative associations established contracts with USAID. According to Bruce Thordarson, Canada, the US and Sweden were the main supporters of co-operatives in the developing world in the 1980s, and the Canadian government emphasized co-operativism in its overseas development programs because it was proud of Canadian contributions and expertise in this field.³⁰

The Antigonish Co-operative Model in Different Contexts of Central America and the Caribbean

The Antigonish movement seems to have had an important influence in the spread of co-operatives in much of the Caribbean, Central America, and northern South America from the 1940s through the 1970s.³¹ Indeed, whereas in Argentina and southeastern Brazil, the massive influx of immigrants from southern Europe (Italy, Spain and Portugal) in the late nineteenth and early twentieth centuries gave rise to many urban workers' (including consumer) co-operatives, Catholic Church-initiated co-ops were particularly important in northern Latin America, which attracted little European immigration. While in some of the larger countries, laws allowing the organization of co-operatives were already in place, only in the 1960s – the United Nation's "decade of development" – did they take off, in large part through the mediation of priests, nuns, and Catholic lay leaders in local communities.³²

28 MacPherson, "Alexander Fraser Laidlaw", pp. 107–20; Desforges and Malo, "L'expérience coopérative", pp. 83–112; and De Corte, *Développement international Desjardins*.

29 United States. Congress. House. *Technical and Economic Assistance*, p.7.

30 Thordarson, *Miser sur l'action à la base*. On co-operativism in Quebec, see Arteau, Brassard, and Malo, « Les secteurs et le mouvement coopératif québécois »; Malo, « Coopératives et modèle de développement »; Martel, « Evolution du mouvement coopératif québécois »; and Martel, « Emergence du mouvement coopératif agricole ».

31 See LeGrand, "The Antigonish Movement of Canada and Latin America".

32 The following works make this point: Mora, "Visión histórica del movimiento cooperativo"; and MacPherson, *Hands around the Globe*.

Here we have chosen to explore the transmission, adaptation and impact of Antigonish inspired co-operatives in contrasting contexts over time by focusing on three countries of the Caribbean and Central America. In the politically, socially, and culturally distinct countries of Jamaica, the Dominican Republic and Guatemala, the Antigonish co-operative model followed three overlapping lines of development. First, beginning around 1940, lay people and clergy from the global south travelled to Antigonish on their own initiative seeking to observe the vital extension work and co-operative communities that dotted the landscape of eastern Nova Scotia, and they then returned home to apply what they had learned. This was an important pattern in Jamaica and Guatemala. Second, Canadian missionaries in contact with Antigonish, who went to Latin America and the Caribbean to run Catholic schools or administer rural parishes, started credit union and rural co-operative movements as is clear in Jamaica and the Dominican Republic. Finally, US Maryknoll missionaries, who were active supporters of the National Catholic Rural Life Conference, and Spanish Sacred Heart Missionaries, with direct ties to Antigonish, worked hard to create a successful co-operative movement of native Maya peasants in the western highlands of Guatemala. Our case studies of Jamaica, the Dominican Republic, and Guatemala shed light on how an approach to rural co-operatives that originated in a poor, Catholic region of Atlantic Canada during the Great Depression came in subsequent decades to be projected into new settings. These case studies also raise the question of how interactions between fledgling co-operative movements and the governments of those countries shaped the evolution of the movements.

In each country, while Catholic networks contributed to the spread of co-operative ideas and practices and while, in most instances, missionaries initiated co-operative development, their efforts became linked to the secular agendas of national governments and, in the 1960s, of US and Canadian aid agencies. Moreover, in each case the resulting Catholic co-operative movement's interests came to diverge from and to conflict with these secular agendas. These were among the primary unintended consequences of Catholic co-operative development as it evolved from the Antigonish model in different places. In each of these countries, Catholic-initiated co-operative movements had dramatic social, economic, and political influence on national development, which did not follow a shared pattern or one anticipated by those who originated and supported the movements. Together, the cases provide insight into the importance of Catholic co-operatives, the ways that cultural and political contexts shaped and transformed them, and the intersection between Catholic-initiated co-operatives and secular development programs during the Cold War.

Jamaica

In Jamaica in 1939 North American Jesuits, knowledgeable about the approach of Antigonish, began advocating the formation of co-operatives through the extension department of St. George's College, a private Catholic secondary school in Kingston. Three of the primary actors in this initiative were Father Jim Webb, the head of the Jesuits in Jamaica, who was a Nova Scotian concerned with rural development and whose brother was a senior official in the Canadian co-operative movement, Father John Peter Sullivan of Boston and Father Sydney Judah. The urban credit union and housing co-op movement they started became known as "Soldality".³³ Meanwhile, in the late 1930s, a number of middle class professionals headed by Norman Manley, father of later prime minister Michael Manley, who were concerned about growing poverty among small holders in the countryside, convinced the United Fruit Company to finance what came to be known as Jamaica Welfare, a privately initiated NGO to improve the living standards of the rural poor. In 1939, seeking approaches and techniques they could use, Jamaica Welfare sent two members abroad, one to Europe and the other, Ed Burke, to Antigonish where he studied and observed co-operatives throughout the Canadian Maritimes for five months. According to Burke, an important administrator and then general director of Jamaica Welfare in the early 1950s, the Antigonish practice that particularly worked in Jamaica was the use of study groups, whereby small farmers and fishermen gathered together to discuss local problems, educate themselves, and decide together what action to take.³⁴ Such study groups were taken up as well by many others from the global south who came to Antigonish seeking inspiration in the 1940s, 1950s and 1960s.³⁵

33 Gorst, *Co-operative Organization*, pp. 82–5; Jamaica Co-operative Credit Union League, "The Credit Union Story"; MacPherson, *Hands around the Globe*, pp. 43–5; and interview with Norman Girvan by C LeGrand, Montreal, 5 June 2006.

34 Burke, "The Antigonish Movement and Jamaica", pp. 4–5; Burke, "Fifteen Years After", p. 9; Marier, *Social Welfare Work in Jamaica*; Gorst, *Co-operative Organization*, pp. 82–5; Girvan, *Working Together for Development*. The St. Francis Xavier University Archives [StFXUA] contain extensive correspondence between Ed Burke, John Peter Sullivan, and Rev. Moses Coady in the 1940s that sheds light on co-operation in Jamaica. See StFXUA RG 30-3/8/340, RG 30-3/15/1249, RG 30-3/8/320, RG 5/11/15454, RG30-3/2/11744, RG 30-2/1/829.

35 See Delaney, *By their Own Hands*, Ch. 14. An important example was the Colombian priest Ramón González who, after completing the Social Leadership diploma at the Coady Institute in 1963, launched an innovative rural development program based on parish-centered co-operatives among peasants in the province of Santander, Colombia that is still important today. Bucheli Gómez, *Curas, campesinos y laicos*; and Bucheli Gómez, Marieta,

In the 1940s and 1950s Jamaica Welfare was successful in forming many credit unions, vegetable and fishing co-operatives, and “buying clubs” or co-operative grocery stores, which provided urban distributional outlets for produce from the rural co-operatives.³⁶ From 1943 on, Jamaica Welfare was fully funded by the British colonial government in Jamaica which, in the wake of the Second World War, sought a revised approach to colonial rule that would encourage community development and more active participation of the ruled.³⁷ Indeed in the mid-1940s, the influence of Jamaica Welfare spread to Barbados, Tobago, St. Kitts and Nevis as the British government began to use its community development approach as a model for rural development throughout the West Indies.³⁸

Perhaps Jamaica Welfare served the colonial government’s purposes, but its impact also extended in other directions. Indeed, according to Jamaican development economist Norman Girvan, son of a founder of the organization, Jamaica Welfare was a proto-nationalist organization, important in forging a sense of Jamaican nationality in the years leading up to independence.³⁹ Jamaica Welfare aimed to instill national pride by recognizing the people in the villages, to give them the sense that they had a voice, that they mattered, and to foster the emergence of articulate community leaders. Beyond this, Jamaica Welfare provided a bridge between the brown, urban middle class, which contributed much of the expertise of the organization, and black rural people. Previously the middle class looked to England for their models and values; Jamaica Welfare encouraged them to come to know their own country and people through voluntary public service, to turn inward, looking to their own rural traditions, valuing beauty, creativity, humanity in their black ancestry and finding pride in it. Jamaica Welfare advanced a vision of the power of ordinary people: the organization refused to define the

“Desarrollo local y cooperativismo: el caso de la experiencia del secretariado de Pastoral Social de la Diócesis de Socorro y San Gil, Departamento de Santander, Colombia.” Collection Documents et Conférences DOC 01-02E, Institut de Recherche et d’enseignement pour les coopératives de l’Université de Sherbrooke [IRECUS], Québec, Canada, 2001. Dodaro and Pluta’s pathbreaking book *The Big Picture* indicates that the increasing numbers of foreigners who flocked to the extension department at StFX in the 1940s took the priests by surprise. The visitors’ efforts to relate the Antigonish movement to their home contexts stimulated Antigonish organizers to look beyond the local region and articulate their aims in more universal terms.

- 36 See Girvan, *Working Together for Development*; and Government of Jamaica, *Development of Co-operatives in Jamaica*, in St.FXUA, RG 30-3/2/11744.
- 37 Simey, *Welfare and Planning in the West Indies*; Caribbean Commission, Central Secretariat, *Cooperatives in the Caribbean*; Rhodes, *Empire and Co-operation*.
- 38 Francis, “Evolution of Community Development”, pp. 40–58.
- 39 Girvan, *Working Together for Development*; interview with N Girvan by C LeGrand; and Francis, “Evolution of Community Development”, p. 47.

people as “poor”, for poor signifies powerless. Rather, it sought to turn the colonial psyche on its head by pointing to the dignity and potential of rural people, and, through the encounter of urban middle class and peasant small holders, to instil a sense of national life and community service. The idea was that progress means not individual mobility but the encouragement of active communities and collective force: that the people can become agents of their own progress. The adult literacy campaign spearheaded by Jamaica Welfare in the 1940s became the blueprint for Michael Manley’s mass education campaign of the 1970s, the Jamaican Movement for the Advancement of Literacy (JAMAL).⁴⁰ In sum, Jamaica Welfare played a major role in rural development and in forging new national values in the decades prior to formal independence. Although it was not a religious organization and it took form in a society that was only 5 percent Catholic, it seems that ideas and practices coming out of the Catholic Antigonish movement of Nova Scotia played an important role in the emergence of Jamaica Welfare, which also built on nineteenth-century Jamaican traditions of peasant self-help.⁴¹

Soon after Jamaica won its independence in 1962, the new government changed the name of Jamaica Welfare to the Social Development Commission, and it was integrated into the Ministry of Local Government and Community Development with the mandate to foster community-based rural and urban economic enterprises.⁴² In the 1960s the voluntary aspect of the organization diminished as ministerial authority over social policy and its implementation increased, and, during subsequent decades, the Social Development Commission was subject to partisan maneuvering and political patronage in the competition between Jamaica’s two political parties, the more conservative Jamaica Labour Party and the social democratic National People’s Party, which Norman Manley had founded.⁴³ Nevertheless, in 2012, the 75th anniversary of the founding of Jamaica Welfare, several articles in prominent Jamaican newspapers encouraged Jamaicans, afflicted by economic problems and gang violence, to re-embrace the vision of this pioneering national movement. The most important legacy of Jamaica Welfare – the democratic neighborhood

40 See Neita, Colin. “Continue down the Path to Full Literacy.” *Jamaica Gleaner*, 22 January 2012; retrieved from <http://jamaica-gleaner.com/gleaner/20130122/news/news4.html>; accessed 19 May 2017; and Gouthro, “Five Lives Well Lived”, pp. 39–53.

41 According to Francis, “Evolution of Community Development”, p. 48, Jamaica Welfare also drew on experiments being carried out by “Spencer Hatch and F.L. Brayne in India, C.F. Strickland’s work in co-operatives in Africa, the Folk High School of Denmark, ... and, later, the Mass Education Movement devised by the British Colonial Office in Africa.”

42 See sdc.gov.jm.

43 For a critical perspective on the Social Development Commission post-independence, see Johnson, “Historical Background”, pp. 250–5.

model of community empowerment, self-reliance, and local participatory governance – they wrote, may provide a possible, truly Jamaican way forward in difficult times, a useful and practical vision for the future.⁴⁴

Dominican Republic

The Dominican co-operative movement emerged somewhat after Jamaica Welfare, in the late 1940s, as an initiative spearheaded by the Canadian missionary priests who administered fully one third of Dominican rural parishes in the 1940s and 1950s when dictator General Rafael Trujillo was in power. Because there were only 30 Dominican priests to serve a population of 1.2 million, in the mid-1930s the Archbishop of the DR, with Trujillo's approval, invited foreign religious orders – Canadians, Italians, Spaniards and a few US-Americans – to administer specific territories in the countryside. Except for some large, foreign-owned sugar plantations in the southeast, the countryside was mostly populated by a dispersed peasant population of *mulato* descendants of slaves from sugar haciendas that had disappeared in early colonial times. Support for the official Catholic Church and extending its physical presence in the countryside was part of Trujillo's state-building project. In 1935, Sacred Heart Fathers from Quebec City (Pères Missionnaires du Sacré-Coeur) became parish priests to 13 enormous rural parishes in the northern half of the Dominican Republic. Seven years later, Scarboro Foreign Mission Society clergy from Ontario joined them as parish priests to 15 rural parishes in the southern part of the country. Although this Foreign Mission Society was based in suburban Toronto, many of the Scarboro priests hailed from eastern Nova Scotia.

In February 1947, the Dominican Catholic Action movement, animated by Scarboro Superior William Chafe, organized the First Caribbean Social Week ("Primera Semana Social del Caribe"), an international conference to discuss the social function of property, workers' problems, and how to promote small and medium sized farms by organizing various types of co-operatives. Delegates from the Dominican Republic, Cuba, Puerto Rico, Haiti, Jamaica, Guyana, the Bahamas and Honduras discussed social justice, how to use Christian sociology

44 See Robert Buddan, "Community Development: The Solution to Garrisons", *Jamaica Gleaner*, 22 January 2013; retrieved from <http://jamaica-gleaner.com/gleaner/20130122/news/news3.html>, accessed 4 May 2014; Horace Levy, "The Next 50 Years – Communities, Local Government and Development", *Jamaica Gleaner*, 29 December 2012; retrieved from <http://jamaica-gleaner.com/gleaner/20121229/news/news2.html>; accessed 4 May 2014; "Norman Manley and SDC", *Jamaica Observer*, 5 July 2012; retrieved from http://www.jamaicaobserver.com/columns/Norman-Manley-and-SDC_11886360; accessed 5 May 2014.

to analyze Caribbean realities, and plans for social action in the Caribbean region.⁴⁵ Out of this beginning came a major church-promoted co-operative movement spearheaded by Scarboro Father Harvey (“Pablo”) Steele.

Father Steele, a socially committed priest from a Scottish working-class family from Cape Breton (Nova Scotia), had been active in the Antigonish movement in the early 1930s.⁴⁶ As a young Scarboro missionary, he then spent seven years in China where he was put off by the inertia of many of his colleagues and their reluctance to engage with local culture and problems.⁴⁷ Arriving in the Dominican Republic in December 1946, Father Steele began to form credit unions similar to those that had been effective in Nova Scotia and were also spreading in Quebec through the Desjardins movement.⁴⁸ Intended to improve the living standard of rural people by bypassing unscrupulous moneylenders, the co-operative strategy also was used by the Scarboros to bring Dominican men back to the Church. Male participants in the new credit unions were given one year to marry and begin attending mass regularly under threat of expulsion.⁴⁹

Harvey Steele first tried to form co-operatives in the parishes of the southern sugar plantation zone, but they did not take root there and some Scarboro fathers opposed him. At this point, the determined Father Steele contacted the Quebecois Sacred Heart priests in the north who received him positively and whose parishioners – comprised of independent, self-sufficient small producers – leapt at the idea.⁵⁰ The movement spread and the Salesians and Spanish Jesuits joined in.⁵¹ “Pablo” Steele authored a popular training manual titled *Cooperativismo*, of which 21 000 copies were distributed in five editions between 1949 and 1954.⁵² In 1952, he established a Co-operative Training Center (the Centro Cooperativo Obrero) in Santo Domingo, offering 15

45 Sáez, “Semana Social del Caribe”, pp. 30, 39.

46 MacEoin, *Agent for Change*, pp. 3–22.

47 Steele, *Dear Old Rebel*, pp. 62–109.

48 On the Scarboro-initiated co-operative movement in the Dominican Republic, the major sources are MacNeil, Rev. Rod J., s.f.m. “First Twenty-Five Years of the Scarboro Fathers in Santo Domingo, March 25, 1943–March 25, 1968.” Unpublished manuscript. Scarboro, ON: Scarboro Missions Archives, n.d.; MacEoin, *Agent for Change*; Steele, *Dear Old Rebel*; Sáez, “Semana Social”; and numerous articles in *Revue Notre Dame* and *China* (July–Aug. 1948, July–Aug. 1949, Nov. 1955, Feb. 1957, Oct. 1959).

49 The credit unions were meant to be an expression of Christian solidarity, a Christian brotherhood in which only practicing Catholics could fully participate. See *China* [official publication of the Scarboros], 38 (Feb. 1957), 40, no. 8 (Oct. 1959).

50 *Revue Notre Dame* [official publication of the Missionnaires du Sacré-Coeur, Québec], issue of June 1953.

51 Sáez, *Jesuitas en la República Dominicana*, vol. 1, pp. 123–33.

52 Sáez, “Semana Social”, pp. 30, 39.

three-week courses to co-operative leaders each year; got a law passed giving co-operatives juridical status; set up the nation-wide Dominican Federation of Co-operatives (Federación Dominicana de Cooperativas de Ahorro y Crédito, FEDOCOOP); and initiated close contact with the promoters of co-operatives in other Caribbean nations.⁵³

During the last 15 years of the authoritarian regime of General Trujillo – who is known as the most despotic ruler in the history of the Caribbean and Central America – 110–120 co-operatives were formed in the Dominican Republic. These groups, seen as Christian communities that spread literacy and gave local people training in community organization and small business skills, involved more than 10,000 people in the mid-1950s, and touched more than 40,000 over the 13 years of their existence.⁵⁴ According to Harvey Steele, the aim was adult education and self-reliance: “to develop [among the poor] the concepts of justice, equity, trust, solidarity, thrift and all natural virtues.”⁵⁵ Students of Dominican history emphasize that no social movements could exist independently of the Trujillo regime. The rural co-operative movement, galvanized by the Scarboros and in which several other foreign Catholic orders collaborated, came the closest. The United States Embassy in the Dominican Republic reported to Washington that the co-operatives “might in time inculcate the virtues of solid citizenship among [their] members [...] and lay some groundwork for the people’s participation in government.”⁵⁶

President Trujillo, through the Ministry of Labor (Secretaría de Estado de Trabajo), initially supported the initiative; but as the movement grew and began to promote producers’ and consumers’ co-operatives, as well as credit unions, Trujillo became disconcerted.⁵⁷ Father Steele was a particularly headstrong, outspoken, independent priest who was generating a following. Unlike savings unions, producers’ and consumers’ co-operatives challenged the economic interests of local merchants, creating power struggles at the local level.⁵⁸ Whereas General Trujillo in 1952 provided 19,000 pesos to build the co-operative center and a subsidy of 10,000 pesos annually for the five years

53 The initial law on co-operatives was Law 3431 (13 Nov. 1952), implemented by Decree 9290 (29 Aug. 1953). See Sáez, *Los Jesuitas*, vol. 1, p. 131. Law 4332 of 19 Nov. 1955 (published in *Gaceta Oficial* No. 7915 of 26 Nov. 1955) and Law 4768 of 21 Sept. 1957 also dealt with co-operative organization. See Lockward, *Trujillo: padre de las cooperativas*, pp. 51, 97.

54 MacNeil, “First Twenty-Five Years of the Scarboro Fathers in Santo Domingo”, pp. 102–6.

55 MacEoin, *Agent for Change*, p. 104.

56 US State Department 839.052/10-3053 (“Scarboro Fathers’ Co-operatives in the Dominican Republic”, 30/10 1953).

57 See Lockward, *Trujillo: padre de las cooperativas*.

58 MacEoin, *Agent for Change*, pp. 90–3.

thereafter, in 1958 his newspapers began attacking the movement and in August 1959 Father Steele was barred from the country.

According to Harvey Steele, in the Dominican Republic under Trujillo, “almost no types of people’s organizations, except Church activities, were permitted. The dictator allowed the co-operative movement only because it was a Church activity, and because he was a nominal Catholic and saw this as a way to retain friendly relations with the Church”.⁵⁹ In the early years, the co-operative movement probably also served Trujillo’s aim of appealing to small farmers and cultivating a support base among the rural poor.⁶⁰ It also coincided with General Trujillo’s object of strengthening the peasant family and, at the same time, bringing the rural population under the purview of the state. According to Trujillo apologist George A Lockward, President Trujillo viewed co-operatives as “a fundamental principle of social engineering,” which he used to strip power from local bosses, combat communism and class warfare, promote savings, and provide educational and other assistance to the poor through state channels.⁶¹ In the 1950s, the Trujillo government sent representatives to the British-sponsored pan-Caribbean meetings on co-operatives. Concerned with its international image, the Trujillo dictatorship sought recognition as an active participant in international conferences, and, in the postwar period in the 1940s, promoting co-operatives was high on the agenda of the British Colonial Office.

At first the co-operative initiative coincided with Trujillo’s semi-developmental orientation, but when it threatened to escape his control and generate discord in rural localities, he cut it down. By the mid-1950s, confronted with the growing power and independence of the Church-run Dominican Federation of Co-operatives, Trujillo claimed that the Federation was “anti-democratic”, that he himself was “The Father of Dominican Co-operatives”, and he passed draconian laws that gave the state power to compel all public and military officials to contribute financially to state-run co-operatives.⁶² This new legislation, which asserted state control over the co-operative initiative, intimidated local members of rural co-operatives, large numbers of whom withdrew from participation in 1957–59. Serious church-state tensions over who controlled the Dominican Federation of Co-operatives seem to have begun a year or more prior to the open eruption of church-state conflict in January 1960 over human rights issues, which heralded the end of Trujillo’s 30-year dictatorship.⁶³

59 Steele, *Winds of Change*, p. 142.

60 Turits, *Foundations of Despotism*.

61 Lockward, *Trujillo: padre de las cooperativas*.

62 Bissonnette, “Panorama des coopératives”.

63 Lockward, *Trujillo: padre de las cooperativas*; Reyes 11, *Rebelión de las sotas*.

Three or four years after the murder of Trujillo in 1961, the co-operative impulse revived and, in the wake of the Second Vatican Council in Rome (1962–65) and democratic opening in the Dominican Republic, the Scarboros there wholeheartedly embraced the aim of improving living conditions for the rural poor through co-operatives, land redistribution, and founding experimental farms to teach better farming methods.⁶⁴ Meanwhile, in 1963, the Dominican Federation of Co-operatives began operating again to promote savings and credit unions. At the same time the Dominican government established a state-run institute with USAID funding (Instituto de Desarrollo y Crédito Co-operativo, IDECOOP) to promote co-operatives, which directly competed with the Federation.⁶⁵ The new government department of co-operatives regarded FEDOCOOP as Church-dominated and paternalistic, while, according to Jesuit sociologist Peter Marchetti and Harvey Steele, who returned briefly to survey the co-operative movement in the Dominican Republic and other countries of the circum-Caribbean, by the early 1970s IDECOOP had become a patronage, vote-generating boondoggle staffed by incompetent employees who did no serious work.⁶⁶

During the 1960s and 1970s, a period of co-operative expansion, the Dominican Federation of Co-operatives contributed to novel forms of Catholic networking between Canada and the Dominican Republic that marked the transition toward new development initiatives stemming from Catholic co-operative philosophy and practice and new forms of Canadian government overseas endeavors. Young people from Quebec, who had been invited by Sacred Heart priests to do volunteer work in the parish of Nagua, helped form a co-operative affiliated with FEDOCOOP there, and then founded the

64 This is evident in reports from the Dominican Republic published in the *Scarboro Missions* magazine, which was the successor to *China*.

65 See IDECOOP's website (www.idecoop.gov.do) and StFXUA RG50-2/3/603, pp. 8–9.

66 See Marchetti, "Poder del intermediario-usurero", pp. 121–45; and Steele, *Winds of Change*. For the late 1960s and early 1970s, good studies have been done of the aims, workings and problems of co-operatives in two rural Dominican localities, San José de Ocoa in the southwest, a Scarboro parish, and San José de Matas in the center-north, a Sacred-Heart parish: see Marchetti's two-part article, "Poder del intermediario-usurero" and "Comunidades campesinas minifundistas", pp. 177–205; and Sharpe, *Peasant Politics*. The co-operatives in Ocoa seem to have been connected to IDECOOP, while those in San José de Matas, fostered by the Bishop of Santiago, appear to have come out of the earlier co-operative movement. For an overview of the evolution of FEDOCOOP from 1972–1992, see Poyo, "Credit Unions as Lending Agents", pp. 53–68. Poyo and Bissonnette, "Panorama des cooperatives", p. 62, present statistics on membership in co-operatives in the Dominican Republic.

Canadian NGO Plan Nagua that pressured CIDA to finance the Dominican Federation of Co-operatives and many community development projects in the Dominican Republic.⁶⁷

Meanwhile, after he was expelled from the Dominican Republic, Father Harvey Steele raised money in Chicago to found a center in Panama similar to the Coady International Institute, but adjusted to Latin American realities, through which he aimed to extend the impetus of the co-operative movement of the Dominican Republic to other parts of Central and South America.⁶⁸ Established in Panama City in 1963 with the support of Panamanian archbishop Michael McGrath, the Instituto Cooperativo Interamericano (ICI) became an important Spanish-speaking center for the spread of the ideas and practice of the Antigonish movement concerning co-operatives, community development, and social leadership.⁶⁹

In sum, the Dominican co-operative movement originated in a direct transfer of the Antigonish approach to the rural parishes of Anglo-Canadian and Quebecois priest-missionaries, who spent many years in the communities they served. The aim of Catholic missionaries from North America and Europe who went to Latin America in the mid-twentieth century was not conversion, for Latin America had been Catholic for centuries: the early turn to economic concerns may, in part, have reflected their search for purpose. Yet the co-operatives Father Steele organized were confessional in that he required members to practice the sacraments of the official Church, which were not essential in the popular Catholicism of the Dominican countryside. The Scarboros meant both to moralize family and community life and to improve economic conditions in their rural parishes. This was not characteristic of the ecumenical Antigonish movement in Canada, which worked with Protestant organizers, or of the Coady International Institute, which welcomed Catholic, Protestant, Hindu, Buddhist and agnostic students. Like Jamaica Welfare, the organization of Dominican co-operatives in the early 1950s had a local, bottom-up social movement dimension, yet they were also a development project of the Trujillo

67 See Bissonnette, "Panorama des coopératives"; Blais et l'Equipe de Plan Nagua, *Plan Nagua, 1969-1989*; Boulianne and Favreau, "Coopération NORD/SUD et économie sociale"; and Favreau et al., "L'engagement international du mouvement coopératif québécois".

68 See Steele, *Winds of Change*, pp. 103-26; and Steele, *Quienes son los dueños de América Latina?*

69 See Scarboro Missions, "Padre Pablo: Fighter for Justice" and "School of Experience" videos, [on the Instituto Cooperativo Interamericano in Panama City]. Correspondence between Harvey Steele and the extension department of St. Francis Xavier University is to be found in StFXUA, MG20/1/1916, RG30-2/3/3450, 3454, 3456, 3459, RG 30-2/175/895, RG50-1/1/11011, RG50-2/?/293.

government, which, by initially financing co-operative activities, sought to enhance the visibility and power of the state in outlying areas.

Guatemala

In our case studies of Jamaica and the Dominican Republic, the Catholic organization of co-operatives encompasses a local, grass-roots aspect and at the same time, top-down development or modernization projects: there is a coincidence and also a tension between what is voluntary and what is state-financed. This ambivalence – and these entanglements – are expressed in particularly intense, evolving ways in our last case, that of Guatemala, where during the Cold War the meaning of co-operatives to Catholic Church and also to state actors, both Guatemalan and US, changed over time, with ultimately tragic consequences for many indigenous people. To make sense of what happened in Guatemala, it must be understood that Guatemala was an emblematic Cold War site. The US-sponsored overthrow of the Guatemalan government in 1954 initiated the Cold War in Latin America; subsequently the government of the United States focused attention and aid programs there to make sure that “communism” would not take hold. Concern with the rural areas was particularly acute after the Cuban Revolution of 1959 and the formation of a small guerrilla movement in the Guatemalan countryside in the early 1960s. What was desirable “development”, what was acceptable reform, what was revolution played out there among a diversity of state actors from Guatemala and from North America, co-operative educators from Antigonish, and missionaries from the US, all focused on the densely populated Maya Indian communities of Guatemala’s western highlands.

In contrast to the development of co-operatives in Jamaica and the Dominican Republic which grew from Catholic initiatives, the co-operative movement in Guatemala preceded the presence of foreign Catholic missionaries. Introduced in the early twentieth century, co-operatives gained importance during the civilian reformist era ushered in by the election of Juan José Arévalo in 1944 and his successor Jacobo Arbenz in 1950. During this decade of democracy known as the “Guatemalan Spring,” elected leaders developed reforms to promote political and economic enfranchisement of the country’s poor. An integral component of this reformist agenda, co-operatives became linked with the program of agrarian reform introduced by President Jacobo Arbenz.⁷⁰ The Guatemalan constitution ratified in 1945 pledged the government to form

70 Handy, *Revolution in the Countryside*, pp. 95–6.

co-operatives. Decree Law 146, which followed, facilitated the creation of the Departamento de Fomento Cooperativo (DFC).⁷¹ Between 1945 and 1948, 17 credit unions were formed in Guatemala, and 21 regional offices of the DFC were established to advise and promote them. In 1949 the government transferred the 21 regional offices to the Instituto de Fomento de la Producción (INFOP) and shifted emphasis from credit co-operatives to multi-service agricultural co-operatives.⁷² In that year, Co-operative Law No. 643 established the legal base for all future co-operative activity.⁷³ Although Arbenz's agrarian reform made strides to rectify a grossly inequitable distribution of land in which 2 percent of the population owned 72 percent of the land and to incorporate Guatemala's indigenous majority, it offended United States' political and economic interests, especially those of the United Fruit Company.⁷⁴ Encouraged by UFCO company officials and its own fear of diminished influence in the region in the context of the Cold War, the United States sponsored a military coup that overthrew Jacobo Arbenz in 1954, terminating the country's democratic experiment.

The legal foundation for co-operatives introduced by presidents Arévalo and Arbenz permitted Catholic clergy from the United States who settled in Guatemala in the 1940s to establish private co-operatives based on the NCRLC model. In 1952, Brother Felix Fournier, a Maryknoll Catholic missionary from the United States, started a credit co-operative in Malacatancito, a small community in Huehuetenango, and by 1956, Maryknoll had established six small credit co-operatives in that department.⁷⁵ The National Catholic Rural Life Conference played an influential role: in 1954, Brother Felix reported writing to Monsignor Ligutti, requesting information on the National Catholic Rural

71 Department of State, Project Title: Co-operative Development, U.S. Obligation Span: FY 66 through FY 76., ACS 286-76-069 Box 2 Subj 1970, AGR3 coops and credit US National Archives and Records Administration (NARA), pp. 8–10; Barillas Izaguirre, *Legislación Cooperativa Guatemalteca*, p. 11. Although the government viewed co-operatives with enthusiasm, there were few promoters in the country with training in co-operative development. As a result, at least one leader was sent to Quebec to learn about co-operatives there: see Barillas Izaguirre, *Fomento de la cooperación en Guatemala*, p. 11.

72 Co-operative Development: Guatemala USAID Project No. 286-76-069, p. 8.

73 *Ibid.*, p. 9.

74 Handy, *Gift of the Devil*; Grandin, *The Last Colonial Massacre*.

75 Brother Felix Fournier, Letter to Mabel, Will, and Family, July 1, 1953. Letters Brother Felix Fournier, Box 29, Maryknoll Mission Archive (MMA); Technical Assistance Services Sponsored by Maryknoll Fathers in Guatemala (Compiled Spring, 1957) Maryknoll Library, Maryknoll, NY.

Life Program.⁷⁶ A year later in 1955, Brother Felix attended the Catholic Rural Life Congress held in Panama, which included a series of panels devoted to co-operative development with John R MacDonald, Bishop of Antigonish, Canada, serving as keynote speaker.⁷⁷

The co-operatives Maryknoll introduced did not suffer the taint of “communism” of state-sponsored co-operatives introduced during the era of Arévalo and Arbenz. As a result, Catholic co-operatives survived the coup and later began to expand. In 1955, Missionaries of the Sacred Heart of Jesus from Spain settled in the indigenous department of El Quiché, where Father Luis López Gurriarán introduced co-operatives in 1958.⁷⁸ Gurriarán studied at the Coady International Institute, ensuring that Guatemalan Catholic co-operatives followed the lines of both Antigonish and the NCRLC.⁷⁹ As the number of foreign Catholic clergy in the country increased, so did the number of co-operatives.⁸⁰ Religious “conversion” of the indigenous people to Romanized practices of Catholicism became linked with economic projects.⁸¹ Some clergy believed co-operatives offered a way to “show the people that you were interested in their material welfare. Once they’re shown that the Church has an interest not only in the spiritual benefit of their souls but also in the material betterment of their lives, then [... religious] indifference is broken up.”⁸² Co-operatives offered more than simply a means of encouraging Mayas to embrace new practices of Catholicism. Clergy recognized that a scarcity of credit during the crucial period preceding their harvests forced Mayas to accept loans at high interest in exchange for work in deeply exploitative conditions on coastal cotton and sugar plantations. Priests thus identified co-operatives as a central means of ameliorating conditions of poverty and exploitation.⁸³

76 Letter to Kay, 15 December, 1954. Letters Brother Felix Fournier, Box 29, MMA.

77 Brother Felix Fournier, 28 March, 1955, Letters Brother Felix Fournier, Box 29, MMA; Congreso Católico de la Vida Rural. Memoria del Tercer Congreso Católico (segundo iberoamericano) de la Vida Rural. Panamá: Organización Católica de la Vida Rural, 1955, p. viii.

78 Samandu, Siebers, and Sierra, *Guatemala: retos de la Iglesia Católica*, p. 76; Diócesis El Quiché, *El Quiché: el pueblo y su iglesia*, p. 37; Falla, *Quiché rebelde*.

79 StFXUA RG502/9/425. Padre Luis Gurriarán’s thesis, finished in March 1963, is in the Marie Michael Library, Coady International Institute.

80 By 1966 of the 1432 clergy in Guatemala, 1 235 were foreign and just 197 were Guatemalan. Calder, *Crecimiento y cambio de la Iglesia Católica*, p. 19.

81 See Equipo de Antropología Forense de Guatemala, *Las masacres en Rabinal*, pp. 76–115; Escobar Loarca, “Cooperativismo agrario en el occidente”; and Manz, *Paradise in Ashes*, all of which discuss Catholic co-operatives in distinct regions of the country.

82 Maryknoll Fathers, *Proceedings of the Lima Methods Conference*, pp. 135–6.

83 Brother Felix Fournier, Letter to Will and Mabel, 12 August, 1953, MMA; Manz, *Paradise in Ashes*, pp. 51–4.

In 1959 the United States Agency for International Development (USAID), as part of its objective to establish Guatemala as a “showcase for democracy,”⁸⁴ initiated an effort to revive the Guatemalan government’s interest in co-operatives.⁸⁵ The Catholic Church was integrated into this effort and into broader efforts by the United States to prevent the spread of communism in Cold War Latin America. After it sponsored the 1954 coup, the United States encouraged the new military government to invite foreign clergy to settle in Guatemala to serve as bulwarks against communism.⁸⁶ In 1961, Louis Miniclier, Chief of the Community Development Division of the International Cooperation Administration (ICA) (the precursor to USAID) wrote to Mgr Luigi Ligutti, director of the Catholic Congress on Rural Life Problems, suggesting the possibility of collaboration.⁸⁷ The following year, in 1962, the US ambassador to Guatemala met with Monsignor Ambrogio Marchioni, Apostolic Nuncio in Guatemala, to discuss ways the Church and the US government might collaborate.⁸⁸ Other meetings between US government and Church officials in Guatemala followed.⁸⁹ Co-operatives became a key site for this collaboration.

Catholic co-operative structures made it possible for USAID to graft its “Rural Community Leadership and Modernization” program to a Catholic foundation. The Maryknoll-initiated co-operatives in Huehuetenango, along

84 Jonas, “Test Case for the Hemisphere”, pp. 3–4. Jonas argued that: “Through the 1944–54 experience, Guatemala became the first Latin American country after World War II to present a serious threat to U.S. hegemony and to force the United States to intervene openly ... In addition to ‘pacifying’ the country by force, the United States had to use economic aid programs to guarantee the survival of the new counter-revolutionary regime and its successors. Even more important, the United States had to make Guatemala an anti-communist ‘showcase’ for the rest of Latin America.”

85 USAID Project No. 520-15-995-206, 10–11 and Department of State, Project Title: Cooperative Development, U.S. Obligation Span: FY 566 through FY 76., ACS 286-76-069 Box 2 Subj 1970, AGR3 coops and credit, NARA, 8–10.

86 Adams, *Crucifixion by Power*, p. 283.

87 Catholic Mission Foreign Bureau/US Catholic Mission Association (MFBA/USCMA) Box 10, Folder 1 MMA.

88 Memorandum of Conversation February 1, 1962, Participants: His Excellency Monsignor Ambrogio Marchioni, Apostolic Nuncio, Dean of the Diplomatic Corps. John O. Bell, American Ambassador, RG59, Lots 564017 65 D517, Box 3, Records: Guatemala 1956–63, NARA.

89 Airgram A-418, 19 March, 1966, Week 11 “5. Catholic Church Interest in Alliance Effort”, RG 59, Political and Defense Central Foreign Policy Files, 1964–1966, Box 2249, November, 1970, American Embassy Guatemala, To: Secretary of State, Priority, Subject: Church-Related Special Development Projects, RG 59, Subject Numeric Files 1970–1973, Box 2337, Folder Pol 15–2 Guatemala, NARA.

with one in Retalhuleu and two in Guatemala City, organized together in 1963 to create the National Federation of Savings and Credit Co-operatives (Federación Nacional de Cooperativas de Ahorro y Crédito) (FENACOAC).⁹⁰ In 1964, USAID, in collaboration with the Credit Union National Association (CUNA), established a regional credit co-operative program in Guatemala and hired extension agents to facilitate the development of new credit unions there.⁹¹ USAID pledged collaboration with FENACOAC.⁹² USAID-sponsored co-operatives and those introduced by Catholic agents differed in their ultimate goals. The USAID-initiated co-operatives focused primarily on marketing, while those established with the assistance of Church agents emphasized investment in communities in the form of schools, health clinics, community centers, and literacy and other social programs.⁹³ In keeping with the ideals of Antigonish and the NCRLC, co-operatives were a component of aiding the “whole community” as a means of promoting Catholic life.

Through the combined influence of secular and religious organizations from the United States, and later Germany, the Netherlands, and Spain,⁹⁴ a plethora of co-operative organizations emerged in the second half of the 1960s, including the Federación de Cooperativas de Consumo (FEDECCON), Federación de Cooperativas Agrícolas Regionales (FECOAR), Federación de Cooperativas Agrícolas de Guatemala (FEDECOAG), and the Federación de Cooperativas Agrícolas de Productores de Café (FEDECOCAGUA).⁹⁵ Arguably, FEDECOCAGUA and FENACOAC were the most influential of these co-operative federations. These co-operative organizations threatened economic elites by offering indigenous peasants alternative means of accessing credit and producing directly for commercial markets. The new economic possibilities opened by participation in co-operatives reduced their historic dependence on migration to coffee *fincas* and to sugar and cotton plantations on the Pacific coast where Maya Indians worked seasonally as poorly paid wage laborers at harvest-time. By 1970, there were 270 agricultural co-operatives in Guatemala with a total of 14,191 members and a volume of trade of Q6,105,377 (Guatemalan quetzals) making them a powerful economic force, and also a

90 Gaitán Alvarez, “Movimiento cooperativista de Guatemala”, pp. 39–40.

91 USAID, Project No. 286-76-069, p. 12.

92 Gaitán Alvarez, “Movimiento cooperativista de Guatemala”, p. 21.

93 Escobar Loarca, “Cooperativismo agrario en el occidente de Guatemala”.

94 López y Mora, “Cooperativas en Guatemala”, p. 243, http://www.aciamericas.coop/IMG/pdf/wcms_188087.pdf, accessed 6 June 2014.

95 *Cooperación: Expresión del Cooperativismo Nacional* 3, no. 39 (Diciembre 1974), p. 1. Hemeroteca Nacional, Archivo General de Centro América, Guatemala City.

potentially powerful political and social force.⁹⁶ By 1973, FEDECOCAGUA alone had some 5000 members and produced 50,000 *quintales* of exportable coffee.⁹⁷

The Catholic Church and USAID played parallel and often mutually reinforcing roles in the creation of co-operative federations and training centers to prepare co-operative leaders. In 1966, Guatemala's Archbishop Mario Casariego y Acevedo, Catholic clergy, and USAID officials made plans to establish an in-country training program for local promoters at the Catholic Universidad Rafael de Landívar.⁹⁸ Oscar Enríquez Guerra, director of the Centro de Adiestramiento de Promotores Sociales (CAPS) of the Universidad Landívar, studied at the Coady International Institute in Antigonish and later sent a few lay community leaders active in the Guatemalan Catholic social action to Nova Scotia to prepare them to create new co-operatives.⁹⁹ In just two years in the late 1960s, CAPS trained some 350 *promotores* from throughout Guatemala.¹⁰⁰ Then in the 1970s and 1980s, Coady Institute Father Alex MacKinnon and Kevin LeMorvan travelled to Guatemala more than ten times to offer courses in the CAPS program.¹⁰¹

In 1968, USAID established La Escuela de Adiestramiento de Cooperativas Agrícolas (EACA) in Chimaltenango, Guatemala, which complemented the program at the Universidad Rafael de Landívar. By 1969 142 leaders, many with roots in parish-based co-operative training centers, had been trained at EACA. USAID described the school as: "one part of a larger USAID scheme to develop local leadership and popular organizations in the rural areas of Guatemala. The project known as Rural Community Leadership and Modernization (810-187) consists of four activities: Credit Union Development/CUNA, Rural Organization Development/IDF, Training Center for "Promotores Sociales" (CAPS)/Landivar University, and the Agricultural Cooperative School. All share the same program goals (see Part 1-C.1) and all are mutually reinforcing. ... Together they represent a major undertaking by USAID/Guatemala ...

96 Pulido Aragón, "Necesidad de implantar", p. 23.

97 *Cooperación: Expresión del Cooperativismo Nacional* 2, no. 29 (Nov.-Dic. 1973), p. 2.

98 May 28, 1966, A-517, Week 21 "Alliance for Progress: 6. Visit of Father Twomey of Loyola" RG 59 Political and Defense Central Foreign Policy Files, 1964-1966 BOX 2249, NARA.

99 StFXUA RG 50-2/9/23. Oscar Humberto Enríquez Guerra's thesis on Quetzaltenango, written for the Social Leadership diploma at the Coady International Institute in 1964, is in the Marie Michael Library in Antigonish, NS.

100 Epaminondas Quintana, "Compruébase en Zacapa".

101 Coady International Institute, "Seminars, Short Courses, and Workshops Conducted in Latin America 1976-1991", Marie Micheal Library, St. Francis Xavier University, Antigonish, NS.

Its ultimate objective is the development on the *aldea* [village] and *municipio* [county] levels of politically-aware, activist leadership elements, combined with strong popular organizations, which together will act as a major force on the Government and vested interests to bring about change and modernization in the rural communities."¹⁰²

Ironically, because co-operatives facilitated Maya engagement in Guatemala's market economy, reducing Maya dependence on plantation wage labor, the leaders educated through CAPS and EACA sometimes came to appear as threats to elite and military interests in the country. In 1965, Father Luis Gurriarán was expelled from El Quiché and a group of Maya co-operativists was kidnapped at the behest of the department's military governor because of the competition they posed to local economic interests. The result was a large-scale protest by Mayas who traveled to Guatemala City, the capital, to appeal to the central government for the return of Father Gurriarán and the co-operativists.¹⁰³

The expulsion of Father Gurriarán, the kidnapping of the co-operativists, and the resulting Maya protest would later come to seem a portent for violent repression by military and paramilitary forces of co-operative leaders in the late 1970s and early 1980s as Guatemala's armed conflict intensified. Anthropologist Carol Smith argues that a factor that contributed to the violent repression of Maya communities during the civil war of the 1980s was a labor shortage on export plantations that resulted in part from increasing numbers of Maya farmers producing for the market economy. Although Smith does not identify co-operatives as a factor in this transformation, Ricardo Falla demonstrates that in El Quiché it was precisely those Mayas who entered commercial markets who most rapidly embraced the new model of Catholicism introduced by Spanish Sacred Heart missionaries and became leaders of co-operatives in that department.¹⁰⁴

Yet this violent outcome was not predetermined. In the 1970s not all military officials viewed Maya co-operatives as a threat. General Kjell Laugerud García, who became president of Guatemala through fraudulent elections in 1974, actively sought support from co-operatives even as he also sought to control the clergy guiding them.¹⁰⁵ In 1973, the government created the Instituto

102 USAID Project 520-11-810-187 Rural Community Leadership and Modernization, Agricultural Co-operative School, 1969-1973, 30 June, 1969 Document ID: PD-AAA-893-G1, Document Type: Other USAID Evaluation, p. 3. Retrieved from <https://dec.usaid.gov/dec/content/AdvancedSearch>. Accessed 7 December 2010.

103 Diócesis El Quiché, *El Quiché: el pueblo y su iglesia*, pp. 77-8.

104 Smith, "Local History in Global Context", pp. 193-228, pp. 212-9; Falla, *Quiché rebelde*.

105 Just after the 1974 presidential election, the Director General of Migration called ten foreign priests associated with co-operatives to Guatemala City to clarify their immigration sta-

de Fomento Cooperativo to promote co-operative development in the country, establishing a foundation for tying co-operatives more closely to the national government.¹⁰⁶ Immediately following his election in 1974, Laugerud García announced official government support for co-operatives and subsequently invited hundreds of Maya co-operative leaders to the National Palace for a conference.¹⁰⁷ Miguel A Solórzano, a key figure in the co-operative movement, later recounted that Laugerud García appealed to co-operatives because the fraudulent election deprived him of the legitimacy he needed to govern, and Laugerud García believed support from the co-operatives would help restore it.¹⁰⁸ USAID supported President Laugerud García's efforts by providing Q5 million for co-operative development.¹⁰⁹ In 1975, the Division of Co-operatives within the Ministry of Agriculture offered a course in collaboration with the Instituto de Previsión Militar (IPM) to retired military officials on the organization, administration, and management of co-operatives.¹¹⁰ Thus even as the government recognized co-operatives, it also established a foundation for increased military control over them.

President Laugerud García's support for co-operatives seemed simultaneously to highlight their strength and, ironically, by doing so to make Maya leaders more visible and thus more vulnerable. In 1976, just a year after Laugerud García embraced the co-operatives, Maryknoll Father William Woods, director of a successful co-operative in the Ixcán, was killed in a plane crash that many local people attributed to military intervention.¹¹¹ At the same time, reports appeared in national newspapers recounting that co-operative leaders were being kidnapped and killed.¹¹²

Laugerud García's successor, General Fernando Romeo Lucás García, Guatemala's president from 1978 to 1982, followed co-optation and militarization with outright repression that included the targeted killing of Catholic co-operative leaders. President Lucás García directed an intensification of military repression in the country. His presidency was followed by that of General Efraín Ríos Montt, who was tried for genocide in 2012. Although Guatemala's military claimed it was fighting to eradicate leftist guerrillas, the United

tus. At least three were expelled. "Sacerdotes que reconcentran en la capital", *El Imparcial*, 1 March 1974, p. 9, Centro de Investigaciones Regionales de Mesoamérica (CIRMA).

106 "Damos a publicidad un Proyecto de Ley", p. 4.

107 "Gobierno y cooperativas", *Diario Gráfico*, 6 December 1974. CIRMA.

108 Solórzano M., "Causas económicas, políticas y sociales", p. 6.

109 "Impulso al desarrollo cooperativista a través de un préstamo por Q5millones." *El Informador*, 7, 1974. CIRMA.

110 *Infopress* 5 Septiembre 1975, No. 1469, 3-1, COOPS, 1973-79, CIRMA.

111 Falla, *Masacres de la selva*, pp. 19-20.

112 "Secuestrado", *Cooperación: Vocero del Cooperativismo Nacional* no. 58 (1977), pp. 1, 3.

Nations-sponsored Truth Commission (Comisión para el Esclarecimiento Histórico, CEH) presented in 1999 concluded that 83 percent of the 200,000 victims of this violence were Maya and that 93 percent of the violations of human rights were perpetrated by the state and affiliated paramilitary forces.¹¹³ In the most intense years of conflict in Guatemala, 1978–1983, the greatest violence perpetrated by the military government targeted rural indigenous areas where co-operative movements were strongest.

Co-operatives did not make Mayas wealthy, nor did they transform structural conditions in Guatemala, but they allowed some to escape a cycle of debt, migrant labor, and hunger by providing credit and access to markets. By doing so, co-operatives created local leaders and a foundation for political engagement that did have the potential to transform structures. In the context of the violence of Cold War Guatemala, leaders seeking to promote social change became identified as “subversives” or even “communists” and were targeted individually and killed in large-scale massacres of Maya communities. Paradoxically, the United States funded both the military that would be responsible for targeting co-operative leaders and the education of many of those leaders through CAPS and EACA.

Co-operatives recovered in the post-war years to such a degree that Martín Rodríguez Pellecer, director of *Plaza Pública*, an independent Guatemalan news media outlet sponsored by the Universidad Rafael Landívar, identified them as a key component of contemporary reform in the country. In 2013, he noted that “cooperatives are producing 10 percent of our gross national product, and have political influence.”¹¹⁴ In Guatemala, co-operative development thus followed distinct paths that lead from secular-nationalist initiatives during the reformist era of the “Democratic Spring” in the 1940s through NCRLC and Antigonish-inspired Catholic models that became linked with secular USAID initiatives introduced during the era of the Alliance for Progress in the 1960s and 1970s. Co-operatives’ development diverged from the agendas of Catholic and secular forces that established the groundwork for them. They became components of local-level community development, means to promote projects such as colonization of Guatemala’s northern regions, and forces in political transformation. None of the agents who participated in co-operative development fully controlled it. Catholic clergy, Maya communities, USAID,

113 <http://www.usip.org/publications/truth-commission-guatemala>. Accessed 11 July 2016.

114 Kinzer, “Glimmers of Hope in Guatemala”. For some information on co-operatives in Guatemala over the past 20 years, see López and Mora, “Cooperativas en Guatemala”; MacPherson, *Hands Around the Globe*, pp. 148–9; and Cifuentes, “Branching and Networking”.

and the Guatemalan military sought to engage co-operatives to fulfil their own goals. The co-operative model was sufficiently flexible to appeal to the divergent interests of these groups, but not to protect co-operative leaders. These leaders could still be identified as “subversive” even as the United States and Guatemalan military officials recognized the pragmatic benefits of co-operative organizations for rural reformism that aimed to be anti-communist.

Conclusion

This essay has explored the emergence of a Catholic co-operative impulse in Canada and the United States in response to the Great Depression of the 1930s and its projection into the Caribbean and Central America in the 1940s and thereafter. Part of Catholic Social Action intended to respond to poverty through co-operation that followed neither a capitalist nor a communist path, the co-operative movements introduced into Central America and the Caribbean by Catholic missionary clergy sought to bring lay people into the Church and to stimulate rural community development.¹¹⁵ The three cases that we present of Jamaica, the Dominican Republic and Guatemala illustrate that, despite sharing common roots in the Antigonish model, local conditions and global political forces of decolonization and the Cold War shaped co-operative development. The essay reveals that Catholic clergy played a defining role in co-operative development, but they also relied on and became directly and indirectly tied to secular government forces.

In Jamaica, which was only 5 percent Catholic, the co-operative movement was initiated by a small group of Jesuits and Norman Manley, a secular middle-class professional. The British colonial government provided financial support for Jamaica Welfare, where co-operatives modeled on those of Antigonish played a crucial role. Yet Jamaica Welfare and the co-operative movement fomented nationalism and unity, thereby contributing to independence from British colonial rule. Following independence, Jamaica Welfare was absorbed into state institutions where it provided a model, based in part on co-operatives, for literacy programs and neighborhood organizations.

In the Dominican Republic, Catholic missionaries were invited to help strengthen a Catholic foundation weakened by a scarcity of clergy. Canadian

¹¹⁵ It should be noted that Catholic Church-initiated co-operatives both predated and contributed to the development of practices of Liberation Theology in the 1960s and after, particularly the formation of Christian base communities. See LeGrand, “Antigonish Movement of Canada and Latin America.”

clergy, especially Father Harvey Steele who had direct ties to Nova Scotia, played the most important role in disseminating and developing the Antigonish co-operative model, but they depended too on other religious orders who also supported co-operative development. Clergy who supported co-operatives as a component of their religious mission mandated that participants be active in the Church, as demonstrated by their sharing Catholic sacraments. The dictator General Trujillo supported co-operatives as part of his state-building effort to expand the power of the central government in the countryside until their popularity and increasing power appeared to him as a threat. He responded by expelling Father Steele. After Trujillo's death in 1961, the co-operative movement revived following a Catholic model supported by clergy and a secular model created by USAID in conjunction with the Dominican government. In the 1960s the co-operative federations of these religious and secular forces were in conflict. Nonetheless, co-operatives continued to play an important role and also gained the support of CIDA as a result of encouragement by Canadians with ties to Canadian parish priests in the Dominican Republic.

In Guatemala, the secular reformist governments of Presidents Arévalo and Arbenz created the foundation for future co-operative development. Yet their efforts were thwarted by United States intervention in the Cold War context. While the co-operatives established by the reformist governments of 1944–1954 were condemned as communist, the legal structure created by Arévalo and Arbenz allowed Catholic priests also to introduce co-operatives. These Catholic co-operatives survived the 1954 coup. As was true of the Dominican Republic, foreign Catholic clergy were invited to post-coup Guatemala. Their presence, however, not only served to compensate for a scarcity of clergy, but also to prevent the spread of communism. The United States government encouraged the presence of Catholic clergy. Moreover, its 1961 Foreign Assistance Act advocated the creation of co-operatives. In Guatemala, Catholic co-operative development, like that in Jamaica, paralleled secular government support for co-operatives. In the context of the Cold War, however, the nature of this support changed. US and Spanish Catholic missionaries supported co-operatives as components of integral human development and sacramental faith. The United States government viewed co-operatives primarily as economic entities and promoted leaders who could engage in economic transformation: that is, to reform the countryside and bring improved standards of living so peasants would not respond to the appeals of left-wing guerrillas. The Guatemalan military sought to displace clergy and to co-opt rural co-operatives as a form of state-building, as well. As the armed conflict in Guatemala intensified, the country's elite and military came to see co-operative leaders as subversives and

to target them. Co-operatives had come to serve an economic role by decreasing Maya peasants' dependency on poorly paid wage work on coastal plantations and a political role by enhancing community organization. Together these changes threatened elite and military power. In the context of a Cold War-inspired conflict – the Central American crisis of the 1980s – co-operative leaders and even some clergy became targets of repression.

These cases together reveal the importance of Catholic-secular collaboration and conflict in the development of co-operatives in the Caribbean and Central America. They also highlight co-operatives' success in achieving the primary goal of the Antigonish movement: to make impoverished rural people “masters of their own destiny” through pooling their resources, community solidarity, practical, popular education and the formation of local leaders. Co-operative organizing consistently facilitated broader social and economic transformation. In some cases, governments viewed such transformation positively, and co-operatives received support, but if they could not be controlled they also risked suffering repression. As much as clergy were “insiders,” whose religious roles in communities facilitated successful co-operative development because they enjoyed people's trust, their status as foreigners made them “outsiders” who could be expelled if national governments viewed co-operatives as sources of potential opposition.

If these cases are representative, then it appears Catholic co-operatives were never exclusively economic entities. Their role invariably became linked to broader economic and political agendas defined locally and in the global context of the Cold War. Further study of these and other countries is required to understand the full impact of Catholic-secular collaboration and conflict in co-operative development.



ILLUSTRATION 7.1
Member of the Colonia Juan XXIII
cooperative in Peten, Guatemala
founded by Fr. Thomas Melville MM.
PHOTO: BROTHER FELIX FOURNIER

African American Consumer Co-operation: History and Global Connections

Jessica Gordon Nembhard

The history of African American co-operative economic activity begins with solidarity and collective action (economic and social) in the face of oppression and racial violence. As every group in history, when faced with starvation, exclusion, discrimination and market failure African Americans pooled resources and distributed them fairly among family and neighbors. Even though separated from their clans and nations in Africa, enslaved as well as the few free African Americans continued African collective practices in the American colonies and what would become the United States of America. They co-operated to till small garden plots, for example, to provide more variety and a healthier diet for their families. They collected donations or dues to bury a loved one, and/or share responsibilities for orphans. They pooled meagre earnings to buy someone's freedom among other collective economic activities.¹ By the nineteenth and twentieth centuries, like others in the USA and groups around the world, African Americans formed mutual aid societies and then official co-operatives to meet the needs of their communities and/or augment their incomes, especially when they had no access to needed goods and services through regular markets. Co-operative economics became a strategy proposed and used consistently by Black liberation and civil rights leaders and organizations throughout African American history.² Black leaders studied co-operative movements in Canada, Europe and (in the twentieth century) Africa, as well as in other regions of the US. They wrote articles and made speeches about using co-operative development as a strategy for Black economic prosperity and independence, they established study groups and formed co-operative businesses, particularly consumer co-operative wholesale and retail stores.³

1 See Gordon Nembhard, "Co-operative Ownership"; Gordon Nembhard, *Collective Courage*.

2 See Shipp, "The Road Not Taken"; Reynolds. *Black Farmers in America*; de Jong, "Staying in Place"; Gordon Nembhard, *Collective Courage*.

3 See Gordon Nembhard "Co-operative Ownership" and Gordon Nembhard, *Collective Courage*, for more information about the long history of the African American co-operative movement.

Within the African American community, popular social thought is aware of the notion of co-operative economic action. Co-operative economics, the *ujamaa* principle, and other concepts of collective work and responsibility, for example, are prominent in the Kwanzaa festivals.⁴ Clyde Woods documents African American attempts at collective and co-operative economic solutions in the Mississippi delta region over the past 150 years and the effectiveness of the white “plantation bloc” in thwarting such efforts and perpetuating Black underdevelopment in the region.⁵

This essay chronicles some of this history, and attempts to show where African American co-operators made connections to other co-operative movements in the US and internationally. The first section provides some context about African Americans’ position in the US as a subaltern population and discusses the paucity of existing information on African American co-operatives (before the publication of *Collective Courage* in 2014). The next section focuses on early African American co-operative endeavors before the twentieth century. That is followed by a summary of the relationship between early US labor unions and African American co-operative development in the nineteenth century, as well as white opposition to this activity. The fourth section provides an overview of one of the most prolific periods in the African American co-operative movement, the 1930s and early 1940s. This chapter ends with some reflections on African American co-operative global connections, and summarizes the significance of this history.

African Americans as a Subaltern Population in the United States, and the Dearth of Information on African American Co-operatives

African Americans are 12.3 percent of the US population and, having been the largest minority group for the first 300 years of US history, they are now the second largest minority group after Latinos. They are concentrated in the largest cities and the southern states of the US. African Americans experience contradictory relationships within the dominant society. They can be considered separate from it in both subtle and obvious ways, having experienced long histories of social ostracism, alienation, economic discrimination, inequality and few opportunities for genuine integration. In other ways, African Americans

Also see Gordon Nembhard, “Entering the New City”; Hope, “Rochdale Co-operation Among Negroes”; Shipp, “The Road Not Taken”.

4 See Karenga, *The African American Holiday of Kwanzaa*.

5 Woods, *Development Arrested*.

have been assimilated into the mainstream and its members (or many of them) operate as full citizens. These contradictory conditions are characteristic of subaltern populations.⁶

In the US a disproportionate percentage of Black Americans are poor and unemployed, even when the economy is good. According to the 2010 census, 25.7 percent live in poverty (the highest poverty levels of all groups), and in 2011 15.8 percent of African Americans were unemployed compared with 7.5 percent of white Americans.⁷ African American unemployment has remained at least twice (often two and a half times) the white level, both in good times as well as bad, and at all levels of education, and for all ages. During most of the last three to four decades, many African American workers have lost manufacturing jobs, are re-employed in the low-wage and unstable service sector, and suffer disproportionate displacement and unemployment levels. The median income of African Americans is only 57 percent of white income.⁸ At every level of education, white annual income is higher than Black, as are white employment ratios. Although the education gap between Blacks and whites has narrowed considerably, employed Blacks remain disproportionately concentrated (segregated) in specific occupations and industries, as well as specific neighborhoods.⁹ Gary Dymksi argues that “exploitation remains a central concept for understanding the capitalist economy and evaluating the economic injustice its dynamics create.” Moreover, “racial asset inequalities and racial domination [power imbalance] are mutually reinforcing, and independently affect the level of exploitation.”¹⁰

Populations such as African Americans, Latina/os, “low-skilled” laborers, urban populations and youth – subaltern or marginalized populations – continue to bear the brunt of economic inequality. According to Rakesh Kochhar et al., for example, the wealth gap ratio between white median net worth and African American increased significantly again in 2009 as in 2004, after having declined in the mid-1990s.¹¹ At 20:1 during the recent recession (2006–2009),

6 See Gordon Nembhard and Haynes, “Using Mondragon as Model for African American Urban Redevelopment”; see also Gordon, “Cultural Politics of Black Masculinity”.

7 Tim Sullivan, Wanjiku Mwangi, Brian Miller, Dedrick Muhammad and Colin Harris. “State of the Dream 2012: The Emerging Majority.” Boston, MA: United for a Fair Economy, 12 January 2012.

8 Sullivan et al., “State of the Dream 2012”.

9 See Sullivan et al., “State of the Dream 2012”, as well as Darity, and Mason, “Evidence of Discrimination”; also Persuad and Lusane, “The New Economy”; Oliver and Shapiro, *Black Wealth/White Wealth*.

10 Dymksi, “Exploitation and Racial Inequality”, pp. 22, 2.

11 Kochhar et al., “Twenty to One”, p. 3. See also Tamy Luhby, “Recession Widens the Wealth Gap” *CNN Money*, 21 June 2012. Retrieved from <http://money.cnn.com/2012/06/21/news/economy/wealth-gap-race/index.htm>. Accessed 26 August 2012.

(that is, whites hold \$20 of wealth compared to every dollar of Black wealth holdings) the racial wealth gap is the highest it has ever been since the US government started publishing this data 25 years ago and shows the deepest level of inequality. Many African American communities have been unable to keep wages, profits, and resources inside of the community. Multinational corporations maintain a largely extractive relationship with African American communities, where resources (usually human capital) are procured and the wealth that is created is sold or reinvested outside of the community.¹² Wages paid for human capital are used to buy products from the same large corporations. The profits from selling products to Black communities and the profits created by converting African American human capital into commercial goods are rarely reinvested into the local community. Urban areas, where African American communities are predominantly located, have been abandoned by both the public and private sectors, leaving Blacks in economic and environmental danger.¹³ African American youth are particularly in danger. In addition, the public and private sectors are re-investing in formerly predominantly Black neighborhoods only after gentrification, as more middle-class and white populations move in. African Americans are losing their communities, their assets and their middle-class status. While co-operative economic development is an important practice that has in the past, and could again in the future, be a strategy to stabilize African American economic activity, democratize capital, and strengthen Black communities, it is a strategy that has until recently been little recognized as viable, and underappreciated as an economic option.

It has been very difficult to find articles and studies devoted to analyzing African American co-operatives or issues related to African American co-operatives, although there are bits of historical information about individual co-operatives. Only a handful of contemporary scholars have written about African American co-operatives at all.¹⁴ Until *Collective Courage* was published,

12 Gordon Nembhard, "Community Economic Development".

13 Gordon Nembhard, "Entering the New City".

14 Some of them are unpublished, or published in obscure journals, hidden in a little referenced chapter of a larger book, or published once but rarely referred to. The list of contemporary works follows: Cohen, *A Consumers' Republic*, pp. 41–53; Reynolds, *Black Farmers in America*; Shipp, "Worker-Owned Firms", pp. 42–6; Shipp, "The Road Not Taken"; Haynes, "A Democratic Co-operative Enterprise System"; Stewart, "Building a Co-operative Economy"; DeMarco, "The Rationale and Foundation". In addition there are a few more studies from the mid-twentieth century: Rosenberg, "Credit Unions in North Carolina"; Brooks and Lynch, "Consumer Problems and the Co-operative Movement"; Ella J. Baker, "Consumers' Co-operation Among Negroes." Ella Baker Papers, Box 2 Folder 2: Schomburg Center for Research in Black Culture, New York Public Library, New York, NY(cf 1941); Hope, "Rochdale Co-operation Among Negroes"; Washington,

there was only one full-length national study of African American economic co-operation (written in 1907),¹⁵ only one state-wide study about African American co-operatives (published in 1950),¹⁶ and one theoretical analysis of African Americans and co-operative economics (written in 1993).¹⁷ Most people know little to nothing about African American co-operatives and/or are under the impression that Blacks had not been part of the co-operative movement. The mainstream co-operative movement has remained relatively isolated from and inconsequential to the African American community. This now appears to be changing. What are the existing studies? In 1907 the African American scholar WEB Du Bois wrote a monograph as part of his Atlanta University series on the Negro entitled *Economic Co-operation among Negro Americans*.¹⁸ This book is a comprehensive study of all possible co-operative activities among African Americans from the 1800s to 1907. It is essentially an analysis of the variety of ways African Americans co-operated economically and also an encyclopedia of Black-owned co-operative businesses, organizations and projects. It is not an exploration into the co-operative strategy as a school of thought. In a section of one of his autobiographies, Du Bois discussed his views on co-operative ownership and the possibility of an African American “co-operative commonwealth” from a more theoretical perspective.¹⁹ These musings are part of his reflections

“Section B: Rural Education – The Co-operative Movement”; Washington, “Section B: Rural Education – The Co-operative Movement (continued)”; Reddix, “The Negro Finds a Way”. There are also some biographies and memoirs of African Americans that discuss their participation in the co-operative movement. In addition there are a few articles or studies about specific African American co-operatives and co-operative efforts. Many of them are referenced here and much more are discussed in Gordon Nembhard, *Collective Courage*, and listed in those references.

15 Du Bois, *Economic Co-operation Among Negro Americans*.

16 Pitts, *The Cooperative Movement in Negro Communities*.

17 Haynes, “An Essay in the Art of Economic Cooperation”.

18 Du Bois, *Economic Co-operation among Negro Americans*. William EB Du Bois is a renowned African American historian, social scientist, social activist and author. He was the first African American to earn a PhD from Harvard (in history in 1895); and also did graduate study in economics at the University of Berlin in the early 1890s. He was a co-founder of the National Association for the Advancement of Colored People (NAACP) in 1909, and first editor of its magazine *Crisis*. He taught at Wilberforce College and Atlanta University (where he produced 12 distinct annual studies of all aspects of African American life), and was a researcher at the University of Pennsylvania (where he produced his famous *The Philadelphia Negro*). He is perhaps best known for the concept of “double consciousness” and coining the phrase “the problem of the twentieth century is the problem of the color line” in his book *The Souls of Black Folk* (Chicago: A.C. McClurg, 1903), as well as the term “the talented tenth”. He is also considered one of the founders of the field of urban sociology, and of the Pan-African movement.

19 Du Bois, *Dusk of Dawn*.

on the evolution of his theory of race. During his long intellectual career he advanced that African Americans should be studied as a unique population, and hypothesized that by using voluntary segregation and economic co-operation they could position themselves at the forefront of developing new forms of industrial organization that would free them from their marginal economic status. In the 1940 autobiography he discussed the unfinished business of understanding co-operative ownership as a strategy for racially and culturally-based economic development. Few scholars have taken up this challenge, and no scholar has systematically continued such investigations or produced a full length study of this kind (until Gordon Nembhard 2014).

In addition, there are two dissertations relevant to this subject. Nathan A Pitts' study from 1950 is a "descriptive and analytical study of the organization and operation of the co-operative movement in Negro communities of North Carolina."²⁰ Pitts delineates the history of Black co-operative ownership in North Carolina, and documents the existence of such businesses. He also explores the "sociological implications of the movement", i.e. leadership and organizational techniques, educational impact, and impact on community patterns in the early twentieth century. Curtis Haynes' dissertation from 1993 is mostly a theoretical analysis of how and why co-operative enterprise development fits with Lloyd Hogan's theory of Black Political Economy and Du Bois' concept of a "racial group economy" that includes co-operatives.²¹ Haynes also explores the model presented by the Mondragon Co-operative Corporation in Spain as worth replicating in Black communities.

Collective Courage is much indebted to Haynes' theoretical analysis, but it focuses less on situating Black co-operative economics within one theory of Black political economy, and more on analyzing it as a theory and movement in its own right, within a broad tradition in pursuit of economic solidarity, economic justice, and a populist agenda. *Collective Courage* also highlights and documents the history of African American co-operative development in addition to analyzing the potential of such development. Therefore, while Haynes has contributed to an understanding of some aspects of Black economic thought in this area, he does not investigate the specific history of Black efforts at co-operation or document the existence of African American-owned co-operatives. Much of the author's own research provides precisely that history.²² The remainder of this essay reports and explores some of these findings, and is based on the full length book, *Collective Courage*.²³

20 Pitts, *The Cooperative Movement in Negro Communities*.

21 Haynes, "An Essay in the Art of Economic Co-operation".

22 See also Haynes and Gordon Nembhard, "Cooperative Economics"; Gordon Nembhard and Haynes, "Using Mondragon as a Model".

23 Gordon Nembhard, *Collective Courage*.

Early Co-operation among Enslaved and Newly Freed African Americans in the USA

For two to three centuries between 1550, when they were first brought to the Americas and the end of the US Civil War or War Between the States in 1865, African Americans did not earn a regular wage or even own their own bodies. However, they often tilled small kitchen gardens collectively, and saved what money they could and pooled their resources to help buy their own and each other's freedom, especially among family members and spouses.²⁴ Early African American co-operative economic action took many forms: fraternal organizations and secret societies, mutual aid and beneficial societies, mutual insurance organizations, buying clubs, joint stock ownership among African Americans, and collective farming. Freedmen and enslaved alike formed mutual aid, burial and beneficial societies, pooling their dues payments to take care of their sick, widows and children, and to bury their dead.²⁵ Their purpose was to "provide people with the basic needs of everyday life – clothing, shelter, and emotional and physical sustenance."²⁶ These mutual aid societies were often organized and/or led by women and connected to religious institutions.²⁷ In addition to social welfare functions, many of the societies promoted temperance, middle class and Christian values, but they also protected fugitives from slavery and free African Americans from kidnappers.²⁸ Mary Frances Berry notes that "African Americans had long been in the habit of forming mutual assistance associations, providing help when government refused to help. For African Americans, such mediating institutions historically provided the only available social assistance."²⁹ Similarly, Walter Weare contends that mutual aid was a "pragmatic response to social and economic needs. In many cases autonomous Negro societies were organized only after black leaders were rebuffed when they sought to join existing white groups."³⁰

24 Du Bois, *Economic Co-operation Among Negro Americans*; Douglass, *The Life and Times of Frederick Douglass*.

25 In fact, according to Mary Frances Berry, "The concept of burial assistance was so traditional that men in the Tuskegee Syphilis Study participated in part because they were offered burial assistance." Berry, *My Face is Black Is True*, p. 263, n. 21.

26 Jones, *Labor of Love*, p. 127.

27 Jones, *Labor of Love*; Du Bois. *Some Efforts of American Negroes*; Du Bois, *Economic Co-operation Among Negro Americans*; Weare, *Black Business in the New South*.

28 Hine, Hine and Harrold, *The African-American Odyssey*, p. 116.

29 Berry, *My Face is Black Is True*, p. 61.

30 Weare, *Black Business in the New South*, p. 8.

Free African Americans also pooled their resources to purchase operating farms toward the end of and immediately after the US War Between the States in order to own land and make a living.³¹ The Combahee River colony in the South Carolina Sea Islands was one of the remote areas (Gullah/Geechee communities) where African Americans established their own settlements in the 1860s that remained relatively self-sufficient and semi-autonomous. The Combahee colony consisted of several hundred Black women whose men had gone to join the union army, after the area was liberated by the union army (led by the African American Union spy and nurse Harriet Tubman). The women occupied abandoned farmland where they “grew crops and cared for one another.”³² They refused to work for whites and were proud of their handicrafts and cotton crop, as well as their independence. The community became relatively well known as an example of Black women’s independence and perseverance, as well as their collective spirit.

The dual purpose of the Ex-Slave Mutual Relief, Bounty and Pension Association founded in 1896 in Tennessee, provides another example. The Association’s main purpose was to advocate for reparations through federal legislation to establish pensions for ex-slaves. Its secondary purpose was to provide aid and relief to those members in need. The mutual aid function operated continuously, even after the pension movement declined, keeping the organization solvent.³³ Even after abandoning the pension legislation mission by 1916, the Ex-Slave Association remained a mutual aid society with some of the chapters continuing mutual aid activities up to 1931.³⁴ The Ex-Slave Pension Association offered a democratic structure in which local people had control and a voice, according to Berry, “at a time when blacks were practically disfranchised or on the verge of becoming so throughout the South.”³⁵

In the nineteenth century, the concept of Black capitalism was a strategy of racial economic solidarity and co-operation, as was Negro joint stock ownership (for example, the Chesapeake Marine and Railway shipyard in Baltimore, Coleman Manufacturing Company in Concord, NC, and the United Negro Improvement Association’s “Black Star Line” and “Negro Factories”).³⁶ Mutual insurance companies were the earliest legally organized co-operative

31 Du Bois, *Economic Co-operation Among Negro Americans*; Jones, *Labor of Love*.

32 Jones, *Labor of Love*, p. 52.

33 Berry, *My Face is Black Is True*.

34 Berry, *My Face is Black Is True*.

35 Berry, *My Face is Black Is True*, pp. 51–2.

36 See Gordon Nembhard, *Collective Courage*; Du Bois, *Economic Co-operation Among Negro Americans*.

businesses among Blacks and whites in the US. Many of the mutual aid societies developed into insurance companies when they formalized as businesses.³⁷ As some societies became more sophisticated and substituted a board of directors for general member control they became insurance companies.³⁸ In the 1880s many Blacks had joined white insurance companies but discovered that they received less monetary benefits for the same service, even though they paid the same premium. This inspired Blacks to open their own insurance companies that would not defraud or discriminate African American clients.³⁹

The Grand United Order of the True Reformers of Richmond, Virginia, was one of the largest Black mutual insurance companies with branches throughout the South and East.⁴⁰ True Reformer held over \$223,500 in assets and boasted of 2678 lodges with 100,000 members with \$979,440.55 paid out, a children's department known as the Rosebud Department with over 30,000 children, and the Mutual Benefit Degree with 5980 members.⁴¹ The organization also supported a savings bank formed in 1887, the Reformers Mercantile and Industrial Association chain of stores (with annual business over \$100,000), a weekly newspaper, a hotel with 150 rooms, an elderly home, a building and loan association, and a real estate department.⁴² During the financial panic in 1893, the True Reformers Bank paid all claims made on it, increasing its strong reputation and popularity.⁴³ Other banks in Richmond did not.

Organized Labor and Early Black Co-operatives

The US African American co-operative story is also a story about unionization, organized labor's early efforts at co-operative development, and populism. The Co-operative Workers of America and the Knights of Labor unions operating in the US South supported the small farmer, laborers and the grassroots Black rural sector.⁴⁴ According to Steve Leikin, in the US the Knights of Labor came

37 Du Bois, *Some Efforts of American Negroes*; Weare, *Black Business in the New South*.

38 Du Bois, *Some Efforts of American Negroes*, p. 18.

39 Du Bois, *Economic Co-operation Among Negro Americans*, p. 98.

40 Du Bois, *Some Efforts of American Negroes*; Du Bois, *Economic Co-operation Among Negro Americans*; Woodson, "Insurance Business Among Negroes", pp. 202–6.

41 Du Bois, *Economic Co-operation Among Negro Americans*, p. 102.

42 Du Bois, *Economic Co-operation Among Negro Americans*, p. 103.

43 Woodson, "Insurance Business Among Negroes", p. 210.

44 Ali, "Black Populism in the New South", pp. 44–5.

closest to replicating the experience of European co-operative movements starting immediately after the War between the States.⁴⁵ But the American Federation of Labor (AFL) rejected co-operatives as a labor reform strategy, and so the co-operative movement in the US was not closely aligned with organized labor as in Europe.⁴⁶ There was, however, early labor union advocacy for co-operatives – worker, consumer and producer, such as co-operatively owned mills, factories, craft production, and retail stores – by a few of the unions.⁴⁷

Co-operative ideals had been promoted among farmers and farm laborers in the early 1800s, and had a resurgence in the 1860s immediately after the War between the States. Rochdale co-operatives emerged by 1863 and began to attract supporters within the American labor movement. More than one hundred co-operatives were developed by the early 1870s.⁴⁸ In the 1880s the Knights of Labor would be the major labor organization to operate co-operatives from their locals, organizing 334 worker co-operatives.⁴⁹ According to John Curl, the Knights envisioned the widespread establishment of economic democracy and the development of a co-operative commonwealth.⁵⁰ The Knights of Labor (KOL) was the largest labor organization in the world with almost one million members,⁵¹ and one of the only integrated unions. According to Sidney Kessler, “tens of thousands of Negroes” who had never been in the labor movement before joined the Knights of Labor in the 1880s.⁵² In 1886, there were an estimated 60,000 (perhaps more like 90–95,000) African Americans in the Knights of Labor.⁵³ We know that African American Knights operated a co-operative cotton gin in Stewart’s Station, Alabama, and built co-operative villages near Birmingham.⁵⁴

45 Leikin, “The Citizen Producer”.

46 Leikin, “The Citizen Producer”, p. 2.

47 See Curl, *For All the People*; Leikin, “The Citizen Producer”; Gordon Nembhard, *Collective Courage*.

48 Leikin, “The Citizen Producer”; Curl, *For All the People*.

49 Clare Horner, *Producer Co-operatives in the United States*, PhD dissertation, University of Pittsburgh, 1978, pp. 228–42; quoted in Curl, *For All the People*, p. 4. See also Leikin, “The Citizen Producer”.

50 Curl, *For All the People*.

51 Curl, *For All the People*, pp. 4, 102.

52 Kessler, “The Organization of Negroes”. Also see Gordon Nembhard, *Collective Courage* for more details about the Knights of Labor, The Colored Farmer’s Alliance and Co-operative Union and this period of co-operative activity.

53 Kessler, “The Organization of Negroes”, p. 272.

54 Curl, *For All the People*, p. 101.

In 1887, the three million strong Farmers' Alliance opened its first co-operative, which was to be part of a network of organized agricultural co-operatives in an extensive co-operative economic system.⁵⁵ The Black populist movement was heavily influenced by the attempts of integrated unions to develop a co-operative commonwealth in the late nineteenth century. The Colored Farmers' Alliance and Co-operative Union, founded in 1886, combined various factions of the Black populist movement. The largest Black organization of its day, it boasted a membership of one million African American members.⁵⁶ "Dominated by small land-owners, this movement engaged in independent party politics while simultaneously building an economic infrastructure for a new society."⁵⁷ The Colored Alliance also continued the co-operative development that the Knights of Labor began. From the beginning the Colored Alliance presented itself as a mutual benefit organization to improve the lives of Black farmers and agrarian laborers through education and economic co-operation. Members in local chapters shared agricultural techniques and innovations, and coordinated co-operative efforts for planting and harvesting.⁵⁸ At a meeting of 350 African Americans in Macon, GA, in 1886, a delegate proposed a resolution to form "co-operative associations, co-operative farms, and storehouses."⁵⁹ According to Clyde Woods, "Before being violently suppressed, the Colored Farmers' Alliance advocated the expansion of land ownership and the creation of co-operative stores designed to pool African American resources while boycotting stores owned by planters or allied merchants and commissaries."⁶⁰ Branches in Norfolk, Charleston, Mobile, New Orleans and Houston established co-operative stores or exchanges, where members could buy goods at reduced prices and secure loans to pay off their mortgages.⁶¹

The above are examples of African American co-operative efforts before the twentieth century. These efforts are significant both because there were

55 Curl, *For All the People*, p. 5.

56 Ali, "Black Populism in the New South".

57 Woods, *Development Arrested*, p. 8.

58 Ali, "Black Populism in the New South", p. 77.

59 The delegate said: "There is no reason why the Negro should not control the Negro trade and handle the money the Negro has to spend." In Girard T. Bryant, "The Populist Movement and the Negro," M.A. Thesis, University of Kansas, Lawrence, 1938, p. 23, from an article in the *Atlanta Constitution* 3 April 1888; quoted by Ali, "Black Populism in the New South", p. 77, n. 5.

60 Woods, *Development Arrested*, p. 8.

61 Ali, "Black Populism in the New South", p. 89; Holmes, "The Laflor County Massacre"; Holmes, "Colored Farmers' Alliance". Also see Humphrey, "History of the Colored Farmers' Alliance"; Gordon Nembhard, *Collective Courage*.

massive numbers of African Americans involved in these co-operatives in rural and urban areas and because many of the co-operative efforts were supported through segregated social and religious organizations and integrated labor organizations. Yet conventional wisdom assumes there was very little co-operative activity among Blacks in the US especially during that period, and minimizes the economic importance of African American social organizations. These examples indicate that the popular understanding that African Americans were not involved seriously with co-operatives is not correct. In addition, US labor unions for the most part were not involved in the co-operative movement and not well integrated – in fact most were segregated and excluded African Americans – and yet when they were engaged in co-operative economics they were important players at least in the context of African American co-operative development. This little known history is thus important to an understanding of the relationship of African Americans to the US co-operative movement and to the early US labor movement, in addition to helping us to understand the significance of co-operative economics to African American communities.

African American Co-operatives in the Early Twentieth Century, Especially 1930s and 1940s

Also starting in the late nineteenth century, African Americans organized more formal co-operative businesses that followed the European Rochdale principles of co-operation, what John Hope II called Rochdale co-operatives.⁶² The first official co-operatives were mutual insurance companies, farm co-operatives and co-operative marketing boards, consumer co-operative grocery stores, co-operative schools, and credit unions. Although efforts at collective economic action were often thwarted by racial discrimination, white supremacist sabotage and violence, efforts persisted throughout the centuries.⁶³

WEB Du Bois documented myriad examples of economic co-operation at the beginning of the twentieth century.⁶⁴ He counted about 15 emerging co-operative businesses in 1898 and several cemetery associations.⁶⁵ In 1907 Du

62 Hope, "Rochdale Co-operation Among Negroes".

63 See Gordon Nembhard, "Co-operative Ownership and the Struggle"; Gordon Nembhard, *Collective Courage*; Du Bois, *Economic Co-operation Among Negro Americans*; Woods, *Development Arrested*.

64 Du Bois, *Some Efforts of American Negroes*; Du Bois, *Economic Co-operation Among Negro Americans*.

65 Du Bois, *Some Efforts of American Negroes*.

Bois documented the existence of 154 African American-owned co-operatives: 14 “producer co-operatives”; three “transportation co-operatives”; 103 “distribution or consumer co-operatives” and 34 “real estate and credit co-operatives”; in addition to hundreds of mutual aid societies and co-operative projects organized through religious and benevolence institutions, beneficial and insurance societies, secret societies, schools, and financial institutions.⁶⁶ While many of the co-operative businesses that Du Bois highlights and describes were joint stock ownership companies and not necessarily Rochdale co-operatives, he does make a case for how often economic co-operation occurred, how necessary joint ownership was, and how difficult it was for African Americans. Difficulties can be attributed often to poor management, lack of know-how, low levels of capitalization, and racial discrimination. In Du Bois’ early work on the subject he uses the term co-operative business loosely, even though he was familiar with the growing co-operative economics movement in Europe and the US. He had studied economics at the University of Berlin, and corresponded with leaders of the co-operative movement in the US. James Warbasse, president of the Co-operative League of America (later to be renamed the Co-operative League of the United States of America (CLUSA), and even later known as the National Co-operative Business Association) wrote an article about co-operatives and African Americans in Du Bois’ *Crisis Magazine* in 1918.⁶⁷ Later in his career Du Bois proposed co-operative business organization as an important economic strategy for African Americans⁶⁸ and in 1918 organized the Negro Co-operative Guild to promote Black co-operative economic development.⁶⁹ African American urban co-operatives began to proliferate after that and especially during the 1930s.

The Citizens’ Co-operative Stores of Memphis were established in 1919 in direct response to the Negro Co-operative Guild meeting in 1918.⁷⁰ From the details in the *Crisis* article we know that the citizens of Memphis eagerly joined the project, as evidenced by the large number of participants and the over achievement of the equity drive.

The 1930s was an especially active time for the discussion and creation of Black co-operative businesses. This was a time when not only Du Bois was still advocating for their use, but also columnist George Schuyler through

66 Du Bois, *Economic Co-operation Among Negro Americans*.

67 Warbasse, “The Theory of Co-operation”, p. 221.

68 See Du Bois, “Where Do We Go From Here?” and Du Bois, *Dusk of Dawn*, for example.

69 See Gordon Nembhard, *Collective Courage*; and Du Bois, *Dusk of Dawn*.

70 The Editor [W E B DuBois], “Ruddy’s Citizen’s Co-operative Stores”. *The Crisis* 19: 2 (December 1919), pp. 48–50.

his column in the *Pittsburgh Courier*. As President of the Young Negroes' Co-operative League with the League's executive director, Ella Jo Baker, Schuyler wrote newsletters and articles about co-operatives. The activist and trade unionist A Philip Randolph wrote about co-operatives in his magazine *The Messenger* and then in the Brotherhood of Sleeping Car Porters' magazine *The Black Worker*, along with the Brotherhood Ladies' Auxiliary's president Halena Wilson. Even the conservative National Negro Business League (NNBL) established a marketing co-operative among its independent grocers, the Colored Merchants Association. In addition, the *Journal of Negro Education (JNE)* included articles on African American involvement in co-operatives in more than six separate articles and columns starting in 1935, and added "Consumers Co-operation" to their regular section on rural education for two issues in 1939.⁷¹ These articles and columns in the *JNE* included an extensive list of readings about co-operative economics and consumer co-operation as well as firsthand accounts of co-operative businesses and co-operative conferences, "all with the hope of awakening new interest in the subject, or feeding that which already exists."⁷²

The Colored Merchants Association (CMA) was founded by the NNBL in Montgomery, Alabama, in 1927. The CMA was an association of independent grocers organized into a buying and advertising co-operative, created to support independent Black grocery stores in a harsh market during difficult times. The early 1900s witnessed the consolidation of racial segregation in business and the height of white supremacist terrorism against Black businesses, in addition to the advent and domination of chain grocery stores. Local grocery stores were the most common type of African American small business,⁷³ along with insurance companies. Segregationist policies and the franchising of large white grocery stores seriously threatened the existence of independent Black grocery stores. The purpose of the CMA was:

to pool money for buying products and advertising, and to educate African American merchants about modern business practices. Goals included increasing stores' profits by improving accounting methods; modernizing store interiors to provide a better shopping experience; and creating greater awareness of the buying power of African Americans.⁷⁴

71 Washington, "Section B: Rural Education – The Co-operative Movement"; Washington, "Section B: Rural Education – The Co-operative Movement (continued)".

72 Washington, "Section B: Rural Education – The Co-operative Movement".

73 Tolbert, "Challenging the Chain Stores".

74 Tolbert, "Challenging the Chain Stores", p. 2.

According to the newspaper *Negro World*, the CMA was “the first serious attempt to organize the purchasing power of the Negro.”⁷⁵ By 1930, 253 stores were part of the CMA network, including 32 stores in Tulsa, Oklahoma; 25 in Dallas, Texas; 25 in New York City (Manhattan) and 10 in Omaha, Nebraska.⁷⁶

The Young Negroes’ Co-operative League is an example of a national co-operative support organization, and one of the only African American co-operative federations until the 1960s when the regional Federation of Southern Co-operatives was established. The YNCL was founded in December 1930 by about 25–30 African American youth in response to a call by George Schuyler.⁷⁷ It was a highly ambitious effort and succeeded in many endeavors, even though its grand vision was not realized. Its goal was to form a coalition of local co-operatives and buying clubs loosely affiliated in a network of affiliate councils.⁷⁸ According to its letterhead, the mission of the organization was “to Gain Economic Power thru Consumers’ Co-operation.”⁷⁹ The Young Negroes’ Co-operative League held its first national conference in Pittsburgh, PA on 18 October 1931. Thirty official delegates from member organizations and 600 participants attended.⁸⁰ George Schuyler was elected President and Ella J Baker National Director. Both Schuyler and Baker gave speeches at the conference. Schuyler reiterated his challenge to “young Negroes” to pursue co-operative economics, and reminded them of the need and potential for economic co-operation in the Black community. Baker closed the meeting with an address on the role and importance of women in the African American co-operative movement.⁸¹ By 1932 the League had formed councils in New York, Philadelphia, Monessen (PA), Pittsburgh, Columbus (OH), Cleveland,

75 The *Negro World*, “National Negro Business League Prizes Awarded to Business Man and Artist: Bright, Sun-Proof Red and Gold Sign will Mark C.M.A. Stores.” *The Negro World* XXVI #34 (1930), p. 1.

76 Tolbert, “Challenging the Chain Stores”.

77 George S Schuyler, “Views and Reviews” *The Pittsburgh Courier* 21:46 (15 November 1930), p. 9 Section 1. George S Schuyler, “TO THE MEMBERS OF THE Y.N.C.L.” Ella Jo Baker Papers, Box 2 Folder 2: Schomburg Center for Research in Black Culture, New York Public Library, New York, NY, 1931; Schuyler, “The Young Negro Co-operative League.” Also see Floyd J Calvin, “Schuyler Launches Program to Awaken Race Consciousness.” *The Pittsburgh Courier* 22:6, 7 February 1931, p. 1 Section 1.

78 Ransby, *Ella Baker*. Also see Gordon Nembard, *Collective Courage*.

79 Letterhead from Box 2 Folder 2 of the Ella J Baker papers at the Shomburg Research Center of the New York Public Library.

80 From *The Pittsburgh Courier*, “Schuyler Heads up League”, *The Pittsburgh Courier* 22:42 (24 October 1931), pp. 1, 4 Section 1. Ransby suggests that the number of delegates was small, although the conference drew a “capacity crowd” of 600 onlookers: Ransby, *Ella Baker*, p. 82.

81 *The Pittsburgh Courier*, “Schuyler Heads up League”.

Cincinnati, Phoenix, New Orleans, Columbia (SC), Portsmouth (VA), and Washington, DC, with a total membership of 400.⁸² The second national conference took place in Washington, DC on 3 April 1932, and a third conference was considered for New York City or Cleveland, OH, but never took place. In its newsletters, the leaders of the YNCL provided information about co-operative development around the world. In one newsletter, for example, president George Schuyler announced that the Turkish leader, Mustapha Kemal Pasha, was promoting co-operatives to help his people survive the depression.⁸³ He made the connection between the conditions of the Turkish working class under the Sultans and the conditions of Blacks in the US, presumably to show African Americans that other countries were using and promoting co-operatives in ways that Blacks could also use them.

Co-operative activity took place in North Carolina in the 1930s and 1940s around two Black independent schools: the Bricks Rural Life School and Tyrrell County Training School. These schools taught co-operative economics, organized local co-operatives, and established the Eastern Carolina Council as a federation of North Carolinian co-operatives.⁸⁴ Nathan Pitts documents that as interest increased among Blacks in North Carolina about co-operatives, activists from the Bricks and Tyrrell co-operatives were asked to speak. In 1939 the Eastern Carolina Council was organized as an African American federation for the development of co-operatives. The organization received help from the more established Credit Union Division of the State Department of Agriculture and of the Extension Service of the North Carolina state vocational program.⁸⁵ In 1945 the North Carolina Council for Credit Unions and Associates (shortened to the North Carolina Council) was established. Rosenberg also mentions a North Carolina Council, describing it as “an organization of credit unions and co-operatives operated by Negroes to promote new credit unions and other co-operatives throughout North Carolina and to aid existing credit unions and co-operatives.”⁸⁶ As a result of this activity to promote, develop and support credit unions and co-operatives among African Americans in North Carolina, the number of credit unions and co-operatives among Negroes increased dramatically. According to Pitts in 1936 there were 3 Black

82 Schuyler, “The Young Negro Co-operative League”.

83 George S. Schuyler, “Saving Consumers’ Money,” Ella Jo Baker Papers, Box 2 Folder 2: Schomburg Center for Research in Black Culture, New York Public Library, New York, NY, no date. This appears to be a document from the Young Negroes’ Co-operative League’s Educational Bureau. Although it is not dated, the YNCL put out newsletters and information between 1930 and 1933 so this document comes from that period.

84 Pitts, *The Co-operative Movement in Negro Communities*.

85 Pitts, *The Co-operative Movement in Negro Communities*.

86 Rosenberg, “Credit Unions in North Carolina”, p. 182.

credit unions in the state. By 1948 there were 98 and 48 additional co-operative enterprises in North Carolina: 9 consumer stores, 32 machinery co-operatives, 2 health associations and 1 housing project.⁸⁷

In the fall of 1932 Gary, Indiana, was ravaged by the depression, the steel mills were closed and only one bank remained which later also closed. Jacob Reddix held a meeting in the Roosevelt High School, which led to the formation of Gary's Consumers Co-operative Trading Company.⁸⁸ Starting with a buying club, the trading company came to operate a main grocery store, a branch store, a filling station and a credit union. By 1934 there were over 400 members and seven full time employees in the grocery store. The credit union was organized in November 1934.⁸⁹ In 1936, the annual sales of the organization stood at \$160,000 and the company was considered to be "the largest grocery business operated by Negroes in the United States."⁹⁰ The Co-operative Trading Company supported a young people's branch that operated its own ice cream parlor and candy store. African Americans from other cities visited the co-operative society before starting their own co-operatives.

Reddix is quoted as saying that the "most important single factor" in their progress "has been our education program."⁹¹ They held weekly educational meetings for 18 months before opening any of the businesses. In 1933 they instituted a co-operative economics course in Roosevelt High School's evening school. By 1936 it was the largest academic class in the school.⁹² The Education Committee published a five-year plan for "Uplifting the Social and Economic Status of the Negro in Gary" in 1934.⁹³

Another example of a successful African American urban co-operative is Modern Co-op in Harlem, New York City, boasted to be the first "Negro co-operative grocery store operated according to the Rochdale principles in the north eastern area."⁹⁴ Twenty "mostly middle class" African Americans came together

87 Pitts, *The Co-operative Movement in Negro Communities*, p. 35.

88 Hope, "Rochdale Co-operation Among Negroes"; Reddix, *A Voice Crying in the Wilderness*. Also see Reddix, "The Negro Finds a Way to Economic Equality". While there is no mention of this being part of a larger national movement, other groups did visit their first store. Reddix seems to be well connected in the US co-operative movement because according to his memoirs he was offered the first USDA Co-operative Services Agency directorship. Reddix, *A Voice Crying in the Wilderness*.

89 Hope, "Rochdale Co-operation Among Negroes", p. 41.

90 Reddix, *A Voice Crying in the Wilderness*, p. 119.

91 Jacob Reddix quoted by Hope, "Rochdale Co-operation Among Negroes", p. 40.

92 Hope, "Rochdale Co-operation Among Negroes", p. 41. Also see Reddix, "The Negro Finds a Way to Economic Equality".

93 Hope, "Rochdale Co-operation Among Negroes".

94 Crump, "The Co-op Comes to Harlem", p. 319.

to increase the quality and decrease the cost of their groceries.⁹⁵ They researched the business and how to become a distributor of the Co-op label (through Eastern Co-operative Wholesale). They started with a buying club. Each member put in \$5. They operated out of a member's basement. In April 1941, these mostly Black housewives began to raise capital for a retail store that opened 31 May 1941. By the first summer, average weekly revenues were about \$300, and the enterprise was capitalized at \$50,000.⁹⁶ Members received a patronage-rebate rather than a dividend (though it was suspended in the first years until profits were regularized). About one third of Modern's customers were not members.⁹⁷

These are just a few examples of the African American co-operative activity in the early twentieth century. In addition to these urban consumer co-operatives, there were also many Black agricultural co-operatives during this time. It was a prolific period for Blacks and whites, and by the 1930s under the Franklin D Roosevelt administration the federal government supported co-operative development.⁹⁸

Global Connections: African Americans, the Antigonish Movement and Other Connections

The Federal Council of the Churches of Christ in America increased Black interest in co-operatives in the 1930s. The Federal Council hosted Japanese co-operative leader Kagawa in 1935, and afterwards began to discuss co-operatives with religious leaders and church groups. The Federal Council's Secretary of Race Relations, Dr George E Haynes, organized several conferences on co-operatives among Negro churchmen.⁹⁹ In the *Journal of Negro Education* Washington notes that the Federal Council of Churches' Committee on the Church and Co-operatives held eight special conferences on co-operatives and the Church in 1938. In addition, the committee "disseminated literature, co-operated in study tours, contacted foreign missions, developed church summer conferences, encouraged Negro co-operatives, and stimulated friendly relationships between organized labor and consumer

95 Crump, "The Co-op Comes to Harlem".

96 Crump, "The Co-op Comes to Harlem".

97 Crump, "The Co-op Comes to Harlem".

98 For the Roosevelt administration's interest in co-operation see also Chapter 20.

99 Baker, "Consumers' Co-operation"; Washington, "Section B: Rural Education – The Co-operative Movement"; Washington, "Section B: Rural Education – The Co-operative Movement (Continued)."

co-operatives.”¹⁰⁰ The Edward A Filene Goodwill Fund of Boston supplied a grant to fund a full-time promotional secretary in Harlem to continue education about co-operatives.¹⁰¹ The role of the Federal Council of Churches, therefore, was significant.

Washington also mentions that the Congregational and Christian churches’ Congregational Council for Social Action held an economic plebiscite in 1938. The 32,000 members from over 700 churches around the country voted three to one to encourage the growth of consumers’ co-operatives.¹⁰² Two interfaith conferences on consumer co-operation were held in 1938 and included tours of local co-operatives, one in Washington DC on 14–15 February 1938 and the other in Boston, MA, from 20–22 February 1938.¹⁰³ The Black Unitarian Church through Reverend Ethelred Brown also supported co-operative economic development. Floyd-Thomas notes that “Brown steadfastly advocated the promotion of co-operative rather than profit-making enterprises for the economic empowerment of Harlem.”¹⁰⁴ This was “integral to the overall social outlook of Harlem Unitarian Church” in the early half of the twentieth century.¹⁰⁵ Therefore the legacy of Black church involvement in mutual aid societies and self-help projects continued in the twentieth century as some churches supported or promoted co-operative and credit union development.¹⁰⁶

Many of the Black co-operatives in the early twentieth century maintained membership in the white co-operative national and regional organizations, and attend their conferences and annual meetings. The Co-operative Society of Bluefield Colored Institute (in Bluefield, West Virginia), for example, joined the CLUSA in 1925, and sent the first African Americans to attend the national co-operative congress in Minneapolis in 1926.¹⁰⁷ In the 1930s, the Young Negroes’ Co-operative League not only worked with the Colored Merchants Association, but was also a member of CLUSA, attended their conferences and corresponded with their leadership.¹⁰⁸ Washington lists conferences,

100 Washington, “Section B: Rural Education – The Co-operative Movement (Continued)”, p. 242.

101 Baker, “Consumers’ Co-operation”, p. 1.

102 Washington, “Section B: Rural Education – The Co-operative Movement (Continued)”.

103 Washington, “Section B: Rural Education – The Co-operative Movement”.

104 Floyd-Thomas, *The Origins of Black Humanism in America*, p. 123.

105 Floyd-Thomas, *The Origins of Black Humanism in America*, p. 123.

106 In addition, Shipp, “The Road Not Taken”, documents co-operative activity among the Nation of Islam in the US.

107 Matney, “Teaching Business”.

108 *The Pittsburgh Courier*, “Schuyler Heads up League” and Ella J. Baker papers, Shomburgh Center.

lectures on co-operatives, and Extension Department services (of U.S. agricultural colleges) for co-operative development (serving Blacks and whites) in *The Journal of Negro Education* for readers' information, comment and participation.¹⁰⁹

In 1938, nineteen Blacks went on a study tour of the Antigonish co-operative movement in Nova Scotia (Canada) with 35 whites.¹¹⁰ Miles Connor (principal of the Coppin Normal School in Baltimore, MD, now Coppin State University) published his reflections on the study tour in *The Journal of Negro Education* in 1939.¹¹¹ According to Connor, the director of the extension department of the St. Francis Xavier University in Antigonish, Dr Coady, declared that the co-operative movement is "an adult education project in which the people are made aware of their problems and through study and discussion enabled to reach a possible solution of the same."¹¹² Connor and others found the Antigonish movement inspiring, and the philosophy to be similar to African Americans' views about co-operatives as an alternative strategy for economic prosperity and independence. These traditions continued in the 1960s. African Americans from the Southern Consumers' Co-operative in Louisiana and the Federation of Southern Co-operatives, for example, also went to Antigonish to study co-operatives at St Francis Xavier University.¹¹³ The Federation of Southern Co-operatives has also sent members to study the Mondragon Co-operative Corporation in Spain, and in 2016 was engaged in co-operative development services and advice in several countries in Africa.¹¹⁴

109 Washington, "Section B: Rural Education – The Co-operative Movement"; Washington, "Section B: Rural Education – The Co-operative Movement (Continued)".

110 Washington, "Section B: Rural Education – The Co-operative Movement", p. 108.

111 Washington, "Section B: Rural Education – The Co-operative Movement (Continued)". Coppin State University is a member of Historically Black Colleges and Universities, an HBCU. Many HBCUs in the 1930s and 1940s offered courses in consumers' education and co-operatives – see Brooks and Lynch, "Consumer Problems and the Co-operative Movement" and Washington, "Section B: Rural Education – The Co-operative Movement (Continued)".

112 Washington, "Section B: Rural Education – The Co-operative Movement", p. 109.

113 This information comes from a private email exchange between this author and Carol P Zippert, 24 September 2013, a co-founder of the Southern Consumers' Co-operative in Louisiana, and co-founder of the Federation of Southern Co-operatives. Three people were sent from Southern Consumers' for three consecutive summers respectively to study co-operatives. Also see Korstad and Boothby, "Charles Prejean, Interview".

114 The Federation of Southern Co-operatives was founded to promote co-operative development among low-income and Black farmers and rural communities across the south. It was part of the effort of African American civil rights activists to formalize their co-operative efforts and obtain the support and technical assistance needed (Reynolds, *Black Farmers*

The International Brotherhood of Sleeping Car Porters, the first twentieth century independent African American trade union, also sponsored meetings and conferences on the subject of consumers' co-operation and labor-co-operative alliances, mostly through its International Ladies' Auxiliary in the 1940s. In addition, A. Philip Randolph, founder and President of the Brotherhood, wrote several articles promoting co-operatives, and according to various correspondence was accustomed to talking to crowds and attending meetings about co-operative development among Negroes at least between 1943 and 1947.¹¹⁵ As early as 1938, the Ladies' Auxiliary to the Brotherhood of Sleeping Car Porters dictated that "as soon as convenient," local auxiliaries should subscribe to "Consumers Union" and "Consumers Guide" publications.¹¹⁶ They were also directed

in America); and on the part of federal officials in the "War on Poverty" to stop the Black migration out of the south and to reduce poverty in the places where Blacks lived (de Jong, "Staying in Place"). The FSC was founded in 1967 by 22 co-operatives who met at Atlanta University (See Federation of Southern Co-operatives/Land Assistance Fund. "Celebrating 40 Years 'Working Together for Change.'" Annual Report 1967–2007. East Point, GA: The Federation of Southern Co-operatives, 2007, p. 9; and Reynolds, *Black Farmers in America*), to put together a new umbrella organization intended to serve as a means of connecting and supporting all the diverse co-operative business efforts in the south at that time (Bethell, *Sumter County Blues*, p. 6). The 22 co-operatives and credit unions in seven southern states were primarily agricultural marketing and supply co-operatives, although there were some fishing, consumer, handicraft production, housing and others included. By August 1970 the federation had one hundred member co-operatives and 25,000 individual members (William H. Busby, "Evaluation of the Third Annual Meeting of the Federation of Southern Co-operatives Held 28–30 August 1970." Administrative Assistant's Report 29 October 1970. Mimeo Federation of Southern Co-operatives/Land Assistance Fund, East Point GA, p. 1). The Federation is organized with representation through state associations. Member organizations (the co-operatives and other community organizations) belong to state associations, and the associations select representatives to the board of directors. In 1985 the FSC and the Emergency Land Fund association merged to better protect Black landowners – rendering the full name of the organization to be the Federation of Southern Co-operatives/Land Assistance Fund (FSC/LAF). Over its fifty year history, more than 200 co-operatives, credit unions and community based economic development projects in 14 states were organized and assisted by the federation and its state associations of co-operatives. See Federation of Southern Co-operatives/Land Assistance Fund. "35th Anniversary – 2002 Annual Report." East Point, GA: FSC/LAF, 2002.

115 For example, A. Philip Randolph, letter to Halena Wilson, 31 December 1945. Mimeo. Library of Congress A. Philip Randolph Collection, Box 75 Folder 7. Halena Wilson letter to A. Philip Randolph, 6 July 1945. Mimeo. Library of Congress A. Philip Randolph Collection, Box 76 Folder 1, 1945.

116 Halena Wilson and A. Philip Randolph. "Bulletin of Instruction on Decisions and Orders of the First Convention of Ladies Auxiliary and International Executive Board." Mimeo.

to “information about the history and conduct of consumers’ co-operatives” and “advised to study credit unions.”¹¹⁷ A Workers’ Education Bureau was established and local auxiliaries were urged to develop local libraries. In 1940 the Workers Education Bureau of the Ladies Auxiliary circulated a reading list of publications on current events, child welfare and child labor, women workers, and “consumer information.”¹¹⁸ Works cited included CLUSA President James Warbasse’s “What is Consumer’ (sic) Co-operation,” Beatrice Webb’s *The Discovery of the Consumer* and JL Reddix’s “The Negro Seeks Economic Freedom Through Co-operation” about the Gary co-operative.¹¹⁹ One year later, consumer education, co-operatives and credit unions continued to be emphasized by the Ladies’ Auxiliary along with issues about child labor and women’s labor and how to support organized labor.¹²⁰ By this time, Halena Wilson, President of the Ladies Auxiliary, had written a series of bulletins about consumerism and co-operatives for the members of the Ladies’ Auxiliary.¹²¹ One communication to the members provided a brief history of the consumer movement and the Rochdale Society of Equitable Pioneers in England, explained consumer co-operation, the benefits from consumer co-operatives, and how to conduct a consumer business.¹²² Wilson wrote to the Ladies Auxiliary chapter presidents and suggested that they arrange a program about consumer education, the high cost of living, and co-operatives for their members – that the times dictated this need.¹²³ She outlined a set of topics to cover and directed them to the Co-operative League of the USA for more information.

International Office, Chicago, IL, 7 pages. The Chicago Historical Society BSCP Collection, Box 27 Folder 6, 1938. Also see Chateauvert, *Marching Together*.

- 117 Wilson and Randolph, “Bulletin of Instruction”, pp. 1–2.
- 118 Brotherhood of Sleeping Car Porters Workers Education Bureau. “Current Event Publications.” 2 pages. Chicago, IL: Ladies Auxiliary to the Brotherhood of Sleeping Car Porters. BSCP Collection Box 2 Folder 2, 1940.
- 119 Reddix, “The Negro Finds a Way to Economic Equality”.
- 120 Halena Wilson, letter “Dear President”, 25 April 1941, International Office, Chicago, IL. Chicago Historical Society BSCP Collection Box 27, Folder 3, 1941.
- 121 Halena Wilson, “Excerpts from *The Worker as a Consumer*” in 5 parts. International Office, Chicago, IL. Bancroft Library Collection, University of California, Berkeley, Box 24 [no date, circa 1941], 9 pages.
- 122 Halena Wilson, “Brief History of the Consumer Movement.” International Office, Chicago IL. Bancroft Library Collection, University of California, Berkeley, Box 24, 16 July 1941.
- 123 Halena Wilson, letter, “Dear President.” 22 August 1941, International Office, Chicago, IL. Bancroft Library Collection, University of California, Berkeley, Box 24, 1941.

Concluding Remarks

The examples above give a sample of the ways that African Americans have used racial solidarity and economic co-operation in the face of discrimination and marginalization to pool their resources and create their own mutually beneficial and democratic companies. Jacqueline Jones comments on African Americans' "ethos of mutuality," shaped as much by "racial prejudice as by black solidarity".¹²⁴

Even rural communities that lacked the almost total isolation of the Sea Islands possessed a strong commitment to corporatism and a concomitant scorn for the hoarding of private possessions. ... It is clear that these patterns of behavior were determined as much by economic necessity as by cultural "choice." If black household members pooled their energies to make a good crop, and if communities collectively provided for their own welfare, then poverty and oppression ruled out most of the alternative strategies. Individualism was a luxury that sharecroppers simply could not afford.¹²⁵

Even in urban settings community was important and families worked together and shared resources. Jones notes the importance of kin networks and extended households. "Despite the undeniable economic pressures on the family, few households were thrown entirely upon their own resources."¹²⁶ In addition, "Co-operative work efforts inevitably possessed a strong emotional component, for they reflected feelings of loyalty and mutual affection as well as great material need."¹²⁷ Co-operatives thus serve social and psychological interests as well as economic needs.

Many different kinds of co-operative ventures have been tried in the Black community, usually accompanied by study with connections to the larger white co-operative movement and Canadian and European movements, especially information from those movements. A few of them are highlighted above. There were periods of rapid multiplication of co-operative efforts and successful co-operation, and periods of relative dormant activity, though there seems to be no period in US history where African Americans were not involved in economic co-operation of some type. Many Black-owned co-operatives

¹²⁴ Jones, *Labor of Love*, p. 102.

¹²⁵ Jones, *Labor of Love*, pp. 101–2.

¹²⁶ Jones, *Labor of Love*, p. 126.

¹²⁷ Jones, *Labor of Love*, p. 231.

and joint ownership ventures were a great success, particularly as strategies to save costs, provide quality goods and services, increase income, combat racial discrimination, and increase Black economic stability and self-sufficiency. They saved and created decent jobs in their communities, and often allowed members and employees to control their work environment. Organizers and members believed in education and training, both in relation to their economic ventures and organizational needs. They provided additional services to their communities and often stabilized them. There have also been failures, often for lack of enough resources (capitalization), lack of enough specific management experience and training and, as happens to any business, because of poor business planning. Also co-operative strategies were usually tried as a last resort, when members were already unemployed, low on resources, embattled and untrained in co-operative methods. There are also numerous examples of sabotage particularly by white competitors and white supremacists: credit withheld, transportation denied, rents increased to exorbitant rates, insurance coverage or other support services and/or capital withdrawn or not affordable, unfair competition, and other deliberate subversions, intimidation, and physical violence.¹²⁸

All the co-operative projects had grand long-term plans that they did not always achieve, although many of the initial and intermediate goals were realized, some quite successfully. In addition, even if short lived, these economic strategies and experiences had far reaching consequences for the members and their communities, who were usually better off because of these efforts: they gained jobs and skills, learned new information, earned dividends, established stability, and later participated in other successful projects.

Throughout their history African Americans have come together to pool resources, take control of productive assets, and work to create alternative economies in the face of poverty, limited resources, market failures, and/or racial oppression. Many of the processes have been similar: join together in the face of a need or a problem, start small and spread the risk widely, use existing connections, mutual group self-help as motivation, and continuously engage in education and training. Through their modest economic empowerment efforts, many groups were able to win greater battles against white landowners, white employers, racist legislators, and general economic underdevelopment. Jointly owned and co-operative businesses that were connected to stable Black organizations and support networks often managed best and lasted the longest. Many co-operatives and their leaders were tied to regional and national liberation and civil rights organizations and movements. Co-operatives were

128 Gordon Nembhard, *Collective Courage*

viewed as an important strategy to assert African American rights, stabilize Black communities, and bring needed prosperity. Many African American co-operators studied co-operative economic texts written by US, European and African American co-operators. They also visited existing co-operative societies in the US and abroad to learn and network. African American co-operators gained inspiration and insights from study tours in other places and stories about co-operative movements around the world.

What we learn from this history is that economic co-operation was natural and continuous in Black communities in the United States.¹²⁹ African Americans used existing connections – religious affiliation or members of the same congregation, fraternal members expanding the purview of their organization or committee, geography (neighboring farms), political affiliation – from which to develop new organizations or promote new missions for economic co-operation. These existing networks provided the sense of trust and solidarity that often helped solidify the new effort. Racial solidarity, for example, became a major resource for these and future Black organizations and businesses. African American women played significant roles, held some leadership positions and often formed their own organizations throughout these periods and across almost every kind of organization. As founders and main participants in many mutual aid societies, women were instrumental in organizational development, fund raising, day-to-day coordination, and networking for co-operatives as well as other organizations.

Though there are not a huge number of African American co-operatives, the model remains viable, as well as a significant strategy for economic empowerment and independence. In addition, particularly among low-income people of color and immigrants the model is having a resurgence in the US, especially during these difficult economic times the latest great recession and its aftermath. More co-operatives are being studied and started than ever. At the same time, we are learning more and more about their challenges – as well as what makes them successful.

129 Also see Gordon Nembhard, "Co-operative Ownership"; Gordon Nembhard, *Collective Courage*.

A Co-operative Take on Free Trade: International Ambitions and Regional Initiatives in International Co-operative Trade

Katarina Friberg

Free trade as a trade policy and as an approach to internationalism was a condition for the realization of international co-operative trade. Protectionism was not an option. But the very notion of free trade, and the ways in which co-operators have related to it, has been subject to subtle shifts and changes. In liberal economic theory, free trade enjoys the status of being assumed to be the ideal climate for market coordination mechanisms. Parallel to its ascent into that particular theoretical edifice, free trade was also the object and aspiration of a social movement.¹ From its beginning in the mid nineteenth century until its demise in the 1930s, the Free Trade movement would appear in new guises according to the political situation of the day, continuously attracting new configurations of adherents.

Britain is central to this process. According to Frank Trentmann, there was in Britain the most diversified Free Trade social movement ever seen, combining consumption, commerce and civil society in such a way that it came to signify a cross-class democratic culture. British co-operators initially formed a vanguard in this movement, but then successively presented doubts about an unreserved embrace of all the effects of free trade.² Enthusiasm for free trade as a vision for a world of prosperity without poverty was not an exclusively British phenomenon. As the leading imperial power in the nineteenth century, however, Britain set the stage for the debate over international trade. British debates and policy decisions were received by liberal audiences in other countries, and were reinterpreted and remolded in the process. Liberal proponents

1 Frank Trentmann uses capital letters for Free Trade when he refers to the social movement and popular politics of free trade. After the 1930s depression free trade lost its movement status but it remains a respectable trade theory and a vision of liberal economists. Trentmann, *Free Trade Nation*, pp. 2–5.

2 Trentmann, *Free Trade Nation*, pp. 2–4; for the opinions of co-operative organizations see pp. 15, 46, 226.

used the “ideological fuel” from Britain in ways that suited their political ends as well as their economic interests.³

Free Trade ideas were spread internationally by epistemic communities traversing national borders, and in that sense the Free Trade movement was a transnational movement. Yet, transnational is not tantamount to non-national. The success of Free Trade politics in each national context was contingent upon the proponents’ ability to demonstrate how Free Trade benefitted national interests in an age of increasing international competition.⁴ Adherents of Free Trade in many countries emulated and adapted elements from the British Free Trade movement. That movement, however, was itself both diverse and changing. Free trade could be embraced by different groups for different reasons, and have varying relations to other practices and beliefs in those groups. For some the internationalist ideals of free trade were closely linked with an ambitious mission of their own making. As long as such a mission remained relevant for the organization at hand they also cherished the ideals of free trade. I argue that the international co-operative movement is in this regard an exemplary case.

Within the transnational Free Trade movement there were co-operators who, in their capacity as proponents for international co-operative trade, had a special take on the vision of free trade. The kind of organizational logic that drove the development of co-operative businesses did not go well with the kind of state control demanded by protectionist policies. Co-operators also saw barriers against the movement of goods as barriers against the movement of people.⁵ Those who promoted the spread of co-operation and international co-operative trade therefore more or less equated it with free trade. This does not mean that all co-operators agreed on what free trade implied or that they had a common solution for how to get international co-operative trade going. The gospel of free trade in Britain was, as stated, re-interpreted in other countries. National approaches as how to organize co-operative businesses and the process of federalization divided co-operators. Varying ideas as to how

3 Jonsson, *Handelsfrihetens vänner*, p. 118.

4 Jonsson, *Handelsfrihetens vänner*, pp. 118, 125–34.

5 For a theoretical argument for (consumer) co-operation as the defenders of free competition and against protectionism see Örne, *Kooperativa Idéer och spörsmål*, pp. 113–28. According to Örne, consumer co-operation had its roots in the family household economy, which meant that it was focused on fulfilling needs rather than striving for profit. To fulfil the needs of co-operative members in a modern capitalist society free competition and free trade was essential, as monopolies (state controlled or private) would not guarantee that needs would be fulfilled. Only a democratic business could manage this.

the different forms of co-operation could be combined, first and foremost consumer and agricultural co-operation, had a bearing not only on the policies and strategies of co-operation but also on the international community via the League of Nations.

This chapter deals with co-operative ambitions to create institutions that would establish international co-operative trade. This implied stimulating trade between the national co-operative wholesales, or more ambitiously, the creation of an international co-operative business organization. It all sounds rather practical and not particularly visionary, but the practical approach to trade that signifies co-operative deliberations corresponded to an ideological discussion on how to influence the rules of international trade. The disagreements between co-operators from different countries or delegates representing different forms of co-operation (consumer, producer, worker) reflected varying opinions upon the relationship between co-operatives and the state or different approaches to business organization and commercial practice. By following the deliberations on how to achieve international co-operative trade it is also possible to detect change and continuity in the co-operative take on free trade.

The time frame for this study is roughly the first half of the twentieth century but with a focus on the interwar period. Internationalism changed its face during this period and members of epistemic communities gained influence as representatives or experts on social and economic policies through the creation of such intergovernmental bodies as the Economic and Financial Organization (EFO) of the League of Nations.⁶ Among these experts and influential members of the transnational community were two co-operators who are of particular interest in relation to debates over free trade and the realization of international co-operative trade. The first was Albert Thomas, a socialist who had been minister of armaments in the French Third Republic during the war and was elected the first president of the International Labour Organization (ILO) in 1919. Thomas was also a prominent co-operator and a member of the central committee of the ICA. The second was Anders Örne, social democratic member of the Swedish parliament 1919–34 and minister of communications during the period 1921–23. As a co-operator he worked as head of the organization department of Kooperativa Förbundet (KF, the Swedish Co-operative Federation) and as editor of the paper *Kooperatören* (The Co-operator). Like Thomas, he was a member of the ICA Central Committee. In 1926 he was elected member of the preparatory committee for the 1927 World Economic

6 Clavin, "Introduction: Conceptualising Internationalism Between the World Wars".

Conference organized by the League of Nations and he was also a delegate for Sweden at this conference.⁷ At ICA congresses Thomas represented a policy approach aimed at making the international community more co-operatively orientated while Örne represented a business approach with the aim of creating a co-operative movement capable of managing successful international co-operative business ventures.

During the first half of the twentieth century the conditions for international co-operative trade changed considerably. From the turn of the century to 1914 a beneficial free trade climate for co-operative trade existed but the internal capacities of the movement were not sufficient to realize this. It was only the English Co-operative Wholesale Society and eventually the Scottish equivalent that had the capacity to trade in the world market with their own depots and commercial travels.⁸ During the First World War many of the co-operatives in industrialized countries gained in strength. In the beginning of the 1920s a vision of an organization for joint international co-operative trade was outlined. In 1924 the International Co-operative Wholesale Society was formed but it exchanged information rather than goods. A major internal obstacle for sound international trade at the time was the differences in size and organization of co-operative wholesaling in the member countries of the ICA.⁹ The recurrent economic crisis in the first half of the 1920s and the inability of the international community to create a new international system for trade hampered co-operative trade as well.¹⁰ In the 1930s protectionism raised practical obstacles for co-operative exchange, but international trusts and cartels also constituted a spur for co-operative developments nationally and to some extent transnationally.¹¹

Trentmann's history of the Free Trade movement in Britain ends in the beginning of the 1930s when the organized consumers, that is the co-operators, finally abandoned the British Free Trade movement. The decimated Free Trade movement had little left to oppose the promoters of tariffs and Britain introduced a general tariff in the winter of 1931–32.¹² Internationally, co-operators continued to support a free trade vision but it was not the British vision based

7 For general background on Albert Thomas and his work with ILO see Cabanes, *The Great War*, pp. 76–132. For background on Anders Örne and his international work see Friberg, "Anders Örne".

8 On the English cws see Chapter 22.

9 Watkins, *Internationell Kooperation*, pp. 66–8.

10 Decorzant, "Internationalism".

11 Watkins, *Internationell Kooperation*, pp. 68–9.

12 Trentmann, *Free Trade Nation*, p. 19.

on a mix of the politics of cheap food and civic democracy or *laissez faire*. Instead it was a vision where free trade and international co-operative trade went hand in hand.

The ICA and Co-operative Internationalism

In some ways ICA was and still is an organization heading a movement that is too big to be visible. In the introduction to his 2014 book *NGO: A New History of Transnational Civil Society* Thomas Davies writes about the influence of international non-governmental organizations and states that "...the largest – the International Co-operative Alliance – unites a billion co-operators in ninety-one countries".¹³ Typically, Davies does not return to any discussion about what this huge player on the international arena did at the time he was writing or in the past. Of course it was not always the largest movement, but beginning at the end of the nineteenth century and expanding rapidly in many European countries and eventually globally it is a movement of the same rank as the international trade union movement. The relative disinterest among scholars in this huge movement has been explained with reference to its decline in many Western European countries, Britain being the main example.¹⁴ But this is a decline from a very influential position and in several European countries co-operative organizations – whether long-established or newly founded – still influence the living conditions of their members and the markets where they operate.¹⁵ A global outlook contradicts the explanation based on decline since co-operatives in different forms are part of social and economic developments in a significant number of countries worldwide.¹⁶

Scholars like Johnston Birchall and Rita Rhodes have mapped co-operative developments internationally, exploring what the ICA has achieved and what its role has been in relation to the co-operative movement. Birchall charts the development of co-operative ventures on all continents and addresses the history of the ICA by looking at its formation from the points of view of the different founder nations. He notes the political disagreements and preferences of different forms of co-operation. He further sketches the destiny of the Alliance in relation to the major political developments of the twentieth

13 Davies, *NGOs*, p. 1.

14 Black and Robertson, "Taking Stock", pp. 1–9.

15 Hoyt and Menzani, "The International Co-operative Movement", pp. 23–62.

16 Defourny et al., eds., *The Worldwide Making of the Social Economy*.

century.¹⁷ In Rhodes' study of the ICA, external developments are discussed and analyzed through the internal debates and developments of the organization. Relations with other international agencies or governmental organizations are mainly dealt with when these influenced the internal politics of the ICA. The ICA was active in seeking official recognition and connections with intergovernmental bodies ever since the establishment of the League of Nations.¹⁸ In her latest research on empire and co-operation Rhodes shows how British colonial administrators used the co-operative business model as part of a package of development strategies. She also demonstrates how ICA and the Plunkett Foundation – the latter mainly concerned with agricultural co-operation – worked with imperial officials to clarify co-operative principles in relation to the special co-operative legislation introduced in the colonies, starting with India in 1904.¹⁹

Co-operators' views on internationalism were similar to those of the proponents of world citizenship. They also sympathized with the League of Nations Union's (LNU) promotion of accountability in foreign policy. However, the intellectual leadership of the LNU failed to describe how to make foreign policy accountable in practice. Despite having a membership of a million and working hard with lectures, speeches and pageants, the LNU was not that successful in raising the public's knowledge of foreign affairs and intergovernmental visions.²⁰ This internationalist union focused on political and civil rights, while co-operators worked with and promoted democratic and accountable businesses and were more concerned with the economic aspects of global governance. In the economic sphere there were many prominent players among the transnational organizations. The International Chamber of Commerce (ICC) was invited to send consultants to several different League of Nations conferences, for example the 1923 International Conference on the Simplification of Customs Formalities. The International Federation of Trade Unions (IFTU) supported the workings of the ILO and supplied the pressure needed to secure the national ratification of League conventions. The ICC and the IFTU also co-operated to promote "economic disarmament" and the

17 Birchall, *The International Co-operative Movement*. For an updated version of the development of the co-operative movement globally and historically see Hoyt and Menzani, "The International Co-operative Movement".

18 Rhodes, *The International Co-operative Alliance*.

19 Rhodes, *Empire and Co-operation*.

20 On the League of Nations Union see McCarthy, *The British People and the League of Nations*, pp. 243–4.

League appointed special delegates from these organizations and from the ICA to observe the outcome of the national ratification of League conventions.²¹ ICA, along with other international non-governmental organizations was in this way intertwined into a new form of network governance that the civil service based at the League of Nations developed together with state officials and international voluntary societies.²² Still, to have the ear of League officials and to influence the agenda of League conferences, like the world economic conferences in the interwar years, transnational organizations needed to have a clear message, skillful and well-connected delegates speaking for their cause.

It was at ICA congresses that co-operative messages to the international community were agreed on. But as Mary Hilson has shown, there existed significant disagreements on where ICA and the international co-operative movement was heading. In debates on co-operative principles the issue of political neutrality split the co-operative congress delegates into camps. A Nordic block, with the support of the Swiss co-operators, promoted political neutrality as a co-operative principle. Their opponents, a “social democratic” block made up of delegates from Austria, Czechoslovakia, Belgium, and to a certain degree Britain, did not support such a principle since they wanted either to have the opportunity to act politically on their home ground or were keen to align the ICA with the movements for peace and disarmament. The views of the latter group matched those of the International Women’s Co-operative Guild.²³ Examining the meaning and practice of co-operative internationalism as expressed through the ICA, Hilson inevitably comes up against the debates about international co-operative trade. Her focus, however, is on the input and actions of the Nordic co-operators and on the spread and interpretation of the Rochdale model. From that point of view the opposition against the Nordic promotion of political neutrality takes center stage.²⁴ Focusing on debates over international co-operative trade we learn more about why the Nordic and in particular Swedish co-operators were so keen on political neutrality and why also diverging views on free trade and the role of the ICA within the wider international community made it difficult for delegates to agree on forceful and clear statements of the Alliance.

21 Davies, *NGOs*, pp. 101–2.

22 Gorman, *The Emergence of International Society*, p. 13.

23 Hilson, “A Consumers’ International”, p. 208.

24 Hilson, “A Consumers’ International”, pp. 206, 209.

Early Debates on Co-operative Trade at ICA Congresses

International co-operative trade was the second subject to be discussed at the inaugural ICA congress in London in 1895.²⁵ However, at that time it was really only England and to some extent Scotland that had federalized their buying operations and had functioning wholesales that were capable of managing sustainable international trade operations.²⁶ The topic of trade between co-operatives in different countries was discussed again in 1904 at the Budapest congress, then under the heading “Backward Co-operation”. The lack of federalization of co-operative operations in many European countries was discussed and it was agreed that wholesales and unions in countries that had reached a certain stage of development of co-operation should help co-operators in other countries to improve their operations. International co-operative trade was seen as one way to speed up such developments.²⁷

The real breakthrough for the question of international trade came at the 1907 Cremona congress. At this congress William Maxwell, the chairman of the Scottish cws since 1881 and newly elected president of the ICA, presented a paper titled “The Importance of Wholesale Co-operation”. He urged co-operators in other nations to follow the example of co-operators in England and in Scotland by forming wholesale societies. In line with a rational planning approach he stated that there should be no more than one co-operative wholesale in each country. Maxwell apparently considered England and Scotland as separate countries, or as an exception to the rule he proposed. Once all countries possessed successful wholesale operations they could join up internationally and make the co-operative movement a worldwide federation.²⁸ Maxwell said nothing about trade barriers between countries as a hindrance to international co-operative trade. Of course this was not an issue for trade between the English and Scottish cws. Given Britain’s policy on free trade, the infrastructure of empire and the comparatively low barriers to trade in the early twentieth century, these two wholesales could work smoothly together worldwide.²⁹ Only a year earlier a Liberal government with a clear free trade agenda had won a landslide election in Britain and the British Free Trade movement,

25 *Report of the First International Co-operative Congress*, London 1895.

26 Wilson et al., *Building Co-operation*, Chapter 4.

27 “Backward Co-operation” in *Report of Proceedings at the Sixth Congress of the International Co-operative Alliance*, Budapest 1904, pp. 184–91.

28 Maxwell, “The Importance of Wholesale Co-operation”, in *Report of the Proceedings at the Seventh Congress of the International Co-operative Alliance*, Cremona 1907, pp. 127–33.

29 Mercer, *Building British Trade*.

of which co-operators were strong supporters, had mobilized its resources.³⁰ Perhaps free trade was an obvious state of affairs for Maxwell. He ended his speech by stating that by exchanging commodities and working together for the good of their fellow men co-operatives would make international misunderstandings and disputes go away and war would be abolished.³¹

The comments on Maxwell's speech mainly reflected the internal obstacles for the realization of international co-operative trade at that time. These included for example the Italians' failure to establish wholesale operations. Their preferences for locally produced fresh food was compared with the British taste for canned food and stated as one reason for why distribution could not be organized on a national scale. The Russian delegates were disappointed at the lack of co-operation and assistance to fund their wholesale operation in Moscow and referred to the 1904 resolution about the obligation for co-operatives to assist each other in the federalization process. The German delegates who were already making progress on the wholesale side wanted to push for joint transnational production ventures. A Swiss delegate, Dr Müller, proposed that a committee for the study of international joint buying should be formed. He emphasized that the general development of trade was making the world market more and more important for co-operatives. Co-operatives needed to join forces to challenge the monopolies formed against consumers. At the end of the session the proposals for establishing one federal wholesale society in each nation was approved and so was Dr Müller's proposal for a committee examining the conditions for international co-operative buying.³²

With the formal acceptance of the need to investigate the conditions for international co-operative buying at Cremona, it is strange that the delegates at the Glasgow congress in 1913 were relatively uninterested in the extensive report on existing international co-operative trade, put before members by the German co-operator Heinrich Kaufmann. Kaufmann gave the congress a good picture of the internal and external difficulties that existed for the establishment of a more extensive co-operative international trade. At the heart of it was the fact that co-operative producers – be it producer societies, agricultural, industrial or wholesale societies – did not produce goods for sale internationally but for the home market. Their exports were mainly made up of surplus goods that they hoped to find a buyer for. Differences in tastes and scepticism towards foreign goods – often those goods that could be bought at

30 Trentmann, *Free Trade Nation*, pp. 30–1.

31 Maxwell, "The Importance of Wholesale Co-operation", 1907, p. 133.

32 *Report of the Proceedings at the Seventh Congress of the International Co-operative Alliance*, 1907, pp. 133–41.

home but at higher price – were a hindrance. Despite these obstacles an international exchange of goods between co-operatives took place, but it was the English cws that was in charge of the lion's share of that exchange, either as buyer or as mediator of goods. This was not an ideal situation, nor, according to Kaufmann, was it a co-operative arrangement. He also pointed out that there existed a number of products that were international in their character and that in those cases it was the protective system of several countries that prevented more co-operative exchange from taking place. The most urgent type of exchange to get going was, according to Kaufmann, that between consumer co-operatives and agricultural societies.³³

At the Glasgow congress Kaufmann promoted some kind of embryo of an international trading organization: international co-operative trade between wholesales. The rationale here was that the exchange took place between co-operative bodies that constituted the top organizational level of organized co-operation in each nation. He did not give any more detailed accounts of why this form of exchange was more co-operative than others, merely pointed out that wholesales acting as agents, as the English cws was doing presently, was not a satisfactory solution. Direct exchange between wholesales was not extensive at the time but Kaufmann was nevertheless optimistic about the future. This was 1913.

Co-operative International Trade after the First World War

Prior to the outbreak of the First World War, Kaufmann had good reasons to be hopeful about the development of co-operative trade and distribution. Alongside the major industrial companies and the business banks, the companies run by co-operative societies were leading in the development of new techniques and organization throughout the industrial world.³⁴ The co-operative movement fared rather differently in the member countries of the ICA during the First World War. In some countries like Germany the state and citizens appreciated the existence of a retail movement that contributed to the extremely difficult task of keeping distribution afloat, and to a movement that supported rationing and did not hoard stocks. Member figures rose accordingly

33 Kaufmann, "The Direct Exchange of Goods between Distributive Societies, Agricultural and other Productive Societies, also between the Wholesale Societies in different Countries", in *Report of the Proceedings of the Ninth Congress of the International Co-operative Alliance held at Glasgow 1913*, pp. 48–57.

34 Heckscher, *Industrialism*, p. 259.

and although they were working in a country hard hit by the blockade of the British, the co-operative organizations came out stronger.³⁵ In the Scandinavian countries the British blockade also meant severe difficulties with the import of goods, so severe that it speeded up negotiations for a joint buying organization. Nordisk Andelsforbund (NAF), a joint Swedish, Danish and Norwegian wholesale operation, was formed in 1918, with Finland joining ten years later, and Iceland after the Second World War.³⁶ This wholesale, mainly sourcing colonial goods for the national co-operative wholesale societies in the Nordic region, would eventually be cited as one model for how to achieve an international co-operative wholesale, challenging the British ideas of how to organize international co-operative trade. The co-operative movements in the Scandinavian countries were not at the time of the First World War given a preferential position when it came to the national organization of distribution, but nor were they completely ignored or opposed by the government as the British movement was. The politicization of the British co-operative movement during the First World War resulted among other things in the founding of the Co-operative Party in 1917.³⁷

It is impossible to list all the effects of the First World War on co-operative movements. What was important for the continued work of the ICA and the movement's international relations in general was that national movements emerged from the war stronger than they had been before, with more members and extended federalized distribution. Leaders of these movements and representatives of national co-operative organizations remained for the most part above the national animosity of their national governments and communicated directly or indirectly throughout the war. The peace resolutions passed by the ICA congress in Glasgow in 1913, proposed by one British, one French and one German delegate, had been to no avail in stopping the atrocities of war but it had demonstrated the co-operative will to peace and unity.³⁸ After the war the international community within which ICA operated was changed. The plans that resulted in the founding of the League of Nations bolstered much transnational enthusiasm and the League held out the promise of global governance. Co-operators who had organized themselves internationally some

35 Birchall, *The International Co-operative Movement*, p. 78.

36 Odhe, *Scandinavian Co-operative Wholesale Society*. See also Chapter 6.

37 Birchall, *The International Co-operative Movement*, p. 78 and for national as well as local co-operative action in relation to food control and lack of co-operative influence despite local initiatives to organize rationing see Hilson, *Political Change and the Rise of Labour*.

38 *Report of the Proceedings of the Ninth Congress of the International Co-operative Alliance held at Glasgow 1913*; Rhodes, *The International Co-operative Alliance*, pp. 28–31.

30 years earlier obviously thought that they had something to contribute towards this new form of intergovernmental organization.

There was little time to plan and prepare the first ICA meeting after the armistice in November 1918. Only two and a half months later co-operative delegates from nine countries met in Paris to prepare a co-operative message for the Peace Conference. They also wanted to come up with a strategy as how to get co-operative representation at this conference. Point three on the agenda of the day was to discuss the international commercial relations to be established between the central co-operative organizations of the Alliance. In the memorandum to be sent to the Peace Conference a link was made between the goal of creating a sustainable peace and the strengthening of international co-operative trade. Having explained in eight paragraphs how to re-establish a functioning world market and an equitable distribution of resources after the war to help those countries worst hit by the conflicts, the prominent French co-operator Charles Gide said:

The national co-operative organizations of the Allies believe that the international character of these measures is the economic sequence of the realization of the political League of Nations /.../ The Inter-Allied co-operative organizations do not forget that the causes of war are not always political. International private trading has never given peace to the world. It has caused thousands of conflicts, because it is a form of struggle – the struggle for profit. That is why cooperation in the world has been, is and will be, a means of strengthening the definite organization for peace, by the co-operation of consumers, and by the economic association of the peoples.³⁹

Gide was pointing out that the co-operative movement knew what was needed in terms of economics to make the world orderly again. The League of Nations could manage the political side of things. The co-operative movement sought to end the struggles for profit and damaging competition and to promote the spirit of co-operation through trade.

From a practical point of view the result of the inter-allied co-operative congress and the subsequent inter-allied and neutral co-operative conference in June 1919 was the formation of an international bureau of statistics and commercial information. An international committee of relief in devastated areas was also established. The relief committee was the first centralized

39 “Report from the Inter-Allied Co-operative Conference in Paris 7–10 February 1919”, p. 168.

organization for the distribution of goods and credit internationally that the ICA initiated. The committee had a secretariat resembling that of the English CWS export department and the committee secretary was also nominated by the English CWS. At the conference in June in 1919 it was pointed out that re-established international trading relations between co-operatives should lead to the establishment of an international co-operative trading organization.⁴⁰

At the 1921 ICA congress in Basel delegates agreed on the creation of a union of wholesale societies. For legal reasons the union would be registered in Britain. The author of the resolution, Heinrich Kaufmann, wanted an international co-operative wholesale society formally linked with the ICA. But he realized that a union of wholesales was the only obtainable option at the time. Such a union would be based on a federative model but Kaufmann added that it should have formal links with the ICA. Opposing such a link Mr Golightly, representing the English CWS, explained the position of the British delegation. He stated that they preferred the union approach and that any closer connection with the ICA should develop in an organic way – that was the way co-operative organizations had developed in Britain. He pointed to the success of the co-operative wholesale in Britain and thought the British federative model would also be beneficial for international developments. The congress approved the modified resolution: a union of wholesales with no formal connection to the ICA.⁴¹ It seems that the moral was that what worked in Britain would work elsewhere. It is also possible that the British felt a need to take control over international developments when several other European models of union and wholesale connections had developed during the previous decade. Kaufmann had listed at least eight different models in his paper at congress, including the Swedish solution with union and wholesale as one organization.⁴²

When it came to the international rules of trade Albert Thomas picked up Gide's baton and expanded upon the vision of international co-operation. He

40 "Report from the Inter-Allied Co-operative Conference in Paris 7–10 February 1919", pp. 169–70.

41 Kaufmann, "The Relations to be Established between the ICA and an International c.w.s.", *Report of the Proceedings of the Tenth Congress of the International Co-operative Alliance held at Basel 22nd to 25th August 1921*, pp. 153–8.

42 Kaufmann "The Relations to be Established between the ICA and an International c.w.s.", *Report of the Proceedings of the Tenth Congress of the International Co-operative Alliance held at Basel 22nd to 25th August 1921*, pp. 146–51. See also Hilson, "A Consumers' International?", p. 208. Hilson states that the British most likely felt a bit uneasy about proposals for the organization of international co-operative trade that could threaten their prominent position in this field.

had been asked to present the resolution for an international policy of the ICA in a draft that the Central Committee backed. It was a resolution that condemned the actions of private trading and promoted the co-operative organization of business and trade. One section of the resolution caused turmoil at the meeting. Having stated that the system of protection was a policy of war, Thomas went on to say:

The system of Free Trade...has [also] resulted in offensive war when countries which were too strong to be afraid of imports have tried to invade other countries; /.../ Co-operators denounce competition and war in all their forms. They recognize that in many cases the system of Free Trade has helped the consumer by reducing the cost of living. Their own policy, however, cannot be either nationalist, protectionist, or free international competition. The object of the Co-operative Movement is association between all nations.⁴³

This was the visionary part of the resolution. More practically, it stated that ICA did not demand “the abolition of customs duties or of commercial treaties” but that all treaties should be multiplied and that they should not be “governed by the spirit of bargaining”. It was further declared that ICA associated itself with the League of Nations proposal for a just distribution of raw materials and foodstuffs and the establishment of an institution to control international monopolies and trusts.

All delegates commenting on the resolution agreed that “co-operators denounce competition and war in all their forms” but all of them were skeptical towards the criticism of the free trade system. Delegates from Austria and Czechoslovakia explained that this was a deviation from the co-operative tradition of supporting free trade. Mr Lustig from Czechoslovakia called the free trade system “the great idea of the brotherhood of man”. The delegates from Britain were so upset that they wished to end the discussion but their protests did not get enough support. Instead Mr Stewart from Britain explained what was wrong with the resolution. He did not believe that the state of “association of all nations” would come about without free trade. Free trade was the “sheet-anchor of welfare of the people”. Professor Hall supported his countryman and

43 Resolution presented by Albert Thomas in connection with the discussion of his paper “The Policy of International Co-operation, Paper 1”, in *Report of the Proceedings of the Tenth Congress of the International Co-operative Alliance held at Basel 22nd to 25th August 1921*, ICA London, p. 92.

explained that international co-operative trade was dependent upon a free trade system.⁴⁴

The vote on the resolution was postponed to the following day. It was only after the lines regarding the acceptance of custom duties had been deleted that a majority approved of it. The tradition of free trade had won, however, the support for the intergovernmental control of the distribution of raw materials and foodstuffs and control over international monopolies and trusts had been added to the co-operative take on free trade. At this stage it is still possible to say that delegates at the ICA congress had a common understanding of what free trade implied. But during the 1920s and more prominently in the 1930s free trade as the most efficient means to promote peace and prosperity was questioned. And most importantly, the British delegates stopped acting like a bulwark against modifications of the nineteenth century version of free trade.

In his study of the development of the Free Trade movement in Britain, Frank Trentmann argues that the proponents of free trade from the ranks of the co-operative movement and labor organizations stopped supporting the ideals of the Free Trade movement in the 1930s. From then on they promoted international and national control for food security and price stability, particularly of milk supplies. With such a reorientation of priorities the Free Trade movement lost much of its popular support and also its propaganda metaphor, the cheap white loaf.⁴⁵ Considering what we learned from the Basel congress in 1921 it is possible that the British co-operators, despite their protests, were influenced by the kind of free trade vision that Thomas was promoting.

At Basel a report on the progress of international co-operative trade was presented, together with a second paper on the policy of international co-operation by Anders Örne. He introduced the idea that all members of ICA should adhere to a set of co-operative principles based on his interpretation of the Rochdale Pioneers' business practice. Applying such principle would create efficient co-operative businesses and thereby allow the realization of an international co-operative economic system.⁴⁶ As a recommendation his proposal was appreciated. But if these principles, including the principle of political neutrality, had been put forward as a resolution they would probably have met with protestations. Acting strategically, Örne therefore asked delegates to take the proposal home and to publish the principles in their

44 *Report of the Proceedings of the Tenth Congress of the International Co-operative Alliance held at Basel 22nd to 25th August 1921*, ICA London, pp. 92–7; Stewart quote p. 96.

45 Trentmann, *Free Trade Nation*.

46 *Report of the Proceedings of the Tenth Congress of the International Co-operative Alliance held at Basel 22nd to 25th August 1921*, ICA London, pp. 101–19.

co-operative papers and discuss the matter further.⁴⁷ Hilson points out that ever since the founding of ICA in 1895 co-operators had struggled with the question “what is co-operation?”⁴⁸ But with the contributions of Thomas and Örne, and the debates in the 1920s the question was transmuted into “What is the policy and principle of co-operation?” At the heart of this was the question of trade since it connected nearly all forms of co-operation (consumer, agricultural, industrial production/ workers’ co-operatives and banking).

A Co-operative Agenda for an International Policy of Trade

After the Basel congress in 1921 it became clear that co-operators not only attempted to find ways to organize their own international trade, but also ways to influence the policy of international trade. The confused state of things immediately after the war was difficult to stabilize and the international community was looking for a policy for economic recovery and trade. The representatives of banks were quick to react and international bankers jointly pushed the League of Nations into arranging an economic conference in September 1920 in Brussels. Through this conference, the Economic and Financial Organization (EFO) was realized, an organization that the ICA and co-operators were keen to work with and influence. The Brussels conference was dominated by experts delegated by national governments, while the representatives of a transnational community such as bankers and the diplomats were in the minority.⁴⁹ Yann Decorzant argues that this conference established a new kind of international climate in terms of how to deal with international affairs. The diplomats who mainly promoted national interests were baffled by the experts’ practical approach to find a solution that worked internationally.⁵⁰ Among the experts present in 1920s there were some supporters of co-operation, such as the Swedish economist Gustav Cassel.⁵¹ But single supporters of a co-operative approach did not suffice and a stronger co-operative representation at future EFO events was needed to promote a co-operative take on free trade.

At the EFO’s world economic conference in May 1927 co-operators were active both in the preparation for the conference and as delegates in the

47 *Report of the Proceedings of the Tenth Congress of the International Co-operative Alliance held at Basel 22nd to 25th August 1921*, ICA London, p. 120.

48 Hilson, “A Consumers’ International?” p. 206.

49 Decorzant, “Internationalism”, pp. 120–4.

50 Decorzant, “Internationalism”, p. 122.

51 Stolpe, “Gustav Cassel och kooperationen”.

capacity of representatives of their respective countries. Anders Örne and Emmy Freundlich of Austria were both engaged in these ways. Örne was a member of the central committee of the ICA and Freundlich was the President of the International Co-operative Women's Guild and member of the executive committee of the ICA.⁵² Additional members of the central committee of ICA were sent to the conference in their capacity as representatives of the Alliance. At the ICA congress in August the same year, Mr Poisson, who had been an ICA representative, stated that the co-operative impact at the world economic conference was significant. He even credited the realization of this conference to the ICA resolution on policy of 1921.⁵³ This was a bold statement. Representatives from the League of Nations secretariat present at the ICA congress in 1927 credited the ICA with pushing for freer trade and for putting the subject of commercial relations between producer co-operatives and consumer co-operatives on the agenda, but not for more than that.⁵⁴ A report from the world economic conference confirmed the statement of the League representatives and neither Örne nor the Swedish delegation in general presented any specific co-operative solution for the problems discussed at the conference.⁵⁵

While working on influencing the EFO, ICA also had a more direct channel into the League system in the person of Albert Thomas. Most likely it was his and ILO's promotion of co-operation between agricultural producers and consumer co-operators that brought the subject onto the agenda of the world economic conference. At the ICA congress in Ghent in 1924, Thomas informed delegates that the Mixed Agricultural Committee of the ILO and the International Institute of Agriculture had just started to investigate how a direct exchange between producers and consumers via co-operatives was possible. Such an exchange would, in his opinion, cut out the middlemen's profit and create a strong foundation for a world economic system in which the spirit of strife and competition would have no place.⁵⁶

52 On Freundlich see Chapter 11.

53 *Report of the Proceedings of the Twelfth International Co-operative Congress at Stockholm 15th to 18th August 1927*, pp. 126–7.

54 *Report of the Proceedings of the Twelfth International Co-operative Congress at Stockholm 15th to 18th August 1927*, pp. 41–2.

55 *Den ekonomiska världskonferensen: dess tillkomst, arbete och beslut*, utgiven av den svenska delegationen, Stockholm 1927, pp. 143–4, 154–6. It is worth noting that this publication on the background, work and decisions of the world economic conference in 1927 was published in Sweden by KF.

56 Albert Thomas, "Paper on the Relations between the Different Forms of Co-operation", *Report of the Proceedings of the Eleventh International Co-operative Congress at Ghent 1st to 4th September 1924*, pp. 142–3.

Threats to the Co-operative Vision of International Trade

It is relevant to ask who these middlemen not worthy of profit were. Although co-operative visions were mainly based on positive projections of what a co-operative system could achieve, they also defined what co-operators were fighting against. In order to grasp how the co-operative take on free trade developed it is necessary to identify what the co-operators saw as a threat against their way of organizing trade and indeed as a threat to world peace and prosperity.

As long as the ICA was dominated by Christian socialists and co-operators with sympathies for the development of a social economy, the enemy of co-operation was the competitive spirit and the lack of an equitable distribution of surplus. Thus, all businessmen ready to engage in some kind of profit-sharing were potentially welcomed into the sphere of co-operation.⁵⁷ But once the consumer co-operative perspective started to dominate in the 1920s, all businesses not working for and planning in the interest of consumers were deemed as unfit.⁵⁸ The main enemy from the late 1920s and during the 1930s was the international monopolies and cartels. But while all the co-operators who gathered at ICA congresses during these decades agreed on who the enemy was they did not agree on how to fighting this enemy. This created difficulties, both for the ICA's aim to influence international economic policy and for the practical measures of organizing international co-operative trade.

The delegates from the USSR were most persistent in proposing alternative ways of using co-operative resources to fight the monopolies and cartels. For them the co-operative movement should defend the rights of the working class not just consumer interests and ICA ought to join forces with the international trade union movement. They found the enthusiasm for what ICA had achieved at the world economic conference in 1927 pathetic considering that the "mildly-worded" resolution on the control of trusts and combines handed in from the labor group (including representatives from ICA) was turned down. The Belgian delegate Serwy, who proposed a resolution for ICA support of the declarations from the world economic conference, admitted that some recommendations had been lost but that those most important from a co-operative point of view had been passed. This was the recommendation concerning the simplification of customs tariffs and the

57 Gurney, "The Middle Class Embrace".

58 Redfern, *The Consumers' Place in Society*; Örne, "Kooperatismen".

unification of tariff nomenclature and the regulations which governed customs duties.⁵⁹

The debating climate at the 1930 Vienna congress was unusually rowdy for a co-operative conference, with constant protestations and contributions from speakers that offended other speakers. The USSR delegate Mr Haskin noted that the USSR resolution for an ICA program based on the principle of class struggle had been rejected. Given the great failure of the implementation of the 1927 world economic conference resolutions he found it odd that his fellow co-operators continued to believe in such measures. He then explained his view on free trade, which was not that far from what Thomas had declared in 1921 but with an emphasis on its imperialistic character and that it only benefited those who exploited the markets of weaker countries. The major difference was that Thomas believed that the ICA and the co-operative movement could create a positive kind of free trade, Haskin thought only the "United States of the Soviet Republics" could achieve real free trade.⁶⁰ Nonetheless, an official resolution for free trade was passed by a majority, with the USSR delegates most likely voting no or abstaining from voting.

Free trade as a means to realize international co-operative trade and a co-operative economic system remained the official policy of ICA. But it was a hollow resolution since co-operators could not agree on how free trade should be realized and what it exactly implied. Some believed that close co-operation with the League of Nations was the way forward. The French and the Belgian delegations favored ICA as a lobbying power that would convince others of the superior system of co-operative economy and thereby make free trade possible again. The delegates from USSR and ideological supporters of their line obviously did not think that this was the way forward. They wished to join forces with the workers of the world and use co-operative resources for their struggle. This would create a world where prominent countries were ruled by the workers as producers and consumers and free trade would then be possible. Swedish co-operators proposed a third alternative directly linked to the continuous struggles of getting international co-operative trade to work.

At the 1927 Stockholm congress the host and managing director of KF Albin Johansson took the opportunity to give a Swedish point of view on the problems

59 *Report of the Proceedings of the Twelfth International Co-operative Congress at Stockholm 15th to 18th August 1927*, pp. 128–9, see also pp. 119–20 for protests against the recurrent criticism of the work of ICA that the Soviet Union delegates delivered.

60 "The Economic Policy of the ICA" discussion *Report of the Thirteenth International Co-operative Congress at Vienna 25th to 28th August 1930*, pp. 125–6, quote p. 126.



ILLUSTRATION 9.1 *Albin Johansson, director of KF, in 1937*
ARBETARRÖRELSENS ARKIV OCH BIBLIOTEK, NY DAG.

of modern co-operation.⁶¹ Like Örne, Johansson wanted to modernize co-operative businesses but while Örne addressed the underlying principles of co-operative business practices, Johansson addressed the question “What can international co-operation accomplish?” The Swedes, like the USSR delegates, thought that too little progress in practical international co-operation had been achieved but they were not proposing any affiliation with other labor movements. On the contrary the principle of political neutrality was dear to them. They proposed instead that the International Co-operative Wholesale Society (ICWS) – that had been formally formed in 1924 not as a trading body but a society for the exchange of trading information – should coordinate co-operative production so as to avoid duplication and thereby encourage trade. It was hoped that international co-operative production would be able to bust monopolies and cartels in a similar way as KF had started to do domestically with such products as margarine and galoshes. To realize this kind of development

61 The paper presented by Albin Johansson was co-authored with Anders Hedberg. Hedberg was an expert on the development of monopolies in Europe. In 1929 he published a book on the monopoly on electric bulbs and the actions of the Swedish co-operative union and wholesale to bust this monopoly. Hedberg, *Världsmonopolet i glödlampor*.

international agreements and international guidelines that all co-operators agreed on were needed. The policy of the ICA ought to be to provide such international guidelines and Johansson promoted the co-operative principles proposed by Örne already in 1921.⁶²

Seven years later Johansson returned to the subject of what international co-operation could accomplish.⁶³ In 1934 he summed up the lost opportunities for economic recovery and concluded that although countries had agreed that the recommendations of the 1927 world economic conference were necessary, few had adhered to them. Free trade was currently shipwrecked and co-operative efforts to promote the sound policy of free trade had not met with success. But Johansson would not give up or propose that the ICA give in. He stated that: "Co-operation implies by its very essence free intercourse between the peoples of the world and by means of its international organs co-operation is working indefatigably in all countries for the establishment of real international co-operative economy."⁶⁴ This was what he hoped for but the position of co-operative movements in some European countries made it difficult for them to promote international co-operative interests. Johansson's recommendation was political neutrality which would allow co-operatives to continue to provide members with the goods they needed. It was also clear that although markets were closing and manufacturing and economic life in general were informed by nationalism, mass production was making significant progress due to new techniques. This development was to no avail if it did not benefit the consumers. This was why co-operators, according to Johansson, needed to get jointly into research and production to give consumers cheaper products and workers jobs. In Sweden the co-operative movement had continued to develop its production of such products as flour and electric bulbs besides the production of margarine and galoshes. They had organized the market and rid it of

62 Johansson and Hedberg, "Problems of Modern Co-operation", *Report of the Proceedings of the Congress of the International Co-operative Alliance 1927*. For the official formation of the ICWS in 1924 and its function see Ross, "International Co-operative Trade, the Possibilities of Practical Collaboration between National Organisations and its Development by the Alliance", *Report of the Congress of the International Co-operative Alliance 1954*, quote p. 138.

63 The paper Albin Johansson presented at the 1934 ICA congress in London was co-authored with Thorsten Odhe, the economic correspondent of the Swedish co-operative paper *Kooperatören* and the author of several books on co-operation in many different countries in Europe and America.

64 Johansson, "The Role of International Co-operation in Present Day Economic Development", *Reports of the Proceedings of the Fourteenth Congress of the International Co-operative Alliance, 1934*, p.221.

unsystematic competition that was a waste of resources and a great cost to the consumers.⁶⁵

Johansson's input at the 1934 congress demonstrates that from a Swedish horizon it was not incompatible to combine support for free trade with a practice where co-operative businesses acted as the regulators of unfit competition by small dealers and as a force against monopoly of the market by cartels. This was possible because they saw the activities of the monopolies and cartels as a threat to free trade. The rational approach to the organization of co-operation was supported by commentators on the paper and speech. But the sections about the reality of economic life in the mid-1930s and Johansson's "attitude of subjection" provoked protests. Victor Serwy from Belgium thought it worth protesting against the current developments and to continue to push for measures that would lead to free trade. He did not want the co-operative movement to develop "an attitude of servitude toward the public authorities".⁶⁶ Mr Wuhl from the USSR was more explicit in his criticism; he thought Johansson and other delegates wanted workers' co-operatives to co-operate with fascist governments.⁶⁷

Overall Johansson was a bit naïve when he refused to see that the Swedish and to some extent a Nordic position was rather unique. Co-operation with labor governments where co-operators were often represented was not that difficult. The co-operative principle of political neutrality that always had met with opposition from different camps became even more difficult to defend in the 1930s and during the Second World War, since neutrality could then be taken for indifference towards the rise of fascism. Swedish co-operators were focused on what they deemed to be the main object of co-operation: to assist members by making sure that they were provided with essentials at the lowest possible price through a rational organization of distribution.⁶⁸ They were preoccupied with socio-economic co-operative theory and practice; so preoccupied that they were either not able to see or appreciate the difficulties that the co-operative organizations were facing in countries where fascism was on the rise, or so convinced by their own method of keeping politics and

65 Johansson and Odhe, "The Role of International Co-operation in Present Day Economic Development", *Report of the Proceedings of the Fourteenth Congress of the International Co-operative Alliance at London 4th to 7th September, 1934*, pp. 211–40.

66 *Report of the Proceedings of the Fourteenth Congress of the International Co-operative Alliance at London 4th to 7th September, 1934*, pp. 245–6, quote p. 246.

67 *Report of the Proceedings of the Fourteenth Congress of the International Co-operative Alliance at London 4th to 7th September, 1934*, p. 117.

68 *Report on the Proceedings of the Fourteenth Congress of the International Co-operative Alliance 1934*, pp. 211–23.

economics separate that they thought political matters should be dealt with in other forums than the ICA. In the opinion of leading Swedish co-operators economic and social inequalities should be challenged by co-operative economic and social solutions, not political measures. It was therefore also important to organize co-operative businesses in such a way that no co-operators made profits at the expense of other co-operators. This was something that Anders Örne had underlined as well.⁶⁹

Towards the end of the 1930s it is clear that co-operators were aware of the coming war. Indeed, Dr Antal from Hungary claimed at the 1937 congress in Paris that the First World War had never ended but had continued as an economic war taking many poor people's lives.⁷⁰ At this congress the issue of ICA's economic policy was again up for discussion and officially a free trade policy similar to previous resolutions was adopted. But more and more delegates were stating that liberalism as it had been known was dead. Some new voices were heard at this congress, including two delegates from India. Commenting on the resolution Mr Ramakrishnan proposed that the words "declares itself against all forms of protection" be substituted with "declares itself against indiscriminate forms of protection". He gave an account of the non-European perspective on matters and made perfectly clear that this was not a fascist standpoint, but that he came from a country that had suffered greatly from the "laissez faire" free trade of the nineteenth century. The amendment was not accepted according to standing orders and the resolution for free trade was passed with just two votes against it. The European centred ICA had confirmed its belief in a free trade policy that some of its delegates had lost faith in. The Indian delegates indicated that the world was bigger than Europe and that the ICA needed to adopt that broader perspective.

Conclusions

This exploration of the co-operative take on free trade has demonstrated how ICA delegates successively changed their views on what free trade implied and that this change was influenced by the way in which they wished to achieve the realization of co-operative international trade. Although they basically agreed

69 Örne, "Paper on the International Exchange of Goods from the Consumers' Point of View", *Report of the Proceedings of the Sixteenth Congress of the International Co-operative Alliance 1946*, p. 124.

70 *Report on the Proceedings of the Fifteenth Congress of the International Co-operative Alliance 1937*, p. 258.

that free trade was a condition for international co-operative trade, different national influences created camps within the international co-operative community. But it was not only national priorities that shaped the ideas and the arguments forwarded. The prominent co-operators presenting their own papers or resolutions, from the central committee or from national delegations, were themselves engaged in the shaping of a new intergovernmental community after the First World War. What becomes clear is that neither Thomas' ambition to make the international community more co-operatively orientated nor Örne's business approach with the aim of creating a co-operative movement capable of managing successful international co-operative business ventures, were realized during the first half of the twentieth century. Their contributions to the debate did, however, add to how co-operators viewed the meaning of free trade and the content of an international policy of the ICA, Thomas adding the intergovernmental regulations of raw materials to the conditions for free trade and Örne materializing co-operative values and principles from business practices. Still, the current study shows, just as Hilson and Rhodes have done before, that ICA Congresses seldom resulted in clear and strong messages to put forward in other international forums like the League of Nations. ICA was a working forum for divided opinions, resisting a split during the decades of the Cold War, but not providing fertile grounds for decisive resolutions or actions.⁷¹

The camps forming within the ICA during the inter-war years had political as well as co-operative organizational roots. The varying national approaches toward free trade, when the Free Trade movement still had a hold on the international debate, had its influence on co-operators' opinions but it is important to remember that the composition of each national co-operative movement mattered in this respect. The split or alliances between different forms of co-operatives have not been addressed in the current article but such an angle would surely enlighten us even more about division of opinions.⁷² What has been examined are the attitudes that the different camps had towards free trade, the potentials of international co-operative trade and the international co-operative movements routes towards influencing international trade policy. The French and Belgian delegations' support of the ICA as a lobbying power in relation to the League of Nations was surely influenced by the attitudes of Charles Gide and Albert Thomas. The USSR delegates and supporters of state socialism had their international labor community which they obviously saw as a relevant ally in the struggles against monopolies and trusts. And finally Sweden and the Scandinavian countries had a relatively free position,

71 Hilson, "A Consumers' International"; Rhodes, *The International Co-operative Alliance*.

72 Friberg, "Negotiating Consumer and Producer Demands".

although the experience of the constraints placed on their trading policy by the great powers during the First World War made them persistent defenders of free trade in the inter-war years.

There is much more we need to know about what shaped the motivations of co-operators from different countries and to what extent their practical actions had any significant influence on national politics in relation to economic policy, trade and national systems of distribution. Many of the co-operators who took front stage at the international co-operative arena also had prominent positions within the political and economic life of their home nations. Their co-operative outlook on the world needs to be recognized and explored further.

As a coda we return to the debates at ICA Congresses. After the Second World War the Swedes, again represented by Anders Örne, defended a strict free trade position. Ironically, one of the British delegates commenting on Örne's paper declared that "Free Trade is dead" and a second British delegate stated that at present: "It is not a question of to plan or not to plan, it is a question of who is going to do the planning. We say that the Co-operative Movement must play a very important part in creating a new world economy."⁷³ A new socio-economic regime based on planning had seen the light and the bipolar world created by the Cold War also presented new challenges for co-operators striving for a world without borders.

73 *Report of the Proceedings of the Sixteenth Congress of the International Co-operative Alliance 1946*, pp. 122–49, quotes pp. 143, 146.

SECTION 2

Challenges to Democracy – State Intervention





A co-operative warehouse close to the railway station in Kharkov, USSR, during the 1920s
ARBETARRÖRELSENS ARKIV OCH BIBLIOTEK, PER-EMIL BRUSEWITZ.

Challenges to Democracy – State Intervention:

Introduction to Section 2

Silke Neunsinger

As we have seen in previous chapters the history of consumer co-operatives during the nineteenth and twentieth centuries has been intertwined with that of the development of democracy and the state. Firstly, the Rochdale principle of one member one vote, independent of the amount of share capital held, represents and probably also influenced new democratic ideals in the northern transatlantic region in the nineteenth century before universal male suffrage was introduced. Secondly, consumer co-operatives seem to have thrived during periods of changing hierarchies such as the beginning of democratization and during decolonization. Not only did many consumer co-operatives want to offer a more democratic approach to issues of consumption and economy in the long run but democracy and autonomy have remained central co-operative principles into the early twenty-first century.¹

By state intervention we refer to the legal framework supporting co-operatives and/or state financial support for co-operatives through subsidies. State intervention may support the autonomy and democratic structure of co-operatives or it may undermine these structures or even suspend them completely. A legal framework may also contribute to supporting co-operatives, for example through rules about auditors.

The contributions in this section all deal with different historical contexts in the twentieth century when democracy was challenged by colonialism, totalitarian or authoritarian regimes and one party states. Co-operative movements were controlled and threatened by state intervention and their members were politically persecuted, which in turn weakened the movement. Co-operatives did not necessarily cease to exist but developed in different ways. Some had to cut all political ties and become politically neutral in the formal sense while they continued their work, sometimes under state surveillance and sometimes without. In some cases co-operatives also became sites of resistance, such as the co-operatives organized by African Americans.² State intervention could also lead to the international isolation of the co-operative movement and limit the exchange of ideas and innovation as Patrizia Battilani shows in

¹ ICA: Co-operative identity, values and principles. Available at <http://ica.coop/en/whats-coop/co-operative-identity-values-principles>. Last accessed 28 April 2017.

² See Ch. 8.

her chapter about the Italian case.³ And state intervention has also created specific models – such as in the USSR – which were then diffused to other states under state socialism in Eastern and Central Europe.⁴

State intervention during state socialism and fascism led also to reactions by the International Co-operative Alliance (ICA), discussed by Rita Rhodes. According to Rhodes the ICA was much faster in responding to the situation in fascist countries than to developments in the USSR, due to the fact that both communism and the circumstances in the USSR changed.⁵

Depending on the degree of state intervention it can be questioned whether co-operative movements under these circumstances could still be regarded as social movements, or even co-operative movements in relation to the co-operative principles. These complex developments remind us once again about the difficulties of defining co-operatives. The International Co-operative Alliance also had to face the situation of co-operatives under these regimes and struggled over whether to include or exclude them from membership.⁶ The contributions in this section highlight the necessity of taking power relations into account and asking who had power over co-operative movements, who started them, who maintained them and for what purpose. This is essential if we want to understand the variety of organizations that were called co-operatives, even during periods when democracy was challenged. This section includes contributions about developments in central and south west Europe and parts of east Asia, while other regions of the world such as in Argentina and the Caribbean countries under dictatorships are touched upon in other sections of this book as part of an analysis of longer historical developments.⁷ Despite their geographical limitations, the chapters on the co-operative movements in Austria, Germany, Spain and Portugal, together with the Italian case and the situation during the German occupation of France and Belgium, as briefly mentioned in other chapters in this book, allow comparisons to be made, even though European examples dominate this section and we do not know very much about other regions under similar regimes in Europe such as Hungary, Romania, Greece or the occupied areas such as Denmark, Norway and the Netherlands.⁸ And unfortunately this book does not contribute to

3 See Ch. 23.

4 Ruwwe, *Die Stellung der Konsumgenossenschaften*.

5 Rhodes, *The International Co-operative Alliance*, p. 92.

6 Rhodes, *The International Co-operative Alliance*; Birchall, *The International Co-operative Movement*, pp. 46–54.

7 See Chs. 7 and 19.

8 For the case of co-operatives in Hungary during the interwar period see Szikra, “Welfare Co-operatives”, pp. 153–66; Miklóssy, “The Nordic Ideal of a Central European Third Way”, pp. 137–52.

the entangled history of consumer co-operatives in large socialist countries such as the USSR though developments here are discussed briefly below.⁹

Colonialism and Imperialism

Although we know that co-operatives existed in a number of colonized regions we know very little about their history. Johnston Birchall has divided the development in Africa into three phases: (1) the colonial phase when West European governments introduced co-operatives as a tool of economic development; (2) a populist nationalist phase in which African governments changed the ideology; and (3) a structural adjustment phase when co-operatives have been “forced to be free”.¹⁰ Researchers from Tanzania and Kenya have pointed to the fact that co-operatives existed before the arrival of colonizers,¹¹ while colonizers brought their own models of co-operatives to supply settlers with their basic needs.¹² Legislation was an important instrument to introduce and control co-operatives in the colonies.¹³ Co-operative legislation was transferred from metropolitan states to the colonies. For example, Dutch co-operative legislation was used in former colonies in Southeast Asia while British co-operative law was introduced in British colonies in Africa and Japanese rulers brought co-operative law to Korea.¹⁴ According to Birchall the colonial governments in Africa and Asia saw a potential in the economic development of co-operatives which fitted with ideas about evolution and progress. Co-operatives were a way of providing a transition from the primitive to the modern economic and social worlds, though differently from the development of European co-operatives this was a paternalistic vision introduced by colonial governments and administrators.¹⁵ The establishment of co-operatives by imperial powers and their use for certain purposes is not only the case for early periods but also applies

9 See however Rhodes, *The International Co-operative Alliance*, pp. 90–126; Birchall, *The International Co-operative Movement*, pp. 51–3 and pp. 117–24.

10 Birchall, *The International Co-operative Movement*, p. 131. Regarding the nationalist aspect see also Anangisyé, *Co-operative Shops in Africa*, p. 4.

11 Gicheru et al., “An Analysis of Socio-Economic Impact of Consumer Co-operatives in Kenya”; Chambo and Kimambo, “Consumer Co-operatives in Tanzania”.

12 Shaw, “Casualties Inevitable”.

13 For an overview of the differences between French and British colonial law about co-operatives see Birchall, *The International Co-operative Movement*, pp. 134–5.

14 On the introduction of Dutch co-operative law to former Dutch colonies in Indonesia: Suroto, “The History of Consumer Co-operatives in Indonesia”. See also Rhodes, *Empire and Co-operation*.

15 Birchall, *The International Co-operative Movement*, p. 133; see also Ch. 2.

in instances of neo-colonialism, for example in Guatemala where credit and agricultural co-operatives were introduced by the USA.¹⁶

Korea and China did not have a well-established co-operative movement before the introduction of western-style co-operatives around the turn of the twentieth century. In Korea co-operatives were started during Japanese colonial rule, but they were also influenced by missionaries and intellectuals who had come into contact with co-operatives during stays in Japan. In both cases the number of co-operatives declined in the long run, but state intervention affected the movements in different ways. Japan's influence on occupied regions has been strong, as Kim Hyung-mi, Mary Ip and Kay-Wah Chan show in their contributions to this section. How strategic this influence sometimes was is also shown in the example of the Manchurian Railway – a spearhead of Japanese colonial rule in China – which established co-operatives for its workers.¹⁷ However the relationship between colonizers and colonized could continue to influence the co-operative movement after decolonization. An example of this is the Korean and Chinese academics who became interested in and influenced by Japanese co-operation while studying in Japan and transferred ideas and models when they went back home.

Missionaries – especially those of the Catholic Church – have also introduced different co-operative models to colonized areas. Often the idea was self-help and not co-operatives per se. One important model spread this way was the Antigonish movement, which created a foundation for the Jamaican welfare programs. In some cases these co-operatives were taken over by the state in order to control the role of missionaries.¹⁸

Finally, co-operatives were initiated by governments after liberation struggles. They were seen as part of the democratic models supported through foreign development aid from governments and also from the co-operative movements of the northern transatlantic region such as USAID and the Nordic countries as Kristian Ravn Paaskesen has shown.¹⁹ These initiatives have not only been welcomed but have also been criticized for ignoring local and indigenous initiatives.²⁰

In some cases co-operatives became sites of resistance for the colonized. The example of Korea colonized by Japan is only one example of the history of

16 See Ch. 7.

17 See Ch. 26.

18 See Ch. 7.

19 Paaskesen, "A Bleak Chapter", pp. 451–70.

20 See Shaw, "Casualties Inevitable".

co-operatives during periods of imperialism but it illustrates some of the main challenges for other colonized regions, about which we know very little.

Dictatorships such as that of Rafael Leonidas Trujillo in the Dominican Republic were able to support co-operatives for some time. The co-operatives received financial support but as they grew in size and importance the leaders were barred from the country. And although the Dominican case might be more about the tension between the state and the Church than about the state and the co-operative movement it is obvious that control over the co-operative movement was useful to gain control over power relations in certain regions.²¹

The Soviet Model

The history of the co-operative movement in the People's Republic of China, analyzed by Mary Ip and Kay-Wah Chan, is an example of how one party states have changed their attitude towards the co-operative system over time. In his contribution on the history of the co-operative movement in Germany, Michael Prinz shows how important co-operatives were for the German Democratic Republic government's food distribution in the countryside. Both cases are typical examples of the diffusion of what could be called the Soviet model of co-operation. In the territories that later became the USSR Hungary, Czechoslovakia and Poland, the history of the foundation of co-operatives showed similar patterns of diversity: liberals, workers, churchmen, grand land-owners or factory owners had started co-operatives, some as early as the 1860s and others at the turn of the twentieth century. After the introduction of state socialism however they all introduced the model established in the USSR. The transfer of this model was not a straightforward development but was characterized by the power relations of the time. The Comintern also played a role in this as it adopted a strategy to take over co-operatives to use them as instruments of the class struggle.²²

Many of the contributions in this volume illustrate the upswing of the co-operative movement during periods of scarcity such as the First World War, often connected to state support.²³ This was also the case in Russia where consumer co-operatives had established an infrastructure for food distribution that was superior to that operated by private retailers and were thus rewarded

21 See Ch. 7.

22 See Ch. 2, p. 22.

23 Torsten Lorenz has noted this for co-operatives in Eastern Europe in general: Lorenz, "Introduction: Co-operatives in Ethnic Conflicts", p. 19.

by the state. According to Hans-Friedrich Ruwwe, this development was also significant for the introduction and the content of the Russian co-operative law in March 1917. The law simplified the procedure for establishing a co-operative and allowed for co-operation between co-operatives, with the effect of triggering an extraordinary growth in co-operatives.²⁴ This support for independent co-operatives soon changed. In March 1919 a decree was enacted that turned co-operatives into state-owned organizations for food distribution controlled by local Soviets. All citizens with the exception of the bourgeoisie were required to become members and membership would be state funded. Lenin had earlier drafted a decree in 1918 that was heavily criticized by the co-operative movement. The government lacked the movement's war time experience so, as a compromise, the most controversial points of the draft were left out for almost a year. These included forcing co-operatives into communes and the replacement of free membership with low membership fees. Co-operatives were still formed on a voluntary basis.²⁵

Tsentrosoiuz became the central organization for all co-operatives, including credit, producer, rural and consumer co-operatives. From April 1921 consumer co-operatives became autonomous again and were supposed to compete with private retailers but they were still denied the right to self-organization. At this point co-operatives lost expertise as their leaders moved to private retailing. First in 1924 all rules and restrictions for co-operatives were annulled.²⁶

How state intervention could affect even private retailing becomes obvious in the Soviet case. In 1922 95 percent of retail trade was in the hands of private shop owners. Due to administrative obstacles private traders disappeared and in 1931 co-operatives were handling 71 percent of the entire retail turnover in the USSR. This changed during Stalin's rule when consumer co-operatives became responsible for food distribution in rural areas and for state owned shops in the urban areas which had a better infrastructure. At that time consumer goods were reserved for industrial workers in the cities and the population in the countryside received only a minimum. The share of consumer co-operatives in national retailing fell to 19 percent in 1935. The establishment of a trade network in the countryside was difficult, due to long distances and modest purchasing power and the lack of government infrastructural support.

24 Ruwwe, *Die Stellung der Konsumgenossenschaften*, pp. 43 f.

25 Ruwwe, *Die Stellung der Konsumgenossenschaften*, pp. 46f; Veselov, "The Cooperative Movement and Soviet Rule", pp. 52–71.

26 Ruwwe, *Die Stellung der Konsumgenossenschaften*, p. 74.

According to reports, the internal democracy of the co-operative movement was constantly challenged at that time.²⁷

The Hungarian co-operative movement was originally started by liberal grand landowners but after the 1910 congress of the Second International the labor movement was also successful in starting co-operatives. These became very successful but were dissolved by the Hungarian government in 1939 while the liberal movement maintained good relations with the government. After the land reform at the end of the 1940s consumer and producer co-operatives were organized and supported by communists and were mainly active in the countryside, just as in the USSR.²⁸ A similar land reform took place in Poland and consumer co-operatives became state owned in 1949, based on the Soviet model.²⁹ Finally, in Czechoslovakia members of co-operatives began mainly among workers in the cities. In 1948 all enterprises with more than 50 employees became state owned and from 1952 consumer co-operatives also became a copy of the Soviet model, being active only in rural areas.³⁰

The Soviet model also spread outside Europe where it merged with other models. Tanzanian co-operator Eli M Anangisye mentions the strong influence of the GDR's co-operative movement in Tanzania together with the Swedish movement but not how this worked in detail.³¹

Well-established Movements before State Intervention

As Section 3 of this book shows, not all co-operative movements were successful in the long run. How co-operatives responded to economic crisis or to increased competition from private retailers and retail chains mattered for their survival. The degree of state intervention – ranging from lack of support by the state to outright prosecution – was also a reason why some movements found it difficult to meet challenges in the long run. The development of the co-operative movements studied in this section depended on the form that state intervention took and its duration, as well as the development of the movement itself. Austria, Germany and Italy had strong and well established movements before the fascists came to power and this was also the

27 Ruwwe, *Die Stellung der Konsumgenossenschaften*, p. 88.

28 Ruwwe, *Die Stellung der Konsumgenossenschaften*, pp. 106–8.

29 Ruwwe, *Die Stellung der Konsumgenossenschaften*, pp. 112–7.

30 Ruwwe, *Die Stellung der Konsumgenossenschaften*, pp. 109–11.

31 Anangisye, *Co-operative Shops in Africa*, p. 6.

case for Belgium and France before they were occupied by Germany.³² These movements experienced a decrease in membership due to the prosecution of working-class activists. There was an obvious ideological aspect to these prosecutions, which ranged from the dissolution of co-operatives and the arrest of co-operators to a lighter version where co-operatives were depoliticized and used instead as important means for food distribution.

However there was also an economic aspect to this as Michael Prinz has pointed out. The economic crisis during the interwar years hit the German co-operative movement heavily and as the new government did not allow any new credits for the movement it was easily destroyed after 1933. In Italy, Germany and also in Austria under German rule opportunities to compete with other retail businesses were hampered by legislation.

The Italian co-operative movement was not allowed to develop new business models. In Germany the “divi” was capped by law in 1934, destroying what was then the most important advantage of consumer co-operatives over ordinary retailers. And although the German military took advantage of the distribution system of co-operatives and in doing so saved the movement from destruction for some time, the transfer to the state controlled trade union *Deutsche Arbeitsfront* (DAF) destroyed the movement.

The Austrian movement was already becoming a more business-like organization during the interwar period, skeptical towards over-politicization. The Rochdale principle of political neutrality became important during the civil war in Austria but the power of consumer co-operatives was limited during the Catholic authoritarian regime (1934–38). Co-operatives were harassed and were no longer allowed to sell to public institutions. From 1934 co-operatives were treated in the same way as the Social Democratic Party and its leaders were imprisoned by the Austrian government. However, as Johann Brazda and his co-authors show in their contribution to this section, the International Co-operative Alliance was able to make a difference as the leaders of the co-operative movement were released after ICA officials had visited Austria. Similarly to other regimes the Austrian Catholic authoritarian regime limited the co-operatives' capability to compete by not allowing new co-operatives, by limiting the number of members, by prohibiting advertising outside the circle of members, by prohibiting the payment of dividends on sugar and by prohibiting the production of textiles. As a result the attacks by the private retail sector ceased and this gave the co-operative movement some space to maneuver. After the German takeover in 1938 the Austrian co-operative movement met the same fate as the German movement and was dissolved in 1943.

32 See Chs. 4 and 5.

Developments in Spain and Portugal were different. Portugal also had a well-developed co-operative movement with a socialist base, expressing the ambition to change society through co-operation. From 1920 there was a National Federation of Co-operatives with good connections to the government. But differently from Italy under fascism and France during the German occupation the movement grew during the dictatorship in terms of membership and turnover. As a latecomer to industrialization, Spain had a rather weak co-operative movement before the civil war, linked not only to the working-class movement but also to the Catholic Church. This helped it to gain strength during the Franco regime.

Between New Legislation, Loss of Democratic Freedom, Prosecution and International Isolation

Almost all cases of state intervention went hand in hand with new legislation enabling the state to control the co-operative movement, often introduced to support small retailers. In 1867 Portugal passed its first law recognizing co-operatives. According to the Commercial Code of 1888 co-operatives were not regarded as associations and unlike political parties were therefore not declared illegal *per se* during the *Estado Nuovo*. At the same time any political activity by co-operatives was prosecuted. Although the success of Portuguese co-operatives was different from the situation elsewhere, the values of the *Estado Nuovo* were not compatible with the democratic values of co-operation and the state tried to use co-operatives to impose the authoritarian system. In 1933 a new law met the demands of other shop owners to eliminate advantages for Portuguese co-operatives such as the removal of tax exemptions.

Japanese colonial rule in Korea put two laws into effect: the Finance Co-operative Act (1914) and the Industrial Co-operative Act (1926) that enabled the colonizers to control co-operatives strictly. Chinese co-operative law from 1934 created a starting point for control over co-operatives. Co-operatives were used by the Chinese government both to control people and also to allocate credits to peasants in order to solve problems in the agricultural sector. In 1942 an act of co-operation was introduced in Spain with the purpose of spreading the system as a form of welfare through cheap loans, grants and tax reduction, as Francisco José Medina-Albaladejo shows in his contribution. At the same time this put farmers, workers and consumers under one hierarchical system that was easier to control. The Spanish and Portuguese regimes left some of the democratic elements of co-operatives untouched while the Italian

and German states as well as later the People's Republic of China eliminated member democracy through both threats and control.

In 1954 China recognized co-operatives in its constitution but replaced consumer co-operatives with state owned retailers the very same year. Co-operatives lost both their voluntary status and their autonomy. Deng's reforms between 1978 and 1991, which included the industrialization of rural areas and measures to give private households more influence over their income, meant that a non-state sector could pave the way for new co-operatives. These co-operatives were also short lived and, according to Mary Ip and Kay-Wah Chan, the main reason for their failure was the lack of state intervention and guidance. Only in 2006 was a new law regulating co-operatives passed.

The control of the co-operative movement was also important during civil wars. The cases of Spain and China show how the concept of controlling distribution through co-operatives was used by different regimes during periods of food shortage. Medina-Albaladejo shows how Spanish nationalists collectivized co-operatives or had their assets and shares confiscated. At the same time new co-operatives were started by the left wing trade union movement. During the civil war in China co-operatives were used by the Communist Party to safeguard daily needs, but also to collect funds for the military and supplies for the army.

The differences between the regimes also resulted in varying relations between the movements and the ICA. The ICA has had to respond to different forms of state intervention since its foundation and the question was debated in detail at the 1904 congress, following the secession of the representatives of German-speaking credit co-operatives over the question of state subsidies.³³ Following the Bolshevik Revolution, and despite discussions on proposals to exclude Russian representatives because of the loss of independence and full autonomy, the Soviet Tsentrosoiuz remained a member of the ICA. This is also regarded as the reason why the international co-operative movement never split in similar ways as other international movements during the interwar period.³⁴ However, differently from the case of co-operatives in the USSR, the ICA condemned Italian fascism at its Congress in Basle in 1921 as fascists were acting violently against co-operatives, their members and their property.³⁵

33 Hilson, Markkola and Östman, "Introduction: Co-operatives and the Social Question", pp. 1–2.

34 Rhodes, *The International Co-operative Alliance*; Birchall, *The International Co-operative Movement*.

35 Rhodes, *The International Co-operative Alliance*, pp. 129 ff.

Both communists and fascists were interested in staying in touch with the ICA. The ICA was able to meet with the leader of the Austrian conservative regime Engelbert Dollfuß and convince him about the importance of the movement and its political neutrality, though this helped only until the German annexation in 1938. Developments in Europe but also in Asia proved ICA's political neutrality. During the Sino-Japanese War the ICA took a pro-Chinese stand: it condemned Japanese militarism and discussed a boycott of trade in Japanese goods. Japan seceded in 1940 and rejoined the ICA in 1952.³⁶ Spanish co-operatives were isolated from the ICA for forty years after the nationalist victory, while the Portuguese federation of co-operatives founded in the 1950s became the representative at the ICA. China is still represented by the International Committee for the Promotion of Chinese Industrial Co-operatives, which was founded in 1937 by Chinese and foreign co-operators as the Gung Ho Movement, as a reaction to the situation of workers and organized workers displaced by the Japanese invasion. ICA supported prosecuted German and Austrian co-operators in exile and contributed to entanglements between different movements such as in the case of Emil Lustig who fled from Sudetenland supported by Swedish Albin Johansson who brought him to Sweden. Lustig later migrated to Argentina and became the manager of a co-operative there as well as the representative of Swedish KF.³⁷

Co-operatives as Places to Survive and Sites of Resistance

All the co-operative movements analyzed in this section were controlled by the state and more or less lost democratic control over their own organizations, but the degree of autonomy varied. Although Spanish co-operatives lost democratic control and independence from the state, other principles such as voluntary open membership, social services and education amongst members were maintained. This was probably one of the reasons why co-operatives grew during the Franco regime although, similarly to other surviving co-operative movements, they became a movement without political ideology.

In their contributions Prinz, Freire and Pereira give examples of co-operators who had to go into exile during the Nazi era in Germany and the Salazar

36 Rhodes, *The International Co-operative Alliance*, p. 195; Birchall, *The International Co-operative Movement*, p. 51.

37 Rhodes, *The International Co-operative Alliance*, p. 210.

regime in Portugal respectively. Prinz illustrates how the ICA helped these co-operators. In other cases, state intervention enabled a few co-operative movements to frame their needs in such a way that led to increased mobilization for resistance, for example in Portugal or Korea. Also in Germany co-operatives could, during the time they existed, become shelters for members of the resistance. And during the Vichy regime in France members of some co-operatives became part of the resistance although the *Fédération nationale des coopératives de consommation* (FNCC) was dissolved at that time.³⁸

Freire and Pereira illustrate the ways in which the situation in Portugal differed from that in other countries. Not only was the Portuguese movement less isolated internationally than the Spanish movement for example – in 1930 the manifesto of the ICA was published in the Portuguese socialist newspaper – but democratic management also survived and helped to strengthen co-operatives and turn them into schools of opposition. Consumer co-operatives were defended by anti-authoritarian groups and included many renowned Portuguese intellectuals. António Sérgio started a co-operative wholesale in 1951 as well as a journal and in 1955 Unicoop was founded and became the Portuguese representative at the ICA. Differently from Italy, Germany and Spain the Portuguese *Estado Nova* still allowed space for civil society which the co-operative movement managed to fill, despite its radical socialist approach. The situation in Argentina during the dictatorship of the 1970s is reminiscent of the Portuguese case, as political parties and trade unions became illegal but co-operatives were not touched. Especially consumer and public service co-operatives were kept intact and managed to adapt to the changing market conditions. On the basis of efficient management they could be rather successful during the dictatorship.³⁹ Although the *Instituto Nacional de Acción Cooperativa* (National Institute of Co-operative Action) was controlled by the dictatorship between 1976 and 1983 and those co-operatives with non-members were regulated, printers managed to use their co-operatives as sites of resistance.⁴⁰

Similarly to Egypt where co-operatives were set up in the early 1900s as part of anti-colonial struggle, the first western-style co-operatives in Korea became early sites of resistance against the Japanese regime.⁴¹ The first independent co-operative was started during the Japanese occupation in 1919, by the 1 March liberation movement. The co-operative movement mobilized resistance

38 See Ch. 5.

39 See Ch. 19.

40 Thanks to María Eugenia Castelao Caruana for bringing this to my knowledge.

41 For Egypt see Birchall, *The International Co-operative Movement*, p. 133; see also Ch. 2.

through a buy Korean campaign initiated by the leaders of the nationalist movement who were also the leaders of the co-operative movement. Even during the dictatorship under General Park, Korean co-operatives still had the possibility to educate members and the co-operative school became an important place for the education of the future leaders of the movement who also came into contact with co-operative ideas from outside Korea, from sources such as Denmark, the USA and India. Despite the fact that the military regime was suspicious about the activities of the movement and threatened to close it down because of its role in the pro-democratic movement, missionaries were able to start co-operatives during the 1970s and 1980s, as did both state-controlled and Christian trade unions. All of these initiatives were isolated and most of them were wiped out through government repression or business failure.

The contributions in this section show that authoritarian states tried to make use of the co-operative movement as a way to distribute food during periods of scarcity and at the same time remodeled co-operatives and circumvented the movement's autonomy and internal democracy, sometimes until the movement was destroyed as in Austria and Germany. At the same time it seems that co-operatives were not prosecuted to the same extent as other political organizations and could also become sites of resistance just because they were regarded as apolitical.

The variations between the examples given in this section show the range of different roles co-operatives have played, from forced adaptation to a more hierarchical system to sites of resistance. Depending on whether they could remain part of civil society or became state instruments their role as social movements changed. The contributions also show that some of the movements managed to maintain the majority of co-operative principles even during periods of control from above and could resist the top down approach, while others lost voluntary membership, democratic management and independence. Legal instruments have been an effective way for states to control co-operatives.

The Korean example shows how Japanese imperialism worked as a means for the transfer of ideas, through migration and colonial administration. This needs to be analyzed also for other colonial powers and doing so would help us to understand the role of both forced and freely chosen transfers of co-operative ideas and how this mattered for the co-operative movement. Future research might also be able to shed light on the role of the development of co-operatives in the colonies for the development of co-operatives in the metropole. The example of the development of co-operatives in China illustrates the role of state communism, but further research is necessary to see

how the socialist ideals of some co-operative movements developed under state communism and how they developed in different regions of the world.

Finally this section contributes to our understanding of the variation and variability of co-operative movements, from social movements that started from the grassroots and became big retail chains, to those started by employers to control their workers; those started by missionaries, philanthropists and social entrepreneurs, development aid and state-controlled co-operatives initiated through a top down approach.

German Co-operatives: Rise and Fall 1850–1970

Michael Prinz

While there were at the time of writing indications of the emergence of new consumer movements in the Federal Republic, it seems likely that consumer co-operatives represent a closed chapter in Germany's social and economic history. This chapter analyzes the years between 1850 and 1970, a period according to WW Rostow between industrial “take off” and mass consumer society.

The state of research has improved in recent years.¹ Nevertheless the gap between our knowledge of the history of German Social Democracy and the trade unions and that of the co-operatives is still wide. This hardly reflects the unimportance of German consumer co-operatives – in fact, the German movement was internationally considered to be one of the largest of its kind (see Table 10.1). Nor does it reflect a lack of sources, for although there is a lack of unpublished sources, the printed material is extensive, excellent and hardly evaluated.

Put briefly, the poor state of research may be explained by the following: firstly, the late emergence of consumer history as a field of research; and secondly, the fact that crisis and decline came at a time of formerly unknown material abundance. With the exception of some traditionalists, it obviously bothered no one that the co-operatives disappeared. This process was rather interpreted as a sign that German society was on the right track into the future and consequently, there was little demand for a scholarly explanation. It seemed to be enough to refer to general trends – rise in real incomes, high levels of employment, the dissolution of traditional milieus and individualization, etc. – in order to explain the demise of consumer co-operatives. Further, co-operatives represented a hybrid social and economic institution, meaning

1 Important studies are Liedke, *Hebung der Not*; Huber, *Über die kooperativen Arbeiterassoziationen*; Schlack, *Konsumgenossenschaften und christlich-nationale Arbeiterbewegung*; Bittel, *Eduard Pfeiffer und die deutsche Konsumgenossenschaftsbewegung*; Kulemann, *Die Genossenschaftsbewegung*; Lange, *Die Konsum-Genossenschaft Berlin und Umgegend*; Müller, *Der Allgemeine Konsumverein für Chemnitz und Umgegend*; Ruhmer and Schloesser, *Entstehungsgeschichte des deutschen Genossenschaftswesens*; Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*; Eisenberg, *Frühe Arbeiterbewegung und Genossenschaften*; Kurzer, *Nationalsozialismus und Konsumgenossenschaften*; Novy and Prinz, *Illustrierte Geschichte der Gemeinwirtschaft*; Prinz, *Brot und Dividende*; Spiekermann, *Basis der Konsumgesellschaft*.

that none of the clearly defined sub-disciplines of historiography claimed responsibility for it. Finally, the scandalous circumstances of the final crisis meant that there were fears of contagion not only among other companies and associations but also among scholarly publishers and researchers.² Also influential was the extensive destruction of unpublished sources through political circumstances (war) as well as the neglect of its own history by the distributive trade itself (“Trade is change”).

All that said, from an early stage consumer co-operatives had developed their own tradition of historical writing which was complemented at a later stage by an outside perspective. One can distinguish four interpretations, the first three of which stem from the movement itself. The first position emphasized the importance of international contacts and role models for the development of co-operative societies. This “militant internationalism”, which is found in its most pronounced form in publications from the period around the First World War, makes consumer associations appear as large national reform movements.

The second position was diametrically opposed to the first. It expressly emphasized the national origins of the movement. This position was found in its most one sided form in the 1930s. Writers who were close to the co-operatives tried to defend the beleaguered movement against criticism by unilaterally emphasizing the roots of the movement in German society. A third position was ostentatiously neutral on this question. Its proponents tried to naturalize the origins and development of co-operatives, that is to make them appear as a natural reaction of people to general social problems. This position was particularly common in the years after 1960. It obviously served the purpose of de-politicizing co-operative history further in order to address the widest possible audience. Its negative counterpart assumed categorically the “non-viability” of consumer organization in the context of a modern market economy.

As a fourth position, recent scholarly studies of the movement since the 1990s emphasize the complex mix of external and internal stimuli and the large variation depending on the era and the subject. These studies were partly led by sympathy for “alternative” social movements, but the intention to take the history of consumer co-operatives out of its niche and to connect it to national

2 As an example of the public debate see “Missmanagement bei Coop: Das fast perfekte Verbrechen”, in *manager magazin*, 28 August 2001; a response by a leading manager is Otto, *Der co op-Skandal*. The publication of a book manuscript on the history of the economic enterprises of the German trade unions in the nineteenth and twentieth and centuries that the author of this article had prepared was vetoed by the Deutsche Gewerkschaftsbund (DGB). The manuscript had been sent in for permission to use primary sources but simply disappeared in the course of being reviewed and the organization refused to look for its whereabouts. Confidentially, the author was told that the DGB did not want any further public mention of the subject at all.

history in general also played an important role. This perspective seems to be justified, though it should be complemented by a methodological approach which has established itself as entangled history and *histoire croisée*, which takes the interdependence of the individual movements into account.

As this indicates, the situation has improved in recent years in a number of ways. Progress in consumer historiography has been made,³ while the new cultural history tends to ignore the formerly respected boundaries between social and economic history. In this perspective consumer co-operatives appear to be a particularly interesting fusion of economic and cultural orientations. It has been realized that the losses of primary sources can be compensated for in large part by excellent printed material such as periodicals and annual reports.⁴ Further, progress in research elsewhere and an improved level of knowledge of the international movement has made it easier to question the notion of the German development as a mere reflection of general trends and to identify its national characteristics.

The history of the German co-operative associations can be divided into six stages:

1. 1848–60 The beginnings
2. 1860–90 Liberalism and consumer co-operatives
3. 1890–1914 Ascent and breakthrough
4. 1914–45 Peak and turnaround
5. 1945–55 Illusory boom
6. 1955–70 Crisis, dissolution and scandal.

The first part of this chapter is concerned with the development of co-operatives in Germany and the second part is concerned with the entanglements with developments outside Germany and their influences on German developments.

Beginnings, 1848–1860

The beginnings of the consumer co-operative movement in the German states lie at least two decades later than in Britain, where the first consumer

3 An outstanding example is the extensive study of Spiekermann, *Basis der Konsumgesellschaft*.

4 Important sources for the early years up to 1900 are the *Blätter für Genossenschaftswesen*, *Organ des Allgemeinen Verbandes deutscher Erwerbs- und Wirtschaftsgenossenschaften* (1868–1932); for the period after 1900 the *Jahrbücher des Zentralverbandes deutscher Konsumvereine* contain important material. Moreover there are many specialized periodicals. As an introduction see Kaufmann, *Festschrift zum 25-jährigen Bestehen*.

co-operatives emerged in the late 1820s and early 1830s.⁵ There is no evidence that these beginnings were noticed by social reformers in the German states.⁶ It was the Rochdale Equitable Society of Pioneers (1844) which made the difference. In the 1850s there are the first indications that Rochdale was known and considered to be a model. Clearly this was the case in the 1860s (Table 10.3). The key person in this respect was the conservative social reformer Viktor Aimé Huber (1800–69), who in contrast to the liberal politician Hermann Schulze-Delitzsch had travelled a lot throughout Europe and knew about Rochdale first hand. Schulze's knowledge of the English co-operatives came from Huber.⁷

Up to this point, variations on traditional savings clubs were used for similar purposes as the co-operatives, namely to balance income and expenditure over the course of a year. Such savings associations developed particularly successfully during the *Vormärz*, the decade before the revolution of 1848. There are strong indications that in some places savings associations prepared the ground for co-operative start-ups: Hamburg is an important example.⁸ Characteristic of the savings clubs was that they operated on the initiative of bourgeois social reformers and under their guidance and control. They represented a mixture of paternalism and self-help with a clear preponderance of paternalism. Research has identified a few initiatives – the best known is the one in Saxon Eilenburg (1850) – with a stronger element of self-help.⁹ Historiographically the “discovery” of these clubs in the 1930s served to demonstrate that consumer co-operatives were not just an import from Britain, but had roots in Germany as well. In the 1850s the idea of self-help by consumers was obviously in the air. The first actual expansion of the German movement in the 1860s, however, was inextricably linked to Rochdale, even if the German movement implemented variations of the model (Table 10.1).

5 Still useful as an overview is Cole, *A Century of Co-operation*. See also Ch. 3.

6 In some passages the program of the Arbeiterverbrüderung, the first “national” organization of the German labor movement, founded in 1848, resembled that of the Owenite movement in Britain at the beginning of the 1830s. This applies also to the mentioning of so-called “buying societies”. However, German socialists did not seem to be aware of those consumer co-operatives that had been founded by Dr William King of Brighton and which anticipated important elements of the Rochdale movement. See Mercer, *Co-operation's Prophet*.

7 See Huber, *Arbeiterassoziationen*. On Huber, see Schwendtker, “Victor Aimé Huber”, pp. 95–121.

8 Prinz, *Brot und Dividende*, pp. 124, 138, 143.

9 Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, p. 68; Prinz, *Brot und Dividende*, p. 145.

Liberalism and Consumer Co-operatives, 1860–1890

In the 1860s the consumer co-operative movement in Prussia and other German states expanded visibly. The spread in the following decades was relatively slow and was accompanied by setbacks. This was due to a variety of factors (Table 10.1). One might have been the great depression or great deflation, the long period of price deflation starting in 1873 and lasting all through the 1870s and 1880s, which made organized self-help by consumers seem less urgent. Other barriers resulted from the legal and political framework such as co-operative laws in Prussia in 1867 and the German Reich in 1889.

Many of the co-operative societies of the 1860s were apparently founded with the help of well-known liberals such as Schulze-Delitzsch and Eduard Pfeiffer. They still did not represent genuine self-help by members of the lower classes. In these crucial years of German history, political liberalism tried to attract the lower classes, especially craftsmen and factory workers, in order to foster its political and social base with regard to the emerging labor movement and the strong conservative party.¹⁰ This was one of the reasons why the early labor movement kept its distance from these associations. Only in 1910, in other words after nearly half a century, was this position officially revised. The labor movement, especially Lassalle's Allgemeiner deutscher Arbeiterverein (ADAV, General German Workers' Association), favored workers' co-operatives, which were supposed to draw their capital from the state. Genuine self-help by workers was considered an unsuitably bourgeois concept. For a long time the German labor movement stuck to the idea of the iron law of wages, according to which price reductions would be useless as they would lead to a lowering of wages.

Even at this early point there was massive resistance to the societies by small traders and artisans such as bakers and butchers, a resistance that was often backed by local authorities.¹¹ For German liberalism, this presented a delicate problem as the party was courting both groups. From this situation there arose a special type of consumer association, especially in southern Germany where class conflicts were less pronounced: the so-called Markenkonsumverein (stamp co-operative). This represented the most important variation on the Rochdale principles in Germany. Consumers refrained from opening their own shop and instead bought stamps which they gave to special dealers as a

10 Prinz, *Brot und Dividende*, p. 166.

11 Prinz, *Brot und Dividende*, p. 225.

payment. This compromise dampened conflicts with the traders and at least made sure that no coherent front was formed.

By 1890, most stamp co-operatives had disappeared and the Rochdale pattern prevailed. From the standpoint of the movement the stamp co-operatives represented a dead end. As far as can be seen, co-operatives that were founded from the 1880s were genuine self-help organizations. Direct political initiatives ceased to play a role. There was now a specialist literature to fall back on.¹² The existing liberal-led Allgemeiner Verband der auf Selbsthilfe beruhenden Erwerbs- und Wirtschaftsgenossenschaften (Allgemeiner Verband, General Association of Co-operative Societies Based on Self-Help), founded in 1859–64, exerted an important advisory role by continuously providing important knowhow on practical questions such as how to run a co-operative. Out of this consulting work grew the function of an audit organization laid down in the Co-operative Act of 1889. At fixed dates, member societies were checked to see if they were managed “properly”. These activities undoubtedly greatly helped to consolidate the movement in difficult economic times though the positive influence of the Allgemeiner Verband was also outweighed by some serious negative effects.

Until the turn of the century consumer co-operatives in Germany had no association of their own that would represent their specific interests at the national level. The Allgemeiner Verband, which included most consumer co-operatives, was dominated by co-operatives of the self-employed and moved their interests to the fore. The predominance of self-employed artisans and traders was reflected in the introduction of unlimited liability for members, in force from 1867 to 1889. This provision made sense for credit unions, but it hurt the consumer co-operatives because well-off citizens were barred from entry. In 1889 another problematic provision was enforced when a formal ban was put on trade with non-members. The ban hurt especially the consumer co-operatives and was monitored using police-state methods.

One of the main lines of conflict between the consumer co-operatives and those of the self-employed was the question of the co-operatives' own production at the local and the national level. From the 1870s to the turn of the century this topic led to continuous debates at co-operative congresses. The Allgemeiner Verband never brought itself to support consumer co-operatives in this matter. This fact illustrates not only the distance between the English and the German movement up to the 1890s, it also shows important differences between English and German liberalism in ideology and social base.

¹² For example Pfeiffer, *Die Consumvereine, ihr Wesen und Wirken*.



ILLUSTRATION 10.1
*Office building of the former
 consumer co-operative Vorwärts,
 built in 1905 in Wuppertal-Barmen*
 PHOTOGRAPH: KLAUS KÖHLER.

Ascent and Breakthrough, 1890–1914

The early 1890s marked a watershed in the development of consumer co-operation in Germany. Until then, the number of organized societies fluctuated around 200 with years of strong gains alternating with those of great losses. With the end of the great deflation, food prices were rising again, while experts noted a genuine foundation fever among consumers. Membership of the Allgemeiner Verband was now rising. This was also caused by the admittance of formerly non-organized co-operatives to the new federation, the Zentralverband deutscher Konsumvereine (Zentralverband, Central Organization of German Consumer Co-operatives), founded in 1903 (See Table 10.1). The average size of co-operatives increased. By 1900, the number of organized consumers in the German Empire exceeded for the first time 1 million. The movement gained a new center at Hamburg, also the headquarters of the socialist trade unions, following the foundation there of the Großeinkaufsgesellschaft Deutscher Konsumvereine m.b.H. (GEG, Germany's Co-operative Wholesale Society) in 1894. At the beginning of the new development in the 1890s a German delegation made a symbolic visit to the premises of the English movement's headquarters in Manchester, which left a deep impression

on them.¹³ The establishment of the GEG following the English model meant a boost for self-production. This sealed the final break with liberalism, although the initiative came from the co-operatives of the self-employed. The growing similarity between the English and the German movement was also evident in the growing membership. At the beginning of the 1890s total membership of German consumer co-operatives amounted to 20 percent of the English, in 1914 it reached 75 percent.

A direct consequence of the fact that the social democratic workers' movement and the consumer associations approached one another was the partisan split of the latter. A small group of societies remained in the liberal association, while the Christian workers' movement founded its own organization, the Reichsverband. The Zentralverband was the strongest organization. From the 1890s, German consumer co-operatives were considered to be an integral part of the revolutionary socialist workers' movement. This led to an entry ban for government officials, legally questionable special taxes and other liabilities. The external perception contrasted the mutual perception of the Sozialdemokratische Partei Deutschlands (SPD, German Social Democratic Party) and the co-operatives as independent organizations with conflicting interests at times. The German workers' movement saw politics as the principal means of emancipation, while self-help institutions like the co-operatives simply alleviated social ills, carrying the risk of deviation from the main goal. Official recognition came only in 1910 at the Magdeburg congress of the SPD.

Peak and Turnaround, 1914–1945

During the First World War co-operatives met the expectations of the military in distributing scarce resources efficiently and evenly, which earned them a certain degree of respect and recognition. The ban on civil servants joining fell. Many middle-class consumers, trying to maximize their options, entered the societies. For the first time, the social structure of the co-operatives resembled that of the general population, rather than being dominated by working-class consumers (see Table 10.2). This tendency lasted until the end of the inflationary period (1923–4), which in Germany was not only a severe monetary crisis but also an equally serious supply and employment crisis.

13 A German participant wrote in his diary about what he had seen: "We German dilantans sometimes feel as if we are in a 1001 fairy tale". Cited in Bösche and Korf, *Chronik der deutschen Konsumgenossenschaften*.

Another important development in the years between 1914 and 1933 was the technical and organizational modernization of the movement's factories and shops, especially between 1924 and 1930. Modern marketing techniques such as film were adopted, special co-operative brands were introduced and the movement experimented with new forms of distribution such as department stores. Among their competitors, consumer co-operatives were feared as a spearhead of progress. Concerns about excessive wage costs even led the Confederation of Industry to consider consumer co-operation positively. In the ideological debates of the 1920s within the working-class movement, co-operatives were recognized as a "third pillar" alongside the party and the trade unions.¹⁴

On the face of it consumer co-operatives rebounded astonishingly quickly and thoroughly following the severe crises of the years 1914–24.¹⁵ But appearances were deceptive. The membership numbers of the inflationary epoch were never reached again (Table 10.1), while at the same time the social structure narrowed again. It turned out that the movement had failed to bind the new members permanently. The overcoming of social and political reservations in the middle classes was tied to the extreme conditions of war and inflation.

Even more problematic was the need to manage the funding of expensive innovations of this period with little equity capital. The movement's own reserves and members' savings had been completely destroyed by hyperinflation. When stabilization finally came in 1924, the shelves were empty as the co-operatives had virtually sold out under pressure from their members in the last phase of inflation. The extensive investments in new premises after 1924, which in retrospect were criticized even from the co-operatives' own ranks, reflected the gap in modernization after a decade of living from hand to mouth. Threatening financial difficulties arose when the economic crisis in the early 1930s forced many unemployed members to withdraw their nest eggs.

When the National Socialists took power in 1933, important parts of the movement were already badly mauled.¹⁶ It seems that a rescue would have been possible. Under the new political conditions, however, it was unthinkable. Political persecution, obstruction, intimidation and lack of support after 1933

14 See Lange, *Die Konsum-Genossenschaft Berlin*; Hasselmann, *Geschichte*, p. 352; Torp, *Konsum und Politik*; Novy and Prinz, *Geschichte*.

15 Prinz, "Structure and Scope of Consumer Co-operation".

16 On the development under National Socialist rule see Hasselmann, *Geschichte*, p. 46; Novy and Prinz, *Illustrierte Geschichte der Gemeinwirtschaft*; Kurzer, *Nationalsozialismus und Konsumgenossenschaften*; Schmiechen-Ackermann, "Konsumgenossenschaften als Nischen", pp. 167–84; Kurzer, "Sicherheitspolitische Aspekte", pp. 157–74; Ditt, "Die Konsumgenossenschaften im Dritten Reich"; see also Adam and Jaunich, "Die Leipziger Bau- und Konsumgenossenschaften".

led to great losses. The run on the bank accounts by the rank and file continued, as no one knew for sure whether the Nationalsozialistische deutsche Arbeiterpartei (the German Nazi Party, NSDAP) would stand by its promise to destroy the remaining co-operatives. Many of the biggest co-operatives (such as Berlin) went into bankruptcy. The so called Rabattgesetz (Discount Act) of 1934 which capped the dividend at 4 percent, a measure by which the Nazi party met an old wish of the retailers, constituted a further liability.¹⁷ Thus the co-operatives' most important advertising medium was neutralized.

As part of the regime, particularly the military, continued to appreciate the distributive function of the co-operatives, the state refrained from complete destruction of them. In anticipation of victory, the Deutsche Arbeitsfront (DAF, the National Socialist trade union that replaced all trade unions) began to transform the consumer co-operatives into a large joint stock company, ignoring the protest of the small self-employed workers who favored privatization.¹⁸ One of the motivations to create such a centralized structure was political, born of the notion that the co-operatives continued to serve as a shelter for members of the resistance. The so called "Gemeinschaftswerk der deutschen Arbeit", a label given to the planned company by the DAF, remained unrealized. In the last phase of the war conditions were no longer in place to make the new structure work properly.¹⁹

Illusory Boom, 1945–1955

The end of the Second World War led to a second economic rebound which proved, however, to be an illusory boom.²⁰ As institutions with a democratic tradition, German as well as Austrian consumer co-operatives were given ample scope in the process of reconstruction, with the exception that the return of their financial assets was considerably delayed since these were considered NSDAP assets in legal terms. Existing legal discriminations – limiting the dividend, banning sales to non-members – were lifted. The need for a

17 Verordnung zur Durchführung des Gesetzes über Preisnachlässe (Rabattgesetz) vom 21. Februar 1934, *Reichsgesetzblatt*, 1, p. 120.

18 Verordnung zur Anpassung der verbraucher-genossenschaftlichen Einrichtungen an die kriegswirtschaftlichen Verhältnisse, in: *Reichsgesetzblatt* 1941, 1, Nr. 22 vom 28. Februar 1941. From the perspective of the DAF: *Die Überführung der Verbrauchergenossenschaftlichen Einrichtungen in das Gemeinschaftswerk der deutschen Arbeitsfront GMBH. Abschlußbericht des Bevollmächtigten der DAF. Stabsleiter des Reichsorganisationsleiters Heinrich Simon, Hamburg (Ausweichstelle Lobeda Thüringen), Juli 1944.*

19 Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, p. 504.

20 Brett Fairbairn, "Wiederaufbau und Untergang der Konsumgenossenschaften", pp. 171–98.

more effective allocation of scarce food had benefited consumer co-operatives during occupation and in the early years of the Federal Republic of Germany. Faced with a difficult supply situation, socially and politically remote groups of the general population once again joined the co-operatives. Between 1945 and 1955 co-operatives won at least 2.5 million members, out of a population of more than 50 million. The relationships with key government officials – in the first place with minister of finance Ludwig Erhard – improved. In return, co-operatives tried to improve the traditionally difficult relationship with small traders and craftsmen,²¹ in order to avoid the bitterness that had characterized former conflicts. These efforts also reflected experiences leading representatives had collected during exile in the UK.²²

When opening new stores in the 1950s, co-operatives also benefited from collaboration with other big trade union owned companies. Among them was the housing company *Neue Heimat*, at times the largest housing construction company in Europe, which played a key role in the reconstruction of West German cities after the war. *Neue Heimat* helped co-operatives to find locations in new housing estates. Inflationary tendencies, particularly in the first years after the currency reform, again made the co-operatives an important tool for securing real wages. This was offset by challenges and pressures, which in many places resembled those of the interwar period or even exceeded them. Once again, a portion of the membership left after an improvement in the supply situation. While after the First World War there had been a pent up demand for investment, after 1940 bombing campaigns had demolished many inner cities where co-operatives had been located.

Without doubt, however, the biggest problem proved to be the transition to self-service, which occurred in the second half of the 1950s on a broad front. In terms of investment this change meant the biggest challenge in the history of German consumer co-operatives. The German movement's failure in handling this challenge can be explained by the following. First, important reasons are located in the legal environment. The Nazis had forbidden the consumer co-operatives from maintaining savings facilities for their members. This prohibition was updated after 1945 and German societies thus

21 They were critical of the idea that Erhard was an "Amerikaner" – in German public debates a politician sympathetic to American style economic liberalism and disdaining the co-operatives. Prinz, "German Co-operatives in the Public Sphere", pp. 157–75.

22 The most important example was Erwin Hasselmann, editor of *Der Verbraucher*, the main organ of the movement in the 1950s. Hasselmann became "the" historian of the co-operatives after his retirement. On Hasselmann, see the autobiographical remarks in Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, pp. 554, 558, 684. See also Prinz, "German Co-operatives in the Public Sphere". The notion is based on an examination of Hasselmann's contributions to *Der Verbraucher*.

lacked the traditionally most important source of cheap investment capital. Second, the recruitment of new members was again hampered by the renewal of the discount law and the capping of the dividend. Third, due mainly to the influence of representatives of the British co-operative movement the NSDAP's centralized company, Gemeinschaftswerk, was dissolved in 1945 and German co-operatives were rebuilt one by one in their traditional form, that is locally. An important starting point for a generous organizational rationalization was abandoned and thus an historic opportunity was missed. The small co-operatives blocked important steps in the modernization efforts during the second half of the 1950s. Fourth, the period of persecution in the Nazi era contributed to the interruption of generational change. New ideas were suppressed by an older generation born in the days of the Empire.

Lastly, an important point, rarely mentioned, was the nature of economic expectations. After the First World War the horizon of economic expectations was somewhat over optimistic. The memory of the golden years of the empire played a role in this, while in the first years after the Second World War, these expectations tended to be too pessimistic, at least in some parts of German society. The extent of visible damage and the memories of the economic difficulties during the interwar years had a lasting effect. This fact is often overlooked because historians tend to interpret the early 1950s in the light of subsequent developments in the second half of the twentieth century. When one takes into account that the co-operatives reckoned with a lengthy process of reconstruction, lasting decades, their reluctance to undertake costly modernization steps at this point seems more plausible.²³

The circumstances mentioned above all point in the same direction and their specific influence is therefore difficult to determine. Besides, one has to consider, of course, all those factors that are usually mentioned such as the rapid increase in real wages, the reduced proportion of food in workers' household budgets and the obstacles to an energetic modernization process caused by the need for consensus.

Crisis, Dissolution and Scandal, 1955–1970

This is not the place to describe the continuous crisis and the final dissolution of the organized consumer movement in Germany in detail.²⁴ As early

23 Prinz, "Vor der Konsumgesellschaft", pp. 512–55.

24 For an overview see Schröter, "Der Verlust der 'europäischen Form des Zusammenspiels von Ordnung und Freiheit'", pp. 442–67; see also Prinz, "Mut zur Armut", p. 40; Fairbairn, "Wiederaufbau und Untergang der Konsumgenossenschaften", pp. 171–98.

as the second half of the 1950s the first symptoms of a crisis were obvious. As indicated there was an evident backlog in the introduction of self service. Consumer co-operatives had traditionally been regarded as the spearhead of progress in trade but they now realized very quickly that they were so no longer. Parallel to the debate in the UK and accompanied by detailed investigations and numerous memoranda, in 1957 an intense debate began in West Germany which lasted about a decade until 1968.²⁵ Various attempts to centralize the structure on a voluntary basis in order to achieve more economies of scale failed.

Around 1970 the outcome looked like this: on the local level there were some quite profitable societies. These gave up the co-operative form and developed in part into large retailers that were nationally and even internationally very successful, albeit without any further commitment to the co-operative idea. The less successful, partly illiquid consumer co-operatives were united as a joint-stock company labelled Co-op AG (1974), with the help of the trade union owned Bank für Gemeinwirtschaft. A third, very small group of consumer co-operatives did not join any of these solutions and maintained the status quo.

Even among the trade unions these complex relationships were not well understood, as evidenced by the fact that in collective bargaining the trade unions accidentally addressed the “wrong” company. The spectacular failure of the Co-op AG proved fatal to the reputation of consumer co-operatives in Germany. From the outset it was clear that the initial situation of the company was very unfavorable. The unions, now de facto owner of the company, sought to compensate for the liabilities by giving the managers very wide scope.²⁶

25 For the debate in the UK see Ch. 21.

26 With the agreement of the unions a normative framework based on the idea of a “Public Service Economy” was developed which served primarily to shield the management against politically motivated expectations. The author of this concept was von Loesch, *Die gemeinwirtschaftlichen Unternehmen der deutschen Gewerkschaften*. An important impulse for the scandal was the attempt by the unions after the parallel NH scandal (NH refers to Neue Heimat, a huge building conglomerate owned by the unions) to shut down its own financial commitment to the co-operative AG. A thorough investigation of these processes is still a desideratum. An informative account is given by the main culprit: Otto, *Co-op-Skandal*; see also Herzog, *Solidarität unter Verdacht*; Bustini Grob, *Großkredite im Schatten des Strafrechts*; Brambosch, *Co-op zwischen Genossenschaft und Gemeinwirtschaft*; Brazda and Schediwy, *Der Rechtsformwandel bei Genossenschaften*. There are parallel developments in other areas of the co-operative movement. The breakdown of the Neue Heimat Group, whose basis had been Weimar housing co-operatives, exhibits similar features. The co-operative movement of the self-employed (REWE Group) shows parallels. In all these cases, “sleepy” small and middle-sized co-operatives were merged overnight into large corporations, while the control structures were insufficiently worked out. This deficit was justified by pointing to the cut throat competition in the retail sector or with respect to the NH the immense demand for housing in postwar Germany which

The effort failed. The financial status of the group was hidden by the central board from both the public and the unions until the late 1980s. The result was one of the largest financial bankruptcies ever in the Federal Republic. It destroyed both tangible and intangible capital. The CEO Bernd Otto was temporarily sought with an international arrest warrant. The term “co-op” is still firmly attached to the notion of scandal, an association was fostered by an award winning film in 1991, *Kollege Otto – Die Coop-Affäre*.²⁷

The timing and the form of the demise played an important role in preventing the possibility of any collaboration between the representatives of the old movement and the new co-operatives of the 1980s or the growing group of organic producers, with the exception of some local and regional constellations. Insofar as the successors of the co-operatives and the new movements overlapped in time, they distanced themselves more or less sharply from each other.²⁸ Many supporters of the new consumer movements tended to interpret the Co-op scandal as evidence that size and centralization were the roots of the problem, not considering the opportunities that size may offer. All considerations about the chances of a major new consumer movement in Germany, whether theoretical or practical, will have to deal with this problematic legacy.²⁹

From the perspective of the early 1990s it seemed plausible to assume that reunification might provide a second chance for a revival of consumer co-operation in Germany, given the fact that co-operatives had long played a major role in the distributive sector of the German Democratic Republic (DDR). Here, thanks to government support the re-establishment of co-operatives after the war had had a head start. As early as 1947 the movement claimed a membership of 1.8 million. A special feature of the East German development was the insistence of the Sozialistische Einheitspartei Deutschlands (SED) from the very beginning on a prominent role for women in the movement. The committees of the co-operatives were supposed to be filled primarily with female members. The ruling SED regarded co-operatives as a suitable transmission

required a great deal of flexibility, risk taking, freedom of action etc. The result was a situation where the staff enjoyed exceptionally large autonomy, sometimes over many years for the better, sometimes for the worse, inflicting particularly great damage. Nothing characterizes the risky shirt sleeved style of leadership less than the label “functionary’s business style”.

27 “Colleague Otto – the Co-op Affair”, directed by Heinrich Breloer 1991. The film was shown at prime time on the first German TV channel, ARD.

28 Novy et al., *Anders leben*.

29 In a kind of Copernican revolution of the German consumer movement the Green Party now shows strong sympathies for the small self-employed in trade.

belt of communist ideology and a means to reach beyond the workplace into families. The downside was action starting in 1946 to purge members of the SPD from their long-held positions in the administration.³⁰

In the DDR, about a third of overall trading was in the hands of consumer co-operatives. In contrast to the Handelsorganisation (HO), a state led central trade organization founded in 1948, co-operatives were responsible for distribution to the rural population. This led to the preservation of a large number of very small shops. Unlike other mass organizations, there was no forced membership. That said, however, from the perspective of the individual buyer there were strong economic incentives to join. Membership of a co-operative continued to be essential to get scarce goods.

If the long term development is considered, including the events after 1989, the fate of both German movements showed certain similarities despite many differences. Both movements profited directly after the war from a social environment in which a seller's market existed. What prevailed was not the creation of demand but its fulfilment. Such conditions existed in the West until the mid-1950s, in the DDR until its demise. Both movements failed not only because of the historical burdens and limitations of the co-operative form, but also, as has been argued above, because change was so rapid in both cases that adaptation proved difficult. In West Germany the commercial revolution from the late 1950s represented an enormous challenge for a weakened movement, while in East Germany the sudden arrival of modern large scale distribution forms after the so-called *Wende* in 1989 proved lethal. As change came so suddenly and the *Grundlagenvertrag* (regulating the relationship between East and West Germany) negotiated by the liberal-conservative government under Helmut Kohl's leadership took no account of the special structure of consumer co-operatives, it prepared the ground for the East German co-operatives' rapid dissolution. Only a handful of East German co-operatives survived.³¹

German and English Co-operative Societies: Comparative Remarks

The German movement displays many noticeable peculiarities which call for closer inspection. In this respect the near omnipresence of co-operatives in

30 McCulloch, "A Site of Surveillance", pp. 17–28. On the development of East German co-operatives after 1945 see Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, p. 541.

31 See Kaltenborn, *Zwischen Resistenz und Einvernahme*; KONSUM, *Die Konsumgenossenschaften in der DDR*; Landsman, *Dictatorship and Demand*.

Europe is a great help. International comparisons are an invaluable tool not only in order to identify national characteristics with more precision, but to give clues for the explanation. Comparing English and German experiences for this purpose is not a retrospective exercise, rather it has been done by the leading personnel of the German movement ever since it was founded.

Some aspects of the relationship between English and German co-operatives can be described using Alexander Gerschenkron's model of "relative backwardness".³² With Rochdale, England supplied an attractive model which served as a long term orientation for German co-operatives. The value of this model was never questioned, at least not for about a century, although initially there were pragmatic adjustments to particular economic and political circumstances, such as stamp co-operatives. After a longer preparatory phase – in Gerschenkron's terminology – from the 1890s a big spurt took place, which strongly reduced the numerical difference between the movements. However, the German movement never overtook the English one despite its superior economic growth.

There were minor differences. In their internal constitution German consumer co-operatives resembled joint stock companies. Unlike in England, the management board was small and controlled by a supervisory board. In terms of corporate culture it is notable that the English movement dealt with commercial elements in its practice and ideology very self-consciously, while the German movement tended to overplay or disguise such elements. The main difference was undoubtedly the different level of political and social integration. German consumer associations were always seen as being part of a radical political movement, a label which competed with their self-perception as being part of a consumer movement. The identification of co-operatives with a challenge to bourgeois society gave legitimacy to special laws, taxes and threats for dissolution, phenomena for which in England there were only faint similarities.

The two world wars served on the surface at least as pacemakers for the political integration of the movement into society at large. However, negative effects far outweighed positive ones. After both wars German consumer co-operatives were confronted with the need to rebuild the movement, after 1945 from scratch. Steady development would have been necessary in these phases but it never came about. After the First World War the Great Depression halted a brief recovery, while after the Second World War there was a singularly rapid revolution of distribution. The cumulative challenges overwhelmed an already weakened movement.

³² Gerschenkron, *Economic Backwardness*.

The development of the German movement underlines the fact that the history of co-operatives cannot be written without reference to the political environment. It may be objected that the end result – a life threatening crisis – was similar despite the big political differences between Germany and England. In the 1950s, however, the English movement still possessed much more substance which enabled it to try out new solutions at the regional level. Anything on a similar scale was missing in the Federal Republic of Germany.

Foreign Contacts, Role Models and National Development

As peculiar as the political fate of German co-operatives may have been, striking similarities to other movements make it obvious that the history of neither the German nor any other movement can be written from the perspective of a single country alone. Foreign contacts and role models have both played an important part in practice and as a subject of historiography.

Consumer associations, whose statutes resembled those of the Rochdale pioneers with provisions for individual membership, self-administration, wholesale, profit sharing, etc., emerged in the German states in the 1840s without knowledge of the English model. In other words, there was in a way “Rochdale without Rochdale” on German soil. In short, this suggests that the co-operative organization of consumers on similar principles was in the air. However, early German societies were not associated with any greater vision. They did not want to be a model for anyone. In contrast, being linked to a vision, disposing of proven business principles, clever self-marketing and enormous practical success were the main ingredients of Rochdale’s singular role as a model.³³

In the 1860s Rochdale became a well-known label among social reformers in the German states. There now existed independently local foundations that were directly attributable to visits by individuals and groups to Rochdale. Some significant modifications and adaptations to the specific national and local conditions were made in the transference of the model. The relatively little known south German liberal, Eduard Pfeiffer, who can be regarded as the real founder of the early German movement, had firsthand knowledge of Rochdale. He received an important impetus from his visits and attended in person the Annual Congress of the British Co-operative Union. At this time in the late 1860s distances were still so large that Pfeiffer tended to give his English

33 See Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, p. 19; Prinz, *Brot und Dividende*, p. 40.

counterparts highly exaggerated information on the size of the German movement, probably out of shame over the undeveloped state of affairs at home.³⁴

Perhaps the greatest influence exerted by the English model came in connection with a visit of a delegation of senior German co-operators to Manchester's Co-operative Wholesale Society (CWS) in 1899. The British comrades sent their own large steamships to Hamburg to transport the guests. At this time, sales of the GEG constituted only a small fraction of the CWS's turnover.³⁵ The visit clearly showed the Germans the potential of a unified movement that did not exist at that time in Germany. It was no coincidence that the founding of a separate consumer co-operative association occurred barely four years later.

On the other hand, one should not overestimate the effect of this or any other travel. The organizational separation of consumer co-operatives had long been underway at the regional level. At the national level, unity had been maintained by the liberal leaders for many years only with difficulty. The steep rise of German consumer associations in the following decade took place in the context of a rapidly expanding economy. One must also be aware that at that time this type of travel was no longer spontaneous. It did not constitute a voyage of discovery as it had been in the 1860s, but took place in response to carefully prepared invitations between organizations and individuals, some of which had known each other for a long time. Behind the famous voyage of 1899 stood an influential group of officials who had pleaded for the German societies to follow the English model and to enter into the production sector even at the cost of a break with the independent traders and artisans. The internal status of this group was strengthened by the fact that they had been on a pilgrimage to the co-operative Mecca and as "hajjis" could claim to know the "miracle" first hand.

International exchange between individual movements played a particularly important role in the modernization efforts after the Second World War. The focus was on the question of whether and in what manner the revolutionary principle of self-service should be introduced. The pioneers were not the co-operatives themselves. The innovation had been developed by the private sector in the United States, where the self-service principle had been widely used since the interwar period. The first Scandinavian and German delegations of co-operators visited the United States in the late 1930s. During the reconstruction period the question was intensively discussed in Germany. German trade was overall very backward at that time as a result of the National Socialist autarky policy in the 1930s. The debate in Scandinavia proved a valuable source of information for the internal German discussion, but equally important were

34 Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, p. 126.

35 Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, p. 271.

the experiences of refugees who had spent the war years in the USA, and who on returning home recommended the new principle forcefully.³⁶ After their initial enthusiasm, however, German societies stopped the transition. There was a lack of capital and the leadership preferred to rebuild the movement in the traditional form. Crucial for the modernization efforts from the second half of the 1950s were no longer the experiences of other movements, but the pressure of private competitors.

When the transition finally came to Germany it did so too late and thus the connection was missed. The difficulty of answering the question as to whether developments elsewhere served as a role model is illustrated by the introduction of self-service. In relation to the UK it has been argued that self-service was introduced too (!) early.³⁷ The rapid transition to self-service, so the argument goes, tended to conceal the fact that the necessary adaptation of the shops was not made. With regard to Scandinavia the literature seems to agree that the adoption of the new service principle worked out well.³⁸ The co-operatives managed to build on their already existing technical and organizational lead and laid the foundations for their strong position in the coming decades. Thus, one is confronted with three different ways of reacting to a developed model with very different results: a swift adaption with beneficial effects, a swift adaption with harmful results and, the third variant, a long delayed reaction with a negative outcome.

A survey of the 150 year history of co-operatives and of their transnational relations among each other shows the following pattern: first, a phase of "discoveries", in which knowledge of the Rochdale model was often random in nature and led to isolated social experiments. Some of these caused initial ignitions, while others had only limited effects; second, a time in which Britain represented the well-known and generally accepted Mecca of the movement, and where knowing the role model from one's own experience raised the status of the visitor and the power of his arguments at home; third, the period after the Second World War, which was characterized by systematic and continuous exchange. The publications of the German Zentralverband after 1945 are full of reports on the experiences of other countries. However, "knowledge" did not always result in action because of legal and other contextual differences.

36 An example is the leading representative Bernard Priess who spent the years after 1933 in the US. However, his brochure favoring self-service was withdrawn from publication by the central board of the Zentralverband deutscher Konsumvereine. Information to the author by Priess. On the question of self-service and the influence of the US as a model there is a recent publication by Langer, *Revolution im Einzelhandel*.

37 Ekberg, "Consumer Co-operatives", p. 57.

38 See Chapter 27.

Relations with the International Co-operative Alliance (ICA)³⁹

In comparison to the importance of bilateral links between the English and other national movements, the ICA played a comparatively minor role. In principle, until the 1950s the major function of the ICA consisted of reinforcing and conserving the already strong influence of English consumer co-operatives at home and abroad.

When the ICA was founded there were no independent organizations of consumer co-operatives in Germany. Credit unions and agricultural co-operatives of the Raiffeisen type dominated the scene and it was these organizations that first joined the ICA. After several years of bitter conflict the agricultural co-operatives seceded from the ICA. The view that co-operation was primarily an instrument to defend economic independence and the tough opposition of German consumer societies in this respect were decisive factors. In other words, the German consumer co-operatives played an important part in making the ICA an international federation mainly of consumer co-operatives. In parallel, the German movement became a core member of the Alliance, with leading German representatives Heinrich Kaufmann and Henry Lorenz elected to the managing bodies of the ICA. At times, a relocation of the ICA offices to Hamburg was considered. The rather non-conciliatory attitude of Kaufmann caused the Catholic wing of the German consumer movement to retire from the ICA.⁴⁰

While the struggle before the First World War was directed towards conservative groups, after 1919 the focus was on the extreme left and its attempts to use co-operatives for the benefit of class struggle and the hoped for revolution. The controversial decision of the ICA to grant membership to the Soviet co-operatives imported the dispute to the ranks of the ICA. Again German societies spearheaded the counter attacks. This had much to do with the fact that German co-operatives were particularly sensitized by permanent defensive battles against organized communist infiltration at home.⁴¹ As for the impact on the international level, the German side, despite its economic weakening after 1919, profited greatly from the reputation of figures like Heinrich Kaufmann.

This influence ended in early May 1933 when the German co-operative leadership, under heavy pressure from the Nazi Party, capitulated in the presence of the secretary general of the ICA Henry May to National Socialism

39 The following is based on Rhodes, *The International Co-operative Alliance*.

40 See Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, p. 345.

41 The German delegates voted against the admittance of the Soviet co-operatives to the ICA, see Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, p. 391.

and “tried to reach for accommodation with the new regime”.⁴² This submission attempt proved not only futile, it cost the German movement “the high prestige which it had abroad, nearly completely”.⁴³

The disappointment of the ICA about the attitude of some members of the German leadership in 1933 – another group was helped to emigrate to the UK by the ICA – did not prevent the Alliance from getting involved in the reconstruction of German co-operatives after 1945. Several delegations took inspection tours to war torn postwar Germany and urged the British occupation authorities to release the confiscated assets. But the influence of representatives within the Military Administration proved more important for reconstruction, its “timing” and its direction than the influence of the ICA from the outside.⁴⁴ In addition, both the policy of the ICA and the line of co-operators within the British military administration were not opposed but complementary. In line with the policy pursued in the interwar period, the Alliance supported the claim of the West German movement to represent Germany as a whole at the international level. In 1949, the West German Central Association was re-admitted to the ICA, while a request for inclusion by the East German Association was rejected. It remained outside until the end of the DDR.

In summary it can be said that the most important developments in the relationship between the ICA and the German movement happened in the beginning. British and German consumer co-operatives joined forces to make the economic co-operatives of the independent middle classes leave the Alliance. This was made possible inter alia also because consumer co-operatives generally felt a greater commitment to the international exchange of ideas. However, it also helped conserve English predominance. Unlike the credit and agricultural unions, where the main concepts came from the continent, Germans remained junior partners in the area of organized consumption.

A factor whose weight is demonstrated by the German case is the vital importance of personal ties and friendship between leading European co-operators for the coherence of the international organization. In both world wars and especially under the rule of National Socialism personal relationships served as brackets. They provided, as has been said, an important “measure of continuity” in difficult circumstances.⁴⁵

42 Cited in Rhodes, *The International Co-operative Alliance*, p. 153.

43 Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, p. 461.

44 Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, p. 522.

45 A telling example is represented by the fate of Henry Everling, who had been a key figure in the 1920s and maintained this function in the reconstruction process after 1945. He had stayed in an official function during the 1930s under National Socialist rule. He was known to be anti-Nazi only through private conversations with members of the ICA: see Rhodes, *The International Co-operative Alliance*, p. 298.

TABLE 10.1 *German co-operatives: Numbers and members, 1864–1970*

Year	Allgemeiner Verband [Liberal] (a)	Zentral- verband [SPD] (b)	Reichs- verband [Catholic] (c)	Total	(a)	(b)	(c)	Total
Number of co-operatives				Members				
In oooos								
1864	38	–	–	38	8	–	–	8
1870	111	–	–	111	46	–	–	46
1880	195	–	–	195	94	–	–	94
1890	263	–	–	263	215	–	–	215
1900	568	–	–	568	522	–	–	522
1910	271	1109	78	1458	270	1171	53	1494
1920	–	1191	331	1522	–	2714	411	3125
1929	–	997	273	1270	–	2859	765	3624
1933	–	918	218	1136	–	2771	573	3344
1935	–	1114	–	114	–	2130	–	2130
1940	–	1022	–	1022	–	1853	–	1853
1948	–	244	–	244	–	756	–	756
1950	–	296	–	296	–	1324	–	1324
1960	–	276	–	276	–	2576	–	2576
1968	–	167	–	167	–	2313	–	2313
1970	–	139	–	139	–	2105	–	2105

(a) Allgemeiner Verband der auf Selbsthilfe Beruhenden Deutschen Erwerbs- und Wirtschaftsgenossenschaften

(b) Zentralverband deutscher Konsumvereine; since 1968 Bund der Konsumgenossenschaften

(c) Reichsverband deutscher Konsumvereine

The numbers refer to the organized societies. The *Statistik der Preußischen Genossenschaftskasse*, which is available after 1900 indicates much higher numbers.

SOURCE: *STATISTISCHE JAHRBÜCHER DER VERBÄNDE*, PP. 1864FF.; HASSELMANN, *GESCHICHTE DER DEUTSCHEN KONSUMGENOSSENSCHAFTEN*, APPENDIX; GESCHÄFTSBERICHTE 1969–1973.

TABLE 10.2 *Social composition of German co-operatives, 1913-1927*

Year	Self-employed in trade and industry	Self-employed in agriculture	Professions, civil servants	White and blue collar workers	Farm hands	Members without profession, retired etc.	All members
in o00s							
1913	85	28	52	1221	38	120	1542
1914	88	30	57	1309	38	143	1665
1915	98	34	67	1355	39	169	1762
1916	108	38	81	1463	53	217	1959
1918	120	46	98	1547	45	284	2140
1920	158	74	178	1815	70	342	2636
1922	183	94	249	2016	91	392	3026
1924	200	116	329	2207	100	366	3317
1926	177	103	306	2087	91	378	3141
1927	155	91	267	1970	80	323	2885
1913 = 100							
1913	100	100	100	100	100	100	100
1914	104	107	110	107	100	119	108
1915	115	121	129	111	103	141	11
1916	127	136	156	120	139	181	127
1918	141	164	188	127	118	171	139
1920	186	264	342	149	184	285	171
1922	215	336	479	165	239	327	196
1924	235	414	632	181	263	305	215
1926	208	368	588	171	239	315	204
1927	182	325	513	161	211	269	187

SOURCE: KAUFMANN, *FESTSCHRIFT ZUM 25JÄHRIGEN BESTEHEN DES ZENTRALVERBANDES*, PP. 340-1.

TABLE 10.3 *Consumer co-operatives in England and Germany, 1835–1950*

Year	England		Germany		England/Germany
	Reporting societies	Members of reporting societies (in 000s)	Reporting societies	Members of reporting societies (in 000s)	Members England (=100%) in relation to Germany
1835	– (300)	–	–	–	–
1852	– (170)	– (30)	?	–	–
1857	– (200)	– (?)	?	–	–
1864	– (394)	129	38	8	6.2
1865	417 (815)	149	34	7	4.7
1866	436 (839)	175	46 (111)	14	8.0
1867	577 (906)	172	49 (?)	19	11.0
1868	670 (956)	209	75 (318)	34	16.3
1870	749 (969)	250	111 (354)	46	18.4
1880	1177	554	195	94	16.7
1885	1148	747	162	120	16.1
1890	1240	962	263	215	22.3
1895	1417	1417	460	292	20.6
1900	1439	1707	568	522	30.6
1910	1421	2542	1458	1494	58.8
1914	1385	3054	1563	2250	73.7
1920	1379	4505	1622	3125	69.4
1924	1314	4703	1553	4240	90.2
1930	1210	6403	1251	3733	58.3
1935	1188	7484	1114	2130	28.5
1950	999	10,570	296	1324 (1765)	12.5

Explanation: Figures in brackets () show estimated numbers of all societies.

SOURCES: SEE TABLE 10.1; SEE ALSO PRINZ, *BROT UND DIVIDENDE*.

The Rise and Fall of Austria's Consumer Co-operatives

*Johann Brazda, Florian Jagschitz, Siegfried Rom
and Robert Schediwy*

In Austria, as in the rest of the European continent, most consumer co-operatives before 1885 were founded from above, under the patronage of persons from the existing social elite such as landowners and factory owners. According to the dogma of laissez-faire liberalism, the deficiencies of which were clear to the more far-sighted members of this elite, co-operatives were meant to mitigate the problems of the industrial revolution and to act as a kind of mild “counterforce” to stabilize the system as a whole. Consumer co-operatives were regarded as a means to reduce the cost of living for workers, small businessmen or state officials, a motivation that was also effective when Austria's co-operative law was debated and passed in 1873. Employers were able to favor co-operatives as a strategy of enlightened self-interest, since they would tend to reduce the upward pressure on wages: by enjoying the advantages of co-operation wage-earners would be able to buy more goods for the same amount of money. A favorable factor in this context was the relative backwardness of a distribution system characterized by a multitude of small outlets, enormous mark-ups and strong indebtedness on the consumer side as well as on the level of small shop owners.¹ This created a certain economic pressure to make commerce more efficient. Distribution was to follow the lead of the production sector where the introduction of machinery had brought a dramatic fall in costs, and co-operation was one of the methods tried.

In contrast to the more advanced societies of Western Europe, Austria lacked the typical founding fathers of co-operation such as de Boyve and Auguste Fabre in France, Eduard Pfeiffer and Hermann Schulze-Delitzsch in Germany, von Kraemer and von Koch in Sweden, tax collector Kupper in Holland, Giuseppe Mazzini in Italy and the philanthropist Heinrich Zschokke in Switzerland.² The reasons for this are yet unclear and would merit further

¹ Österreichische Industriegeschichte GmbH, *Österreichische Handelsgeschichte*, pp. 25ff; Seibert, *Die Konsumgenossenschaften in Österreich*, pp. 15 ff.

² For example Gaumont, *Histoire générale de la coopération en France*, pp. 97ff; Baltzarek, “Die geschichtliche Entwicklung der österreichischen Konsumgenossenschaften” pp. 3ff;

investigation. From the commentaries on Austria's 1873 law on co-operatives – passed during the heyday of Austria's short-lived liberalism – we can however observe how even a parliament elected by less than 5 percent of the population and consisting mainly of representatives of the wealthiest classes could see co-operatives with a favorable eye. This law was meant to “mitigate the social question” (i.e. the mass poverty brought about by the Industrial Revolution) “without questioning the property of the possessing classes” while at the same time “extracting the poorer classes from the erroneous teachings of communism”.³

The Austrian-Hungarian Empire was also affected by the wave of interest in consumer co-operatives generated in Europe during the 1860s by the enormously influential book by Holyoake on the Rochdale pioneers.⁴ It was mostly taken up by people from the lower middle class and economic elite of industrial workers, and it was favored by enlightened benefactors. The radical wing of the workers' movement, then in its formative years, strictly opposed these “bourgeois” concepts. Nor did the moderate leftist workers' consumer co-operatives that later came to dominate the sector favor this kind of ideological heritage. This had a far reaching impact on the literature. For example in Vienna a very strong bourgeois consumer co-operative, Erster Wiener Consum-Verein (EWC, First Viennese Co-operative Society), was founded in 1862 and existed for more than 70 years.⁵ However, since the “red” consumer co-operatives came to dominate the scene their view of the history of co-operation also became dominant. After all they furnished the funds to those writing.⁶ Thus the history of the bourgeois consumer co-operatives was almost overlooked until recently, though the authors have tried to amend that situation.⁷

This contribution endeavors to outline the highs and lows of Austria's consumer co-operative movement in a chronological manner. For many years the consumer co-operatives were the dominating force in Austrian retailing and they were responsible for the introduction of many innovations, for example self-service, the women's co-operative movement and environmental

Hasselmann, *Geschichte der deutschen Konsumgenossenschaften*, pp. 126ff; Earle, *The Italian Cooperative Movement*.

3 Kaserer, *Das Gesetz vom 9. April 1873*, p. 63.

4 Holyoake, *Self-Help by the People*. See also Ch. 3.

5 Brazda, Schediwy and Todev, *Die bürgerlichen Konsumgenossenschaften in Österreich*, pp. 136 ff.

6 E.g. Brazda and Rom, eds., *150 Jahre Konsumgenossenschaften in Österreich*; Seibert, *Die Konsumgenossenschaften in Österreich*.

7 Brazda, Schediwy and Todev, *Die bürgerlichen Konsumgenossenschaften in Österreich*.

awareness. In the end, however, approximately three decades of a downward spiral ended in an economic collapse in 1994–5.

Developments in Austria before the First World War

The beginning of the consumer co-operative movement in the Austrian-Hungarian Monarchy was strongly influenced by the change in the Austrian economic structure, from the pre-industrial to the industrial era. Self-provision on a subsistence level decreased and new ways of food provision became more important to cater to the need of the social structures caused by industrialization. The Austrian-Hungarian situation in the middle of the nineteenth century was multifaceted. Firstly, Austria was an authoritarian, multilingual society and secondly the economic situation in different parts of the empire was quite unequal. Some areas kept their rural structure for a longer time, while others were already industrialized.⁸ This situation was reflected in the early structure of the co-operative movement, which developed earlier and more strongly in the industrialized areas.⁹ The consumer co-operatives were locally organized so they had also an important role in the building of local structures, using the language of the people within the cultural context in a certain region.

The first consumer co-operatives in the Habsburg Monarchy sprang up in Bohemia and Vienna in 1847.¹⁰ These associations still had a charitable character, however. The consumer co-operative founded in 1856 in a textile factory in Teesdorf, Lower Austria near Vienna is regarded as the first true self-help consumer co-operative in the area which became modern Austria.¹¹ Textile workers, spinners and weavers were the primary victims of industrialization in Europe, but small artisans, low rank officials, relatively well-off workers, miners and parts of the farming population in Vorarlberg and the Tyrol were also attracted by the idea of co-operative self-help.¹² The development of co-operatives in Bohemia strictly followed the national divide between Czech and German groups.¹³

8 Good, *The Economic Rise of the Habsburg Empire*.

9 Brazda, "Die Entwicklung der Konsumgenossenschaften bis 1918", p. 36.

10 E.g. Prager Victualien und Sparverein; Wiener allgemeiner Hilfsverein; Seibert, *Die Konsumgenossenschaften in Österreich*, p. 18.

11 Brazda, "Die Entwicklung der Konsumgenossenschaften bis 1918", p. 37.

12 Baltzarek, "Die geschichtliche Entwicklung der österreichischen Konsumgenossenschaften", pp. 47 ff.

13 Reich, *Arbeiterselbsthilfe*, pp. 21 ff.

The first wave of consumer co-operative creation started in the late 1860s, a time during which Austria's economy experienced an intense upswing. This period of optimism ended with the stock market crash of 1873.¹⁴ In 1873, however, there was also a more positive event, when the parliament of the Austrian part of the Austro-Hungarian Monarchy (Reichsrat) passed a co-operative law (Genossenschaftsgesetz) on 9 April 1873.¹⁵ This law created for the first time a juridical basis for co-operative ventures in the Austro-Hungarian Monarchy. The political calculation behind the law was the following: by offering the right of economic association the government tried to forestall political radicalization.¹⁶ Unfortunately, the depression after 1873 did not create a good starting point for the development of consumer co-operatives. Lack of capital, high debts, lack of qualified personnel, too high dividends and other forms of mismanagement were the main reasons of the co-operative difficulties of these years, according to Reich.¹⁷

After 1883 the number of consumer co-operatives in the Habsburg Monarchy increased again, and a true boom set in during the 1890s, when moderate social democrats discovered this instrument. This gradual politicization had its advantages as well as its drawbacks. On the one hand, it made for highly motivated staff members and elected officials, but on the other hand it gave competitors the chance to denounce consumer co-operatives in political terms and to ask for political measures to be taken against them.¹⁸ In reality consumer co-operatives could not be regarded as a big threat to private retailing up to the end of the nineteenth century. An exception was Vienna, where the bourgeois EWC and the moderate left Erster Niederösterreichischer Arbeiter-konsumverein (First Lower Austrian Workers' Co-operative) already had a respectable position in the market.

The complicated genesis of Austria's first union of co-operatives, Allgemeiner Verband der auf Selbsthilfe beruhenden Österreichischen Erwerbs- und Wirtschaftsgenossenschaften (the General Association of Austrian Co-operative Societies based on Self-Help) formed in the years 1872–74, cannot be analyzed here,¹⁹ but we have to note that for more than three decades

14 Sandgruber, *Ökonomie und Politik*, pp. 245ff; Baltzarek, "Die geschichtliche Entwicklung der Konsumgenossenschaften in Österreich", p. 226.

15 In Hungary the co-operative regulations were incorporated into the *Book of Trade Laws of 1875*: Totomianz, *Internationales Handwörterbuch des Genossenschaftswesens*, p. 905.

16 Reich, *Arbeiterselbsthilfe*, pp. 35, 40.

17 Reich, *Arbeiterselbsthilfe*, pp. 41 ff.

18 Brazda "Die Entwicklung der Konsumgenossenschaften bis 1918", p. 48.

19 Brazda, Schediwy and Todev, *Selbsthilfe oder politisierte Wirtschaft*, p. 45.

Austria's consumer co-operatives were organized inside this association alongside the credit co-operatives of the Schulze-Delitzsch type and producer co-operatives. Around the turn of the century, however, it became evident, that the workers' consumer co-operatives wanted to have their own association. They succeeded in this aim in 1904, by founding the Zentralverband der österreichischen Konsumvereine (Central Association of Austrian Consumer Co-operatives, shortened to Konsumverband). In addition this was supported by the fact that Austria's new co-operative auditing law (Genossenschaftsrevisionsgesetz 1903) stipulated regular control by auditing unions.²⁰

Far-sighted men like Lorenz Hertl, the manager of the workers' co-operative Arbeiterkonsumverein Fünfhaus, were aware early on of the need for a co-operative wholesaling business.²¹ Hertl demanded this already in 1872, but only in 1905 was a corporate wholesale society created. Its name was Großeinkaufsgesellschaft österreichischer Konsumvereine (GöC, Austrian Co-operative Wholesale Society) and it functioned not only as a wholesale company and a holding company for industrial ventures but also had to cater to the needs of ailing consumer co-operatives and there were many of these around 1900. The enthusiasm for consumer co-operation around 1900 was impressive, but had its risks. Already in 1896 local party organizations wanted to push through a motion proclaiming that Austria's Sozialdemokratische Arbeiterpartei (SDAP, Social Democratic Workers' Party) regarded consumer co-operatives as an integral part of the workers' movement.²² The example of the heavily politicized Belgian co-operatives, above all Vooruit in Ghent, partly convinced the political strategists that co-operatives could have organizational as well as financial advantages for the party and the unions.²³ A co-operative building could house other labor movement institutions, blacklisted unionists could find employment in the co-operative sector and co-operatives could help the families of members on strike.²⁴ The issue was discussed time and again but the strategists of the party acted quite cautiously. They were well aware of the image risks that could materialize if the party was associated too closely with a failing co-operative enterprise that created losses for its shareholders.

20 Vukowitsch, *30 Jahre Zentralverband Österreichischer Konsumvereine*, p. 14.

21 Reich, *Arbeiterselbsthilfe*, p. 51.

22 Seibert, *Die Konsumgenossenschaften in Österreich*, pp. 40 ff.

23 On Vooruit see Chapter 4.

24 Regarding the model function of Vooruit of Ghent, see e.g. Gaumont, *Histoire générale de la coopération en France*, pp. 510ff; "Ein sozialistisches Volksfest in Belgien", *Arbeiter-Zeitung*, 29 July 1906.

The lack of entrepreneurial skills and the more or less sole emphasis on buying and producing instead of distribution techniques and the requirements of the customers were obvious sources of risks. These are the main reasons why many consumer co-operatives did not survive the pioneer stage. At the party conference of 1907 the SDAP passed a resolution which made membership in consumer co-operatives (or the founding of one) compulsory for party members. This change of attitude from caution to full embrace was probably due to the strength of the grassroots movement of party members that could not be ignored.²⁵ The consumer co-operatives were intimately associated with the party, for better or worse, so an effort had to be undertaken to assure their economic success. There was also the tempting example of the Belgian model and its peoples' houses.

From 1909 on the consumer co-operatives were officially seen as a fully equal part of the workers' movement. From that moment at the latest the triumvirate of party, union and consumer co-operatives was established in the Austrian labor movement and the three pillars theory was put into practice.²⁶ This co-operation also manifested itself in the establishment of the Hammerbrotwerke, a co-operative bakery in Schwechat near Vienna, and the co-operative department stores in Linz, Salzburg, Innsbruck, and Dornbirn. All three pillars were equally represented in these enterprises.

As mentioned before, the reason for this change of attitude was the fact that for better or worse the workers' consumer co-operatives were seen as part of the movement in any case and their economic downfall would have created enormous problems. The possibility of downfall was realistic. The party's forward strategy before the First World War can be seen as a frantic attempt to stabilize an economic situation that was getting out of hand. For example, the Konsumverein Vorwärts was the result of a merger of some already weak social democratic co-operatives. The GöC had to finance these and other economically unstable co-operatives.²⁷ The foundation of Hammerbrotwerke was also ill-fated. In 1913 a catastrophe of the workers' consumer co-operatives group seemed imminent. It could only be avoided by a last minute action under the leadership of Karl Renner, the pragmatic and some would say opportunistic leader of the SDAP. For many years Renner was the brain and predominant force of Austria's co-operative movement and it is fair to say that his leadership

25 Minutes of the official party conference of the German Social Democratic Workers' Party, Vienna 30 September to 4 October 1907, pp. 107 ff.

26 Baltzarek, "Die geschichtliche Entwicklung der Konsumgenossenschaften in Österreich", p. 199.

27 Seibert, *Die Konsumgenossenschaften in Österreich*, p. 52.

and visions were decisive for many decades of co-operative development. Among his most important achievements was the creation of a solid financial basis for the co-operative movement by establishing the Arbeiterbank (Workers' Bank), and his role in creating stability and growth as charismatic leader of the Konsumverband. Renner was the founder and first chancellor of Austria's First as well as its Second Republic and was the most influential social democratic leader in Austria during the twentieth century. The newly created Kreditverband der österreichischen Arbeitervereinigungen (Credit Association of Austrian Workers' Unions) pooled money from the trade unions in order to support the Hammerbrotwerke co-operative bakery, GöC and other workers' organizations.²⁸

The Effects of the First World War

Paradoxically it was the outbreak of the First World War that saved the consumer co-operatives and contributed to their positive image during the inter-war years. After the outbreak of the war it soon became apparent that goods of strategic importance such as cotton, leather, metals, petrol etc. had to be rationed and a central system of distribution had to be organized. In the context of opposing interests the consumer co-operatives came to be a well-established pillar of the domestic war economy, like their counterparts in the other belligerent countries.²⁹

Karl Renner became one of the seven directors of the Amt für Volksernährung (Public Office of Nutrition) in 1916.³⁰ The consumer co-operatives and the GöC became the instruments of a relatively fair distribution of scarce food, while individual grocery stores and butchers soon acquired the reputation of usurers by fully exploiting the possibilities of the booming black market. The co-operative organization proved especially efficient in organizing food for the workers of the war industries. Its own industries, even the problematic ones like the Hammerbrotwerke, were running at full capacity and mounting inflation erased the debt load. In a way, Austria's consumer co-operatives thus

28 Seibert, *Die Konsumgenossenschaften in Österreich*, p. 56; Blaich, *Der rote Riese wankt*, p. 45.

29 E.g. France and Britain: Gaumont, *Histoire générale de la coopération en France*, p. 678, even reports that the fourth international FNCC congress noted that the co-operative movement was assuming the character of a public institution: Schediwy, "France", p. 684.

30 Vukowitsch, *Geschichte des konsumgenossenschaftlichen Großverkaufs*, p. 50.

profited from the tragedy of war and acquired the reputation of fair distributors. At the end of the war, however, their social background changed in a dramatic way.

The small country of Austria that came out of the First World War was a political entity that almost nobody believed in: according to a well-known formula Austria was a “state nobody wanted”. This is reflected by the fact that its Declaration of Independence of 13 October 1918 turned out to be in reality a “Declaration of Dependence”. The newly founded Republic of Deutsch-Österreich proclaimed itself part of the German Republic.³¹ This was of course totally unrealistic. The Entente powers could not tolerate the enlargement of the German Empire they had fought so bitterly by the German-speaking Austrian territories. For some time this was not accepted by a large part of the Austrian population and even in the co-operative press authors like Siegmund Kaff wrote enraged articles against the French in an almost warlike terminology.³²

However, when it became obvious that becoming part of the new, democratic Germany was impossible, the small and poor Austria of the early postwar period was able to engage in a surprisingly positive development. This was also true for consumer co-operatives. How was this possible? One tentative answer would be that Austria’s consumer co-operative leadership had matured and the process of fermentation around 1900 had given rise to a tough pragmatic technocratic leadership. To name but a few there was Andreas Vukovich³³ who had proved himself in the Lower Austrian cities of Mödling and Gloggnitz and who now had the leading role in the Erster Niederösterreichischer Konsumverein (First Lower Austrian Workers’ Co-operative). Franz Hesky (Konsumverein Mürzzuschlag), Anton Pohl (Allgemeiner Spar- und Konsumverein Graz) and Johann Menzl (Konsumverein Leobersdorf) had similar careers, they were the Austrian counterparts of people like Albin Johansson in Sweden or Paul Thiriet in Lorraine. These were solid, tough business people who knew how to calculate, but they were also true believers in the co-operative ideal, who found their fulfilment in serving their cause. At the same time, they were somewhat skeptical with regard to the danger of over-politicization. They did not want

31 Hannak, *Karl Renner und seine Zeit*, p. 334.

32 E.g. *Der Konsumverein*, 16 (2 August 1923), p. 129: “Der Hauptschuldige an der vollziehenden Vernichtung Mitteleuropas ist Frankreich” (“The main culprit in the ongoing annihilation of Central Europe is France”).

33 His son who held a doctorate of law and worked at the Zentralverband wrote his name Vukowitsch. After 1945, however, he returned to the old spelling.

their consumer co-operatives to be associated with political radicalism or costly experiments.³⁴

Unfortunately the general political development in Austria during the late 1920s and 1930s led towards a radicalization of political conflicts. The first winter of peace (1918–19) was a winter of hunger, sickness and cold. Furthermore Austria's political elite was deeply divided between "blacks" and "reds". Inside the SDAP the left wing dominated at that point of time. The co-operatives and their more pragmatic leadership were discredited because of their participation in the war effort. Co-operatives were seen by many as a suitable means to develop a social and economic structure between capitalism and communism. In the beginning things did not look so bad. There was a coalition between the two main parties, the SDAP and the Christlichsoziale Partei (CSP, Christian Social Party). A number of social reforms were passed by parliament: the eight hour working day, unemployment insurance, the establishment of works councils, chambers of labor and women's suffrage. But Austria's social legislation was so progressive that a growing number of conservatives thought it turned out too costly.³⁵ In July 1920 the SDAP left government and had to remain on the opposition benches during the rest of the democratic inter-war period. With their stronghold in "Red Vienna" the leading left wing exponents in the SDAP still had an important power base, but their verbal radicalism did not really succeed in covering their effective weakness. The Social Democrats had their own private army, but it was not well armed and did not have a realistic chance in a potential confrontation with its conservative counterparts and the official army led by conservative commanders.

In this situation the consumer co-operative leadership had little space for maneuvers. Ideologists like the female parliamentarian Emmy Freundlich tried to mobilize co-operative members in ways similar to those that the party leadership used to mobilize its followers, which was by appealing to their sense of duty. Sometimes the words *Genossenschaftler* (co-operator) and *Genosse* (comrade) got mixed up and there were allusions to "the party", mostly in early 1927.³⁶ Pragmatic co-operative leaders did not like this. After 15 July 1927, when Vienna's Palace of Justice stood in flames, it became evident that civil war was imminent and that the left would lose it. In this situation the consumer co-operative leadership rediscovered the concept of Rochdale neutrality. This proved to be a wise decision.

34 Brazda, "Die Entwicklung der Konsumgenossenschaften bis 1918", p. 67.

35 Bachinger and Matis, *Der österreichische Schilling*, p. 19.

36 Schediwy, "Die Zwischenkriegszeit im Blickfeld des Freien Genossenschaftlers", p. 146.

What was the situation of Austria's consumer co-operatives during that period? In the beginning of Austria's First Republic there was much talk about socialization. The leading thinker and actor of the Social Democratic left Otto Bauer was much in favor of such a concept. A law on social enterprises was passed in July 1919. Not much came out of these discussions, but the consumer co-operative group organized around the GöC participated in some of these enterprises and after a while took over the most promising ones.³⁷ After July 1920 when the Social Democrats left the government there was no more impetus to create or to energetically continue socialization. In 1924 the GöC took over the prestigious department store Stafa AG with the support of the Arbeiterbank (Workers' Bank).³⁸ Not all co-operators appreciated this, because they felt it to be in contrast with democratic co-operatives. Renner also tried to make the EWC part of Konsumgenossenschaft Wien (KGW, Vienna Consumer Co-operative), the latter being the result of a postwar merger and, for a time, the biggest consumer co-operative in the world. The EWC was in serious trouble because its membership, mostly government employees, had lost their money and often their jobs when Austria's administrative apparatus had to be downsized as a result of the breaking apart of the Austro-Hungarian monarchy.

Part of the relative economic stability of Austria's consumer co-operative movement was due to the inelasticity of demand for basic necessities such as food. With production falling dramatically during the war this inelasticity had become the source of widespread hunger and of desperate attempts to gain food by becoming co-operative members. After the situation had normalized, membership numbers diminished but soon stabilized (Figure 11.1). In the interwar period the structure of the auditing union was changed dramatically. The German consumer co-operatives of Czechoslovakia had been members of the Konsumverband before 1918 but now had to found a separate union in Prague on 5 July 1919. This was a substantial loss for the Konsumverband which lost 71 percent of its members.³⁹ On the other hand, the auditing union gained new members among the railway men's co-operatives (Lebensmittelmagazine der Eisenbahner).

37 Gewa (Gemeinwirtschaftliche Anstalt), Leder und Schuhfabrik, founded 1919 in Brunn am Gebirge was the first one. Other Gemeinwirtschaftliche Anstalten were: the Österreichische Heilmittelstelle, the Wäsche- und Bekleidungs-AG, the Wiener Holz und Kohlegesellschaft, the Steirische Fahrzeugwerke G.W.A., the Gemeinwirtschaftliche Siedlungs- und Baustoffanstalt and the Wasserkraft Blumau G.W.A. Seibert *Die Konsumgenossenschaften in Österreich*, p. 56.

38 Seibert, *Die Konsumgenossenschaften in Österreich*, p. 86.

39 Vukowitsch, "Genossenschaftlich denken! Genossenschaftlich sprechen! Genossenschaftlich schreiben!", *Der freie Genossenschaftler*, 6 (1919), pp. 5–7.

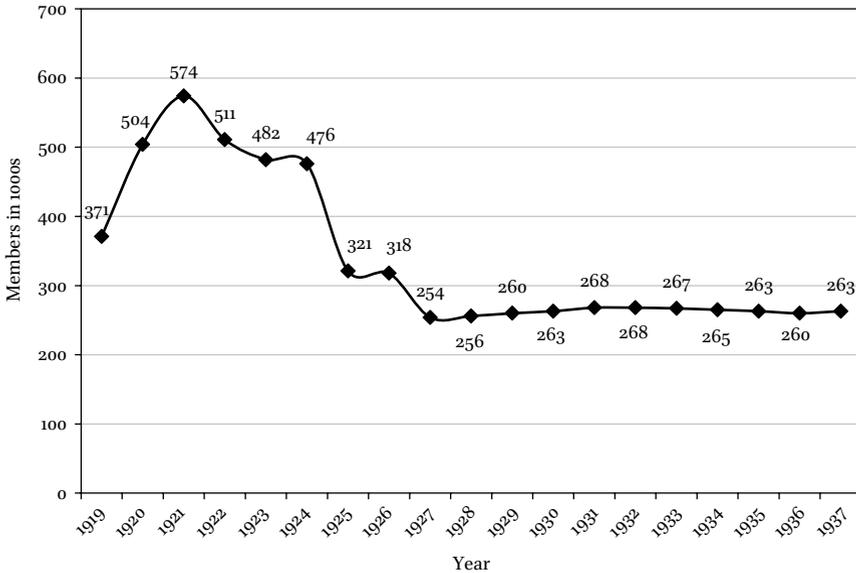


FIGURE 11.1 *Members of the affiliated consumer co-operatives of the Zentralverband österreichischer Konsumvereine, in thousands, 1919–1937*

SOURCE: BASED ON THE ANNUAL REPORTS OF THE ZENTRALVERBAND ÖSTERREICHISCHER KONSUMVEREINE.

After the First World War when there was no longer a shortage of daily necessities for the people of Austria, the trade margin in retailing decreased. Figure 11.2 shows that the trade margin for the consumer co-operatives organized in the Konsumverband decreased by 24 percent between 1913 and 1923 whereas total costs, including personnel costs and overhead expenses, rose during the same period. However, during the years after the stabilization of the Austrian currency and despite all the problems, a small profit could be achieved. This small surplus did not enable the consumer co-operatives to pay a dividend.⁴⁰

After 1 March 1925, when the worst crisis was over and the new currency, the Austrian Schilling, was introduced, the stronger consumer co-operatives, among them the big KGW, were able to pay a dividend again. The postwar shortage of supply was overcome and the Austrian economy reached firm ground. In 1928 the Konsumverband recommended that its members pay a dividend, but at a maximum rate of 2 percent.⁴¹

40 Vukowitsch, *Die Arbeits- und Lohnverhältnisse in den österreichischen Arbeiter-Konsumgenossenschaften*, p. 10.

41 Vukowitsch, *30 Jahre Zentralverband österreichischer Konsumvereine*, p. 36.

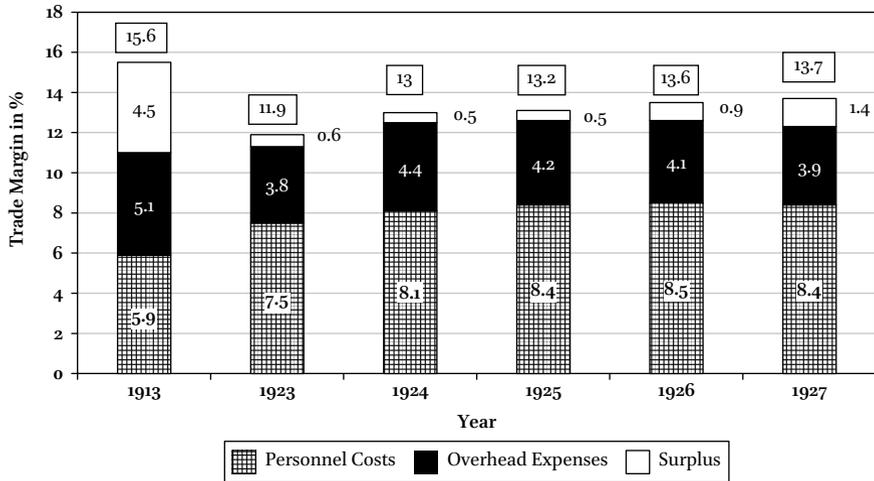


FIGURE 11.2 *Development of the trading margin for the consumer co-operatives in the Zentralverband österreichischer Konsumvereine, 1913–1927*

SOURCE: VUKOWITSCH, *DIE ARBEITS- UND LOHNSVERHÄLTNISSE*, P. 12.

The challenges of the period of hyperinflation after the First World War could be overcome rather well by most consumer co-operatives through investments in real values, mostly in real estate. A specific aspect of the development of the GÖC after the First World War was the development of the textile department. There already existed a certain rivalry between the GÖC and the KGW, for the latter had its own industrial ventures offering employment to several hundred people.⁴² Among these production units there were a bakery, a coffee roasting plant, a wine cellar, a brewery and a lemonade production plant.⁴³

A characteristic development of the inter-war years was the increasing role of women inside as well as outside the co-operative structures. Suffrage for men had been introduced in Austria's parliament in 1907, but women got voting rights only after the First World War. Members' caucuses were formed, one for every shop. Their members – often women – took part in public relations campaigns in favor of the co-operatives. On the basis of these caucuses co-operative women's committees were formed, led by Emmy Freundlich, a leading Social Democrat and member of parliament. A new family magazine

42 KGW was a merger of the Erste Niederösterreichische Arbeiter-Konsumverein zu Fünfhaus (founded in 1864), the Arbeiter-Spar- und Konsumverein Fünfhaus (founded in 1865), the consumer co-operative Vorwärts (founded in 1903) and the consumer co-operative Donaustadt (founded in 1893).

43 Jagschitz, *Die österreichischen Konsumgenossenschaften in der Ersten Republik*, pp. 171 ff.

Für Haushalt und Heim was distributed on a monthly basis starting from 1 January 1929, with a print run of 120,000 copies. The print run of the staff magazine *Der freie Genossenschaftler* was much lower with only 5000 copies. At this point it may be useful to mention Emmy Freundlich's strong influence in the more or less male world of consumer co-operatives.⁴⁴ Together with Hilde Burjan as her Catholic counterpart, she was probably one of the two most influential women of the First Republic. Her main contributions to the co-operative world were the strong emphasis on the role of women in consumer co-operatives and a strong defense against any fascist tendencies within the international co-operative institutions, especially the International Co-operative Alliance (ICA). As the long time president of the International Co-operative Women's Guild (ICWG) she was able to communicate her ideas on a worldwide basis.

The Great Depression and the Catholic Authoritarian System, 1933–38

The Great Depression hit Austria particularly hard. Austria's GDP decreased by 22.5 percent from 1929 to 1934. After this sharp drop the economic recovery was very slow. In 1937 the GDP was still 13.5 percent below the 1929 level and 9.1 percent below that of 1913.⁴⁵ In total the Austrian consumer co-operatives were hard hit by the Great Depression. Already in 1930 turnover began to decrease. Many workers lost their jobs, unemployment benefits were low and after a while they were withdrawn. Many enterprises had to reduce working hours, which was another way of reducing the disposable income of their workers. In June 1932 it was estimated that workers had to endure a loss of purchasing power of 25 to 30 percent. The reduction in the turnover of the consumer co-operatives belonging to the Konsumverband was only 10 percent, a fact which was interpreted as evidence for the co-operatives' greater resistance to the bad economic situation compared to the retailing enterprises of the free market.⁴⁶ It has to be noted, however, that expenses for food are highly inelastic, so that part of the better performance of consumer co-operatives may be explained by that effect.

The cash payment principle was submitted to serious pressure during the time of the Great Depression. A number of members had to buy on credit and

44 Strommer, *Emmy Freundlich*, p. 36.

45 Butschek, *Statistische Reihen zur Österreichischen Wirtschaftsgeschichte*, Übersicht 5.2.

46 *Genossenschaftliche Korrespondenz*, 2 June 1932.

became dependent on private shopkeepers. Confronted with that fact a small number of consumer co-operatives then started to sell on credit too. The majority, however, did not give up the cash payment principle and thus did better than their private competitors.⁴⁷

Another problem was the dividend. Many co-operatives were unable to generate a surplus that would justify a dividend but continued to pay them by dissolving hidden reserves, in order not to shock their members and for propaganda reasons.⁴⁸ Membership numbers stayed relatively stable at approximately 260,000 member families.

The development of the GöC during the Great Depression was characterized by the intensification of its relationship with the EWC.⁴⁹ This bourgeois consumer co-operative had already been a shareholder of the GöC from 1920 to 1926. In 1926 the EWC had to declare insolvency and leave the GöC. In November 1935 the EWC had to declare insolvency again and now became totally dependent on the goodwill of the GöC. At that time the EWC had already existed for more than 70 years and ran 42 shops in Vienna giving 360 people employment.⁵⁰ Its reorganization was put in the hands of a new directorate, among whose members were Ludwig Strobl and Andreas Korp, the rising stars of the GöC.

Another source of the increased turnover of the GöC was the development of its industrial sector. In March 1936 a soap factory was opened.⁵¹ During the same year five more productive enterprises were presented to the public. The GöC now produced shoe polish and floor wax; it started a printing business and the production of paper bags and other paper products.⁵²

The KGW also developed its own production during that period. It took over the food depots of the railway workers – which until then only supported the families of the railway workers – and the workers' co-operatives of Mödling, Hainburg and St. Pölten in Lower Austria near Vienna.⁵³ Its own production was concentrated in the food sector. The turnover in value of its bakery in 1935 was 25 percent higher than that of 1929, even though bread and other bakery products fell in price. An important part of production was the coffee roasting

47 *Der freie Genossenschaftler*, 15/8 1931, p. 5.

48 *Jahrbuch des Zentralverbandes*, 1932, p. 16.

49 *Jahresbericht der GöC 1937*, p. 8.

50 Brazda, Schediwy and Todev, *Die bürgerlichen Konsumgenossenschaften in Österreich*, p. 174.

51 *Jahresbericht der GöC 1936*, p. 34.

52 *Jahresbericht der GöC 1936*, pp. 35ff; *Jahresbericht der GöC 1937*, p. 17.

53 *Jahresbericht der Konsumgenossenschaft Wien und Umgebung für die Jahre 1933–1935*, p. 10.

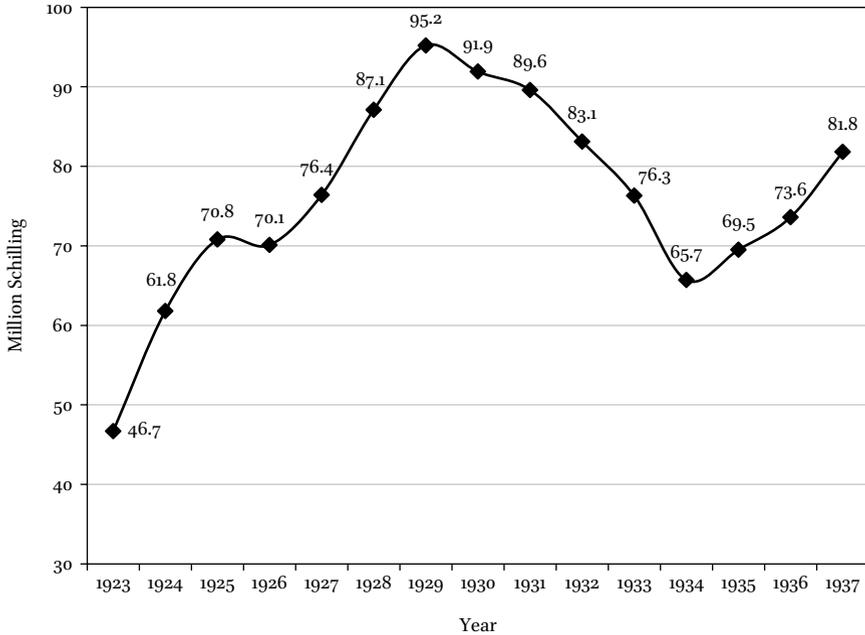


FIGURE 11.3 *Turnover of the GöC, 1923–1937, in million Schilling*

SOURCE: BASED ON THE ANNUAL REPORTS OF THE GÖC.

business. The wine business of the KGW lost almost half its turnover during the depression.

In the political context of rising fascism, political attacks against Austria's consumer co-operatives intensified. Competitors argued that the consumer co-operatives were paying almost no taxes and that they were not subjected to trade law (*Gewerbeordnung*). After Austria's government had become a dictatorship in early March 1933 the path towards anti co-operative legislation opened.

In 1933 the Dollfuß government issued a decree that barred the access of newcomers to most trades (*Gewerbesperre*). This decree was also directed at the consumer co-operatives.⁵⁴ The amendment to the trade law of 12 March 1933 was already mentioned. Starting from 1 December 1933 consumer co-operatives were no longer allowed to sell food or other goods to public

54 Zimet, *Die Wettbewerbsbeschränkungen der Jahre 1935–36 im Einzelhandel in Österreich*, pp. 56 ff.

institutions.⁵⁵ Already before the short civil war in February 1934 the harassment of consumer co-operatives became stronger. After the short uprising on 12 February 1934 the Austrian consumer co-operatives were under the strong risk of being treated like Social Democratic organizations. This, however, was not the case. Leading co-operative personnel from the auditing union, the GöC and the KGW established contact with the agricultural co-operatives and these protected the consumer co-operative sector and guaranteed its survival.⁵⁶

At the beginning of the 1930s Engelbert Dollfuß became the leading figure in the CSP. In 1932 he became Federal Chancellor and the motor of deep changes. Dollfuß had to face multiple challenges. On the economic side, it was the Great Depression. Two weeks before the New York crash one of the main Austrian banks (Bodencreditanstalt) collapsed and had to be rescued with the help of the government. In the summer of 1931 the largest Austrian bank (Creditanstalt) collapsed and had to declare insolvency too. In political terms the Nationalsozialistische Partei Deutschlands (NSDAP, National Socialist German Workers' Party) was gaining ground in a dramatic way. After Hitler was nominated as German Chancellor on 30 January 1933, pressure on the Catholic regime in Austria was mounting. Benito Mussolini, the Italian dictator, strongly urged Dollfuß to undertake a coup d'état. After a chaotic vote in Austria's parliament in which all three Presidents resigned, Dollfuß seized the opportunity and declared that the parliament had eliminated itself. Dollfuß from now on governed by decree. He had partially done so before with the consent of the Social Democrats, juridically based on a half-forgotten wartime decree from 1917. But no more halfway solutions were sought by the small sized autocrat. The military arm of the SDAP (Schutzbund) was proscribed, its weapons confiscated and following a series of provocations parts of it attempted a desperate uprising on 12 February 1934, which was immediately put down. The SDAP and all Social Democratic organizations were dissolved.

A technocratic turn inside the Konsumverband could be noted around 1930, and the proclamation of Rochdale neutrality proved to be helpful during this critical phase.⁵⁷ The increased distance of the co-operative management from its workers' movement rhetoric probably gained the consumer co-operatives relatively favorable treatment. The Council of Ministers declared on 16 February 1934 that the GöC should be submitted to an administrative committee presided over by Ludwig Strobl. Strobl as well as Dollfuß himself took a positive position with regard to co-operatives and the consumer co-operatives'

55 *Der freie Genossenschaftler*, 1 April 1933, p. 1 ff.; 15 April 1933, p. 1 ff.; 15 November 1933, p. 2.

56 Schmidt, *Triumph einer Idee*, p. 30.

57 Schediwy, "Die Zwischenkriegszeit im Blickfeld", p. 203.

role in the alimentation of the population was also to be safeguarded.⁵⁸ However, in February 1934 the most important leaders of the Austrian consumer co-operative movement, including Karl Renner and Emmy Freundlich, were imprisoned by the new government because of their political significance.

In this difficult situation a delegation of the ICA asked to come to Austria to contact Dollfuß and support the goals of the Austrian consumer co-operatives. They were informed that the new Catholic authoritarian leadership was favorably disposed towards co-operation. Actually there were strong connections between the government and agricultural co-operatives. As long as co-operatives would not pursue unwelcome political goals they could continue their business activities. As a result of the visit of the ICA officials the former co-operative leaders were released after approximately two months.⁵⁹ The deal between the ICA and the Austrian government thus meant that the continued existence of Austria's consumer co-operatives was guaranteed only in a forcefully depoliticized form. Austrian co-operative ideologists like Freundlich were strongly opposed to that outcome, but their opinions carried little weight in a situation where force ruled.⁶⁰ The minister of commerce Fritz Stockinger made it clear to Strobl, as the newly appointed leader of the GöC that he had to follow five rules.⁶¹ These were: a prohibition on the opening of new co-operative shops; the number of members was not to surpass that of 1 January 1934. There was to be no propaganda among non-members; no dividend on sugar sold after 1 January 1934. The GöC's textile production had to be ended and the GöC had to make sure that textiles should be sold only by those consumer co-operatives where this was absolutely necessary in the interests of the members.

On the other hand private shop owners promised to give up their public attacks against consumer co-operatives. Three days after the establishment of an administrative committee inside the GöC a similar committee was instituted at the KGW. In fact all consumer co-operatives were now to submit to such committees. However, Strobl argued immediately in favor of the resurrection of self-administration and indeed on 4 June 1935 he was able to hand over the KGW to its elected officials.⁶²

58 Werner, "Dipl.-Ing. Dr. Ludwig Strobl, ein Agrarier führt den Konsum", p. 494.

59 ICA, *xv. Kongress des Internationalen Genossenschaftsbundes in Paris*, 1937, pp. 71 f.

60 In 1939 Emmy Freundlich's fierce fight against the fascism of Nazi Germany forced her to emigrate from Vienna to London as President of the ICWG. Strommer, *Emmy Freundlich*, p. 93.

61 *Der freie Genossenschaftler*, published in early May 1934, p. 1.

62 *Austrian Federal Law Gazette* (1934), No. 101, issued 19 February 1934; *Der freie Genossenschaftler* 15 July 1934, p. 1; 15 November 1934, p. 1.

In a way the consumer co-operatives did not cope too badly under this political pressure. Expansion via the opening of new shops was impossible, but this could be counterbalanced by the active development of the movement's production.⁶³ Some shops had to be closed, but basically only those shops which had already produced negative results.⁶⁴ Given the fact that it is often difficult to close shops operating at a deficit because of political and other interventions this pressure from outside was regarded as something like a bonus by some of the managers.⁶⁵

In conclusion it can be said that KGW was not allowed to expand its shop system but remained dynamic even during difficult political and economic times. The same holds true for the consumer co-operative movement in general. Another symbol of its optimism was the opening of its new professional education center in Hinterbrühl in 1936.⁶⁶

Politically the Austrian Catholic regime tried to establish a corporatist state. This state was never fully achieved, but leading representatives of the consumer co-operative movement were willing to participate in its institutions. Some consumer co-operatives were frustrated about their marginal role inside the official representation of retailing. The more ideological co-operators like Freundlich did not like the pragmatic integration into the authoritarian system at all and regarded the representatives who chose that way as opportunists.⁶⁷ However, the pragmatic management elite wanted to preserve the institutions and similar developments could be seen in other countries.⁶⁸

The Nazi Takeover

1938 was an enormous and tragic rift in the history of Austria. From the perspective of many individuals, however, March 1938 may not have appeared so

63 Schediwy, "Die Zwischenkriegszeit im Blickfeld des ‚Freien Genossenschafters‘", p. 215.

64 Andreas Vukowitsch, based on a taped interview with Dr. Andreas Vukovich (Vukowitsch) in 1974.

65 Schediwy, "Die Zwischenkriegszeit im Blickfeld des ‚Freien Genossenschafters‘", p. 215.

66 Schediwy, "Die Zwischenkriegszeit im Blickfeld des ‚Freien Genossenschafters‘" p. 236.

67 Strommer, *Emmy Freundlich*, pp. 84ff.

68 E.g. Gaston Prache, a leading figure of the French consumer co-operatives until 1945, collaborated in the institutions of the Vichy regime. After the liberation he was ousted by a group led by Marcel Brot. Unfortunately, Jean Gaumont's manuscript of the continuation of his monumental history of the French consumer co-operative movement got lost. According to Henry Desroche, Gaumont's view probably showed too much understanding for Prache's position.

dramatic, though not those of Jewish descent⁶⁹ or politically anti-Nazi. As a matter of fact the one and a half years from the Anschluss (annexation by the Germans) to the beginning of the war in September 1939 were regarded by many as a relatively positive experience. The main reason was the dramatic fall in unemployment, which was due to the armament effort for Hitler's war. This illusion and euphoria held for parts of the Austrian consumer co-operatives too.⁷⁰ The main confrontation inside Austria had been the short civil war of 1934, a confrontation which had created hatred among the two main political groups, the Catholic conservatives and the Social Democrats. The attempted Nazi coup in July 1934 with the murder of Dollfuß was actually secretly applauded by a number of Social Democrats. The Nazi regime knew that well and in the beginning it tried to win over the moderate wing of the workers' movement. But it is a fact that the Nazis' control of the consumer co-operatives was much stricter than the one exercised by the clerical dictatorship before then. After 1938 the Austrian economy was organized as part of the German Empire and followed the same rules. As far as the consumer co-operatives were concerned a special organization was created (see Table 11.1).

TABLE 11.1 *The structure of DAF Gemeinschaftswerk*

Organizational entity	Framework for
Deutsche Großeinkaufs-Gesellschaft m. b. H. in Hamburg (Deugro)	wholesale in the German Empire, except Austria
Waren-Einfuhr- u. Ausfuhr-Gesellschaft m. b. H. in Hamburg (WEAG)	import and export
Industrie-Betriebe des Gemeinschaftswerkes der DAF., G.m.b.H. in Hamburg (IGW)	production units
Großeinkaufsgesellschaft österreichischer Consumvereine reg. Gen. m.b.H. in Wien (GöC)	wholesale in former Austria

SOURCE: AUTHORS' PRESENTATION BASED ON "DIE VERBRAUCHERGENOSSENSCHAFT",
29 MARCH 1941, P. 1.

69 *Die Verbraucher genossenschaft*, 3 December 1938 noted shortly on one of its last pages: "The commissioner of the four year plan general field marshall Göring has issued a decree on 12/11 1938 about the elimination of Jews from German economic life.... § 3 of this decree reads: 1. A Jew cannot be member of a co-operative. 2. Jewish members of co-operatives have to leave co-operatives by 31 December 1938. It is not necessary to give notice of that fact." Schediwy "Die Zwischenkriegszeit im Blickfeld des Freien Genossenschafters", p. 257.

70 *Die Verbraucher genossenschaft*, 25 March 1939 pp. 1 ff.

However, the anti-capitalist rhetoric and the expansive economic policies, with the end of unemployment as their consequence, tended to be welcomed by the workers as well as the workers' co-operatives. In the summer of 1938 the consumer co-operatives also seemed to have succeeded in establishing a chairman of their own liking, a provincial Austrian from Burgenland named Stefan Kroyer. It cannot be denied that there was a kind of honeymoon between the consumer co-operative movement and the new regime. The big turning point, however, was the beginning of the war.

The flexible leadership of pragmatists inside the consumer co-operatives soon learned to use the new language demanded by the Nazi regime. Andreas Korp, Vice Chairman of the Konsumverband, underlined in his speech at the sixteenth congress of the Konsumverband that the "co-operative movement was joyfully ready to co-operate in unity and discipline in the rebuilding of our great fatherland".⁷¹ Vukowitsch noted that "the economic spirit of National Socialism" was in decisive points directly opposed to the prior regime. Instead of the willful limitations to production that were customary before National Socialist policy, the new regime was favoring increased production and thus creating the prerequisites for a better fulfilment of the needs of the common people.⁷² However, nobody dared to mention the simple truth that this economic expansion was based on the preparations for a new world war nobody wanted.

The Nazis liked bombastic celebrations of their power and popularity and in this they were certainly able to exert a certain fascination. In the consumer co-operative sphere one such feast took place on 23 April 1938 in the Viennese Hofburg. Andreas Vukovich (the long term leader of KGW and father of Andreas Vukowitsch) was given a monstrous farewell party in front of more than 2000 people. It was the biggest event of that kind organized by the so-called Betriebsgemeinschaften (enterprise communities). Vukovich, who had retired from his job on 2 April 1938 proclaimed on that occasion the readiness of consumer co-operatives and thus of his own Viennese co-operative to put their efforts to the service to the "great community of the German people" (*große deutsche Volksgemeinschaft*).⁷³

The merger of the EWC with the KGW took place on 12 October 1939. This event was commented in the monthly publication of the consumer co-operatives, *Die Verbrauchergenossenschaft*, with a kind of pseudo-democratic rhetoric:

71 Schediwy, "Die Zwischenkriegszeit im Blickfeld des ‚Freien Genossenschafters‘", p. 256.

72 Schediwy, "Die Zwischenkriegszeit im Blickfeld des ‚Freien Genossenschafters‘", pp. 256 ff.

73 Schediwy, "Die Zwischenkriegszeit im Blickfeld des ‚Freien Genossenschafters‘", p. 262.

“The wife of a court councilor⁷⁴ and the wife of a simple worker are now members in the same co-operative; they buy at the same shop and thus slowly come to know and respect each other.”⁷⁵

The latent conflict of interest between private retailing and consumer co-operatives continued to exist, however, even inside the *Volksgemeinschaft*. Stefan Kroyer, the pro co-operative Nazi from Burgenland was replaced in a coup d'état by Harald Ziegler from the German shop owners' association, who was supported by the new political leaders. Ziegler was given the task of restructuring the consumer co-operatives according to National Socialist leadership principles and transforming them into supply chains (Versorgungsringe) of the Deutsche Arbeitsfront (DAF), the “pseudo” labor organization of the regime.⁷⁶ In 1943 the consumer co-operatives were formally dissolved. As the new structure only lasted for two years, until the end of the Second World War, the former co-operative management network continued to exist and played a decisive role in rebuilding the consumer co-operatives.

Development of the Austrian Consumer Co-operatives, 1945–1978

The reestablishment of the consumer co-operatives after the Second World War was achieved in a very short period of time. One important reason for this was the energetic efforts of the leading pre-war representatives of the co-operative movement who also had an important political voice in post-war Austria. In 1946 the Zentralverband der Österreichischen Konsumgenossenschaften (Central Association of Austrian Consumer Co-operatives) and the Allgemeine Österreichische Konsumgenossenschaft (AÖKG, General Austrian Consumer Co-operative) were established.⁷⁷ The AÖKG served as a parent organization for the other reconstructed co-operatives. Regional co-operatives were established on the basis of the 22 wartime supply chains. Practically all the turnover of the consumer co-operatives was concentrated in 28 big consumer co-operatives; only in Vorarlberg did a system of local co-operatives prevailed.⁷⁸

74 *Hofrat* or court councilor is an old title for higher bureaucrats dating from the monarchy but still existing today.

75 Schediwy, “Die Zwischenkriegszeit im Blickfeld des ‚Freien Genossenschafters‘”, p. 267.

76 Blaich, *Der rote Riese wankt*, p. 45.

77 Seibert, *Die Konsumgenossenschaften in Österreich*, pp. 139 ff.

78 Blaich, “The Consumer Co-operatives in Austria”, p. 925.

By 1951 the membership level of 1937 had been reached again.⁷⁹ From 1948 to 1978 the number of members increased rapidly from 141,000 to 739,000. This impressive and steady increase was the result of an advertising campaign and of the obvious benefits for members of the consumer co-operatives, the yearly dividend.⁸⁰ In 1968, for example, a sum of 79 million Austrian Schilling was refunded to members, at that time a lot of money for co-operative households.⁸¹



ILLUSTRATION 11.1 *Konsumverband poster from 1955, after the introduction of self-service*
GENOSSENSCHAFTSMUSEUM WIEN.

79 Konsumverband, *Verbandsstatistik 1968*.

80 Members benefit as a percentage of the members' total yearly buying refunded at the end of the year.

81 Blaich, "The Consumer Co-operatives in Austria", p. 929.

The postwar boom years were characterized by a shift in consumer attitudes. Class consciousness lost importance. The quality and price of merchandise, location of the shops and permanent availability were decisive for buying decisions. Retailing was no longer merely the distribution of scarce supplies but meant more and more competing in an environment of affluence.

Until the late 1970s the Austrian consumer co-operatives still held the pole position in Austrian retailing. There were, however, deep-rooted problems: the political and union connections that had once guaranteed customer loyalty now turned out to be obstacles to modernization. New shops were opened but there was opposition to the closing of existing retail outlets and the necessary cuts in personnel. The movement was considered to be "too big to fail", and (ex-)politicians in leading positions did not want to hear bad news. Modern methods of retailing were studied by Konsum's experts but they were hardly ever introduced in an effective way. Following the model of American retailing the consumer co-operatives were the first to introduce self-service into retailing and later on became the leader in the hypermarket field. The first self-service shops were introduced in the early 1950s in Vienna, Linz and Graz. For a while the consumer co-operatives were the most innovative retailers in Austria.⁸² Consequently, they started the hypermarket era in Austria in 1969. Their flagship was the hypermarket in Vösendorf, near Vienna, with its approximately 10,000 square meters selling space. A turnover of more than 700 million Austrian Schilling per year in 1970 and a net profit of more than 3 percent of this sum made it the most successful single retail unit in Austria ever.

Beginning in the late 1960s, however, competition in the retail sector got much stronger. Competitors were also able to take advantage of economies of scale, which up to that time had been the big advantage of the consumer co-operatives. The emphasis changed and the consumer co-operatives began to feel the growing strength of their competitors in sales, total cost and finance. To overcome these problems they worked out several renewal schemes. Among these Konzept 69 (Concept 69), with an emphasis on the GöC, was the most important.⁸³ Due to the many different voices and interests within the pluralistic consumer co-operative movement, however, no final common agreement could be worked out, although quite a number of improvements were achieved.

The Austrian co-operative movement was still growing. It kept its number one position in retailing until the 1980s but its financial situation became

82 Jagschitz and Rom, *Aktuelle Entwicklung der österreichischen Konsumgenossenschaften*, p. 5.

83 Blauch, "The Consumer Co-operatives in Austria", pp. 936 ff.

gradually more difficult. This was due to increasing operating losses and the problems of the co-operative sector in raising the necessary funds for investment and further expansion. Everybody realized that a common effort would be necessary to overcome the deepening structural and financial problems. Some regional co-operatives of Upper Styria and Vorarlberg were effectively bankrupt. A new overall plan was developed and it was agreed that it was necessary to join all the forces of the Austrian consumer co-operative movement in one organization. Table 11.2 shows the organizational setup of the consumer co-operatives in 1976 before the creation of Konsum Österreich.

In 1976 the central organization of the consumer co-operatives was re-organized and renamed Zentralkonsum. It acted as the focal point around which 14 of the 16 major Austrian consumer co-operatives were merged. The consumer co-operatives Ausseerland, Salzkammergut and a number of local

TABLE 11.2 *Structure of the Austrian consumer co-operative movement in 1976*

Consumer co-operatives	Subsidiaries of consumer co-operatives	Central organizations	Others
Wien	Erste St.Pöltner	Zentralkasse	15 workers' meeting rooms
Niederösterreich West	Dampfbäckerei	GÖC	Savings clubs
Leitha-Heideboden	Kogross	8 production enterprises	Restaurants
Niederösterreich Süd	Austriamühle		Planning
Obersteiermark	Obersteirischer		co-operatives
Graz	Wirtschaftsverein		
Klagenfurt			
Oberkärnten/Osttirol			
Attnang			
Ausseerland			
Salzkammergut			
Linz			
Steyr			
Union Salzburg			
Tirol			
Vorarlberg			
24 local consumer co-operatives			

SOURCE: BLAICH, "THE CONSUMER CO-OPERATIVES IN AUSTRIA", P. 944.

co-operatives in Vorarlberg stayed outside, with less than 4 percent of the total turnover of the movement.⁸⁴ All the others agreed, due to the economic pressure, to merge to become Konsum Österreich, which was founded on 23 June 1978 with a ceremonial act in the Viennese Hofburg Palace. The organizational basis for the desired better future seemed thus to be established.⁸⁵

Growth and Decline of Konsum Österreich, 1978–1995

Konsum Österreich was able to successfully increase sales volume until 1990. As far as the merger goals of overcoming weaknesses resulting from the lack of buying concentration, inconsistent marketing policy and organizational inefficiencies were concerned, the success was lower than expected.

Konsum Österreich was structured into five regions to achieve the goal of reducing unnecessary overhead costs stemming from too much redundant administration. The matrix organization of Konsum Österreich did not help to attain the necessary cost reduction goals, because local freedom of decision and the strictness of central orders could not be reconciled satisfactorily. Although many modern organizational, marketing and member-based ideas were implemented, the results were insufficient and still it was not possible to cope with the ever increasing competition. The management of Konsum Österreich employed top international consultants to find the proper way towards market success and to implement the operative goals of Konzept 2000 (Concept 2000), which was introduced in 1988, without success.⁸⁶

Preliminary work brought a chance for close co-operation with the Swiss Migros organization – from 1993 to 1995 Konsum Österreich had a partnership with Migros.⁸⁷ The management of Migros and Konsum Österreich worked closely together to develop the tools for common success in Austria. Unfortunately the goals agreed upon by the two partners could not be reached although as co-operatives both organizations were thought to be ideal partners. However, the ideas from Migros for the Swiss market did not fit Austrian retailing. Similar to Germany competition in the Austrian retail sector – unlike

84 *Die Konsumgenossenschaft*, 1 July 1978, p. 8.

85 Jagschitz and Rom, *Aktuelle Entwicklung der österreichischen Konsumgenossenschaften*, pp. 9 ff.

86 Konzept 2000 was introduced in October 1988 to achieve a better market standing and cost cuttings: Jagschitz and Rom, *Aktuelle Entwicklung der österreichischen Konsumgenossenschaften*, pp. 11 ff.

87 For Migros see Chapter 24.

in Switzerland – was very fierce. Figure 11.4 shows the structure of Konsum Österreich during the years of co-operation with Migros.⁸⁸

The financial benefits of this new co-operation did not really show and the need for debt financing was growing. The major Austrian banks began to be concerned about the credit allowed to Konsum Österreich. They eventually realized their common interest and had a top level meeting in January 1995 to discuss the future of Konsum Österreich from the point of view of the financing institutions. In spite of the fact that there had been severe operating losses over more than a decade, it is widely believed that it was this meeting which started the final downward trend of the co-operation between the two co-operative partners, which finally led to the disappearance of Konsum Österreich as an important factor in Austrian retailing.⁸⁹

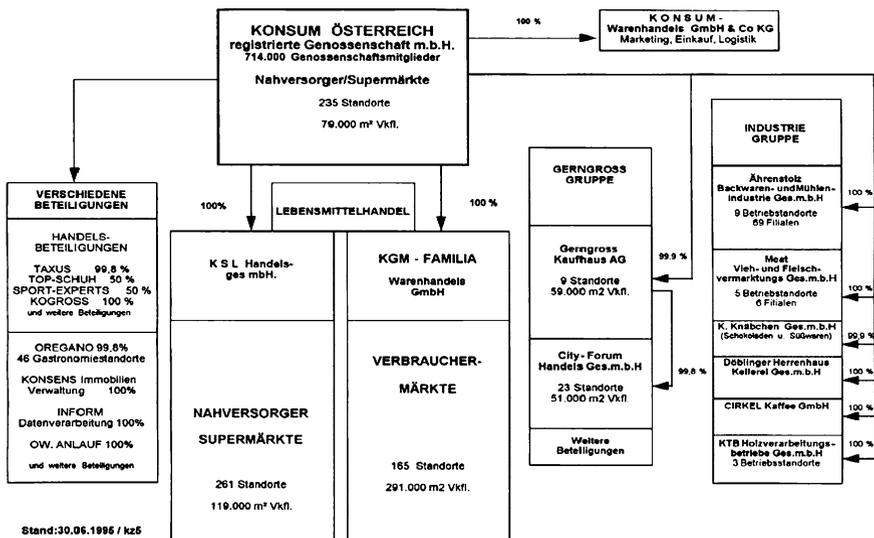


FIGURE 11.4 *Konsum Österreich 30 June 1995*

Source: Konsum Österreich, ed., *Annual report 1994*, p. 17. Translations of the most important terms used in figure 11.4 are as follows: Backwaren- und Mühlen: bakery and mills; Handel: trade; Holzverarbeitung: wood processing; Immobilien: real estate; Kaffee: coffee; Kaufhaus: department store; Kellerei: winery; Mitglied: member; Nahversorger: neighbourhood shop; Schokoladen und Süßwaren: chocolate and sweets production; Standort: location; Verbrauchermärkte: hypermarkets; verschiedene Beteiligungen: other holdings.

88 Jagschitz and Rom, *Aktuelle Entwicklung der österreichischen Konsumgenossenschaften*, pp. 13 ff.

89 Jagschitz and Rom, *Aktuelle Entwicklung der österreichischen Konsumgenossenschaften*, pp. 14 ff.

The Austrian banking sector did not want to continue to finance Konsum Österreich further without guarantees from Migros. Since the conditions concerning the way this should be handled could not be settled properly, the final collapse of Konsum Österreich was inevitable and led to insolvency in April 1995. The insolvency was handled within the legal framework of arrangements for bankruptcy. At that time this meant, that by paying at least 40 percent – under some circumstances 20 percent – of the outstanding debt, business could go on as before. It was agreed by the major partners, however, that Konsum Österreich would stay in existence as a small debt-free residual entity. For the outstanding debts an overall quota of 67.4 percent could be reached, a very substantial figure unmatched in Austrian business history.⁹⁰

With the main assets of Konsum Österreich sold successfully to its former competitors, the feared mass unemployment could be avoided. More than 90 percent of the movement's retail jobs were saved, due to the clever handling of the process of closing down. Also the majority of the staff in the production units of Konsum Österreich (which were taken over by Austrian competitors) kept their jobs. The whole process of the bankruptcy arrangement was rather complicated due to the size and the complexity of the organization. It took almost three years of work to settle all the open questions and to achieve this all time high quota for the creditors.

The following five reasons can be identified as triggering the insolvency of Konsum Österreich.⁹¹ Firstly, the possibilities for synergies opened up by the founding of Konsum Österreich were not used to their full potential. Chances for rationalization in administration, logistics and retailing were missed. Secondly, wrong investment priorities made it impossible to gain immediate profits. Instead of putting money into the retailing facilities, infrastructure and the production units had priority, which proved to be the wrong decision. Thirdly, the assortment of goods and personnel policy proved not to be efficient enough. The workforce of Konsum Österreich received higher wages than the personnel employed by its competitors, but efficiency was below average. Money losing store locations, an above average price level and a product policy that did not reflect sufficiently the expectations of the member-customers were the main reasons for bad results in the operative field. Fourthly, inefficient reorganization strategies put the main emphasis on diversification instead of strengthening the core business. And fifthly, the co-operation between Migros and Konsum Österreich between 1993 and 1995 was influenced too much by

90 Wiedey, "KONSUM ÖSTERREICH, der Untergang der Konsumenten-Selbsthilfe", p. 17.

91 Jagschitz and Rom, *Aktuelle Entwicklung der österreichischen Konsumgenossenschaften*, pp. 14 ff.

wishful thinking. Migros' lack of knowledge of the Austrian market and the apparent weakness of the responsible management resulted in inadequate and unrealistic goals for the retailing partnership.

Conclusion

Throughout its development, Austria's consumer co-operation was linked to international developments. The Rochdale pioneers set a strong example for the first wave of consumer co-operatives founded in the 1860s and 1870s. The second wave of consumer co-operative formation around 1900 was different. It was linked to the international rise of the workers' movement. Co-operative activists in Austria as well as in France and partially even in Sweden looked to the politicized Belgian model for inspiration, where one unit would house the office of the social democratic party, the labor union office and the co-operative store.

The economic results of such a strong political influence were to prove problematic in the long run, in Austria as well as in other European countries a new management elite took over. From a situation of enthusiastic member participation, where members tended to volunteer for various tasks in the co-operatives, the movement evolved to a status where a commercially oriented technocratic elite became the new leaders. Instead of ideological, qualitative goals, their main focus was now on accomplishing economic, quantitative goals. This process is visible in the 1920s and early 1930s, and in this context the concept of Rochdale neutrality was gaining ground again. After the short civil war of 1934 the leading figures of the Austrian consumer co-operative movement were subjected to forced depoliticization by the Catholic authoritarian regime. In this period the connections of the Austrian movement with the United Kingdom and with the ICA were of renewed importance.

Austria's general economic situation between 1934 and 1938 was one of deep depression, even though the consumer co-operatives were doing surprisingly well. The annexation by Germany was thus greeted by many as a chance to join a booming German Reich. However, the truth was that the German prosperity was caused by the armaments industry. The Second World War with all its dismay shaped a new Europe and Austria found its firm place in it. In 1955 Austria got its State Treaty, allied occupation ended and the alpine country re-emerged as a perennially neutral political entity according to the Swiss model.

In that process of reorientation the Austrian consumer co-operatives tended to look at Scandinavia, and more specifically at Sweden for modernization.

For some time this was successful. In the end, however, the Swiss conglomerate Migros had to be approached for help, but in vain.

There are some indications that the Austrian consumer co-operative breakdown has served as a warning to other movements⁹² to engage in more energetic streamlining in order to maintain competitiveness. The underlying reason, namely the tendency of co-operatives to maintain stability, fair treatment of suppliers and employees instead of profit maximizing, was ultimately the cause for the failure within the new very competitive retailing environment.

Konsum Österreich still exists as a legal entity,⁹³ but on a very small basis. The nucleus of its operative business is the OKAY Management GmbH, running special food shops for travelers, a big warehouse – the former distribution center of Konsum Österreich – and a small consulting business.

The destiny of the local co-operatives which did not join Konsum Österreich in 1978 was not positive either. As the legal framework of consumer co-operatives still exists, the future will tell us whether the concept of common ownership, solidarity and member support can have new relevance under severely changed economic and political conditions. A few new developments, like the newly founded consumer co-operative in Kirchstetten and the latest developments concerning food co-operatives seem to indicate that there can be a future for consumer co-operatives in Austria.

92 This is based on private confidential information.

93 It changed its name to OKAY TEAM eG in 2014.

Consumer Co-operatives in Portugal: Debates and Experiences from the Nineteenth to the Twentieth Century

Dulce Freire and Joana Dias Pereira

This chapter seeks to deepen the current state of knowledge concerning Portuguese consumer co-operatives. The analysis is focused on the period between the first legislation on co-operatives promulgated in 1867 and the fall of the dictatorship in 1974. Portugal is not considered an example of success in consumer co-operation. Instead, successive generations of co-operators have stressed the difficulties experienced in developing a sustainable and integrated co-operative movement. This interpretation has also been adopted in the historiography.¹ It has been argued that the debility of the national co-operative movement is partly explained by feeble industrialization and the low proportion of the working class within the Portuguese population. The crisis of liberalism in the last decade of the nineteenth century and the early twentieth century, conservative reaction, and the rise of fascism and the implementation of a corporative and authoritarian state in Portugal also need to be considered. Finally, the bicephalous character of Portuguese industrialization and urbanization – with significant development only in Lisbon and Porto – prevented the creation of a national network.

Further research revealed, however, that co-operatives played an important role in a significant number of local communities, together with other grassroots associations. Focusing on the Portuguese case, we use transnational comparisons to help achieve a broad understanding of the influence of political processes on the development and global diffusion of consumer co-operatives. Historically, the rise and the development of a *third sector* can only

* This chapter is part of the research project “Portuguese Agriculture: Food, Development and Sustainability (1870–2010)” at ICS-Universidade de Lisboa, funded by Fundação para Ciência e Tecnologia (PTDC/HIS-HIS/122589/2010; <http://www.ruralportugal.ics.ul.pt>).

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1 Granado, *Co-operativas de consumo em Portugal*.

be understood as part of a global phenomenon related to the expansion of capitalism, state construction and civil society initiatives. As this analysis covers a long period, which was marked in Portugal by different political regimes and the impact of several economic crises, the chapter aims to explore the relationship between consumer co-operatives, capitalism and the state, within these complex historical conjunctures.

The concept of civil society will be used to provide a perspective on voluntary civic investment in autonomous associations, their historical meanings and political impact. In the Tocquevillean tradition, the concepts of civil society and social capital tend to be related to processes of popular political integration in analyses of the *third sector* or *voluntary sector*. The European scholarly tradition, however, has stressed the dissident and autonomist dynamic of associations and social movements. Despite the ambiguity of these concepts, their analytical validity has been demonstrated in studies relating civil society to the construction of the modern state, drawing attention to social organizations and their repertoires, trajectories and social and political impact.²

We will consider co-operatives as collective actors and their structures as containers of social capital based on trust, inherited from ancient craft and communal solidarities. Their evolution cannot be understood other than within the general political process, since liberalism, reformism, conservative reaction and authoritarianism powerfully shaped collective action and organizational resources.

The chapter is divided in two parts. In the first part, we consider the role of political elite inspired by nineteenth century philanthropic values, who imposed a top down dynamic on the development of co-operatives. Rescuing the original theoretical construction of the concept of social capital, we analyze co-operative relationships as a resource likely to be appropriated by different actors.³ As will be shown, while co-operatives were containers of social capital within communities and in a national public sphere, they were also appropriated by subordinate agents as a means of resistance against the market economy and state strategies, especially during economic crises and repressive political regimes.

As we will illustrate, growing state intervention in the economic and social spheres, which accelerated during the First World War, instigated the trans-local articulation and politicization of the co-operative movement. Like other national contexts where the outcome of the crisis of liberalism was an authoritarian regime, the Portuguese case provides insights into how the state's

2 Rotberg, *Patterns of Social Capital*, pp. 5 ff.

3 Bourdieu, "The Forms of Capital", pp. 241–58; Coleman, *Foundations of Social Theory*.

inability to integrate the demands of civil society induced its politicization and polarization, leading to the fall of democracy.⁴ The regime forced most associations, like friendly societies or unions, into official corporatist structures. As economic societies, however, co-operatives preserved a relative autonomy, even though they were kept under government surveillance.

In the second part of the chapter, the intention was to complement an analytical reading of co-operation with empirical data related to the concrete experience of Portuguese consumer co-operatives. Unfortunately official statistics are scarce and unreliable and thus do not allow a precise characterization, while the gap in research also leaves unanswered questions. Nevertheless, the information available on the location of co-operation, the involvement of different social groups and the organizational forms that were adopted allows us to complete this essay with a deep grassroots analysis, also drawing on the best known case studies.

As has been observed for several different national contexts, such as Britain,⁵ consumer co-operatives in Portugal were rooted in neighborhood networks and emerged particularly in working class socio-spatial contexts, such as the emerging industrial belts of the two main Portuguese cities Lisbon and Porto. Empirical studies and theoretical discussions have pointed out the importance of spatial networks as a fundamental tool to understand the relationship between the uncertainty of the everyday life of working class families and the different strategies adopted to deal with it.⁶ These could diversify into informal networks of mutual aid or the foundation of a consumer co-operative.⁷ Social capital theory, understood as the ability of individuals to act collectively and create networks, allowed historians to trace the line which connects traditional solidarities with the nineteenth century popular associations and the workers' movement, showing how ancestral networks of trust are the containers of collective action.⁸

We also intend to highlight some common points observed between the Portuguese case and the shared history of the international co-operative movement.⁹ We will show how Portuguese co-operative legislation was related to the international discussion on state intervention in social questions. We will also analyze the transnational diffusion of ideas or cases and show how different models were imported and adapted in different sociopolitical

4 Edwards et al., *Beyond Tocqueville*, pp. 7 ff.

5 Robertson, *The Co-operative Movement and Communities*.

6 Pereira, *A Produção Social da Solidariedade Operária*.

7 Savage, "Space, Networks and Class Formation".

8 Rotberg, *Patterns of Social Capital*, pp. 5 ff.

9 Werner and Zimmermann, "Beyond Comparison".

conjunctures.¹⁰ Observing how transnational ideas and projects were received by Portuguese co-operatives, we can present an overview of how co-operatives were embedded in community practices. Finally, we focus on the efforts of Portuguese co-operators to establish relations with international organizations. With these contacts they wished to upgrade proposals and know new experiences that could promote the development of co-operatives in Portugal.

Co-operative Ideals: Debates and Proposals in the Era of Liberalism, 1867–1933

Modern co-operative values were disseminated in Portugal from the second half of the nineteenth century, following the initiative of the Rochdale pioneers and the revolutions of 1848. Political elites, intellectuals and workers sought to foster the creation of co-operatives in various economic and social spheres. Between the last decades of the nineteenth century and the first thirty years of the twentieth, co-operative initiatives were strongly disputed by social and political agents seeking to transform Portuguese society.

On 2 July 1867 the first legislation on co-operatives in Portugal was promulgated. This recognized “spontaneous and free association, ...the co-operation of individual wills and forces, based on mutuality or reciprocity of services.” Until then, the only formula for the recognition of working-class associations was mutualism. The so called Basilar Law, one of the first statutes in the world to recognize co-operatives, was inspired by the Rochdale pioneers and the development of the co-operative movement in Europe and was intended to change this reality.

The 1867 legislation was compatible with the nineteenth century liberal philanthropic movement inspired by Saint-Simon and Charles Fourier. The law gave legal existence to “societies organized with variable and indeterminate capital, for an unlimited number of partners, with the objective of assisting each other by developing industry, credit and domestic economy.” Government leaders believed that workers’ associations could prevent the labor unrest arising from industrial progress. The Basilar Law on co-operatives falls within the broader process of the emergence of social legislation in Portugal. The law made a distinction between employers and workers, as well as recognizing the existence of conflict between capital and labor.¹¹

10 Gueslin, *L'invention de l'économie sociale*, p. 16.

11 *Colecção de documentos acerca de sociedades co-operativas* (Collection of documents related to co-operative societies), Lisboa 1871.

Within this context the government sought to encourage the moderate current of the labor movement. It instructed one of their organizations – Centro Promotor de Melhoramentos das Classes Laboriosas (Central Organization for the Improvement of the Working Classes) – to distribute a collection of laws, opinions and models of official statutes. In January 1872 the organization published a manifesto in which it “advises countryside and city workers to embrace each other fraternally and to constitute a national society of class solidarity, forming co-operatives of consumption and production.”¹²

Among the liberal elites were some outstanding intellectuals who promoted the social role of civil society. The most prominent of these in the second half of the nineteenth century was Costa Goodolphim. He was the author of the most important works on welfare and associations¹³ and also a key activist in the international political arena, representing Portugal in several international congresses, like the Congr s scientifique international des institutions de pr voyance in 1878, and as an honorary member of many different voluntary associations and federal structures in Europe. However, Goodolphim stressed the influence of his predecessors as the “true apostles of co-operatives”, such as the intellectual and philanthropist Sousa Brand o and the founder of the Partido Socialista Portugu s (PSP, Portuguese Socialist Party) Jos  Fontana.¹⁴

The impact of the Paris Commune and industrial development during the second half of the nineteenth century provoked a rupture in the Portuguese working class movement, giving rise to a radical current which turned away from the collaborationist philanthropic tradition. In 1872, following the outbreak of the first strikes, the workers’ movement was divided. A second trend emerged from an integration of the original liberal and democratic current with republicanism, which resulted in the PSP. In the same year date, the Centro Promotor de Melhoramentos das Classes Laboriosas was replaced by the Associa o Protectora do Trabalho Nacional and the Fraternidade Oper ria (Workers’ Brotherhood). The newspaper of this second association, *Pensamento Social* (Social Thought), already conveyed the Marxist conception of class struggle.

The PSP tried to cover all the workers’ organizations and included representatives of co-operatives in its first central council elected in 1876. For socialists, co-operatives were understood to play a leading role as “islands of peace” in the current exploitative society and would provide the foundations of a new

12 De Sousa, *O Sindicalismo em Portugal*, p. 35.

13 Goodolphim, *A Associa o, historia e desenvolvimento das associa es portuguesas*; Goodolphim, *A previd ncia*.

14 Goodolphim, *A previd ncia*, p. 43.

social order. Unlike the liberal philanthropists, socialists advocated “the exclusion of owners and their representatives from workers’ societies... in order to avoid domination and servitude.”¹⁵ The co-operatives were designed as means of action for the proletariat, intervening either politically or through strikes.

The agenda of the third national socialist conference in June 1901 included the specific question of “how to raise the party’s co-operatives and guide them in socialist ideals”. Socialists advised that the profits of co-operatives should have three uses: the promotion of socialist propaganda, working class education and the creation of funds to help disabled workers.¹⁶ Until the early twentieth century, co-operatives were thus closely related to workers’ associations, believing in the associative principle as an instrument of social emancipation. This postulate encouraged the general working class movement and was also at the root of other platforms, such as the Grupo de Propaganda Social (Social Propaganda Group), which brought together socialists, anarchists and “pure” syndicalists under the banner of unity and political neutrality. This project gained significant moral and material support from co-operatives. Nevertheless, co-operatives continued to be linked to the trade union movement, as demonstrated by the holding of the first syndicalist and co-operative congress at the premises of the most important Lisbon co-operative, Caixa Económica Operária.¹⁷

Simultaneously, however, an ideological current defending the autonomy of the co-operative movement was becoming increasingly influential. The political ties connecting co-operatives to socialists, anarchists and syndicalists were being progressively blurred. As Sérvulo Correia, Rebelo de Andrade and other authors have observed, co-operatives became associations open to all consumers, politically and religiously neutral.¹⁸

Several factors contributed to these changes in the co-operative movement. From the beginning of the twentieth century republicans fought for the hegemony of urban popular sociability against socialists, anarchists and syndicalists, spreading the ideas of the Nîmes school co-operator Charles Gide whose work was first translated into Portuguese in 1908.¹⁹ In Gide’s conception of co-operation, sovereignty belonged to the consumers who would lead a social and economic transformation through three stages: ruling distributive trade, extending co-operatives to industry and, finally, to agriculture. In this

15 Nogueira, *Resumo Histórico dos Congressos*, pp. 13 ff.

16 Nogueira, *Resumo Histórico dos Congressos*.

17 Pereira, *Sindicalismo Revolucionário*, pp. 42 ff.

18 Correia, *O sector co-operativo português*, pp. 44 ff.

19 Gide, *As sociedades co-operativas de consumo*.

way it would become possible to extinguish profit. Portuguese co-operators, such as João Henrique Ulrich and Emygdio Fernando da Silva, emphasized in their articles and speeches the importance of “establishing the fair value of things” and “suppressing the constant concern for profit” or “controlling production and distribution of goods”.²⁰ These arguments gained significance in the context of the First World War, stressing the social function of consumer co-operatives.

After the war, socialists attempted to take control of the consumer co-operative sector. In September 1919, the PSP agreed to give co-operatives a central role in the campaign against the profiteers. Socialists mobilized to try to influence the co-operative movement and connect it to the mutual aid associations, the other mass organizations under their control. The party sought to set in motion a political movement, arguing that “co-operation is a means of socialism” seeking to challenge the leading role of capital in distribution. In this sense, socialist proposals were based on the co-operatives’ role as price regulators, for which they demanded state support.²¹

The foundation of the Federação Nacional das Co-operativas (FNC, National Federation of Co-operatives) in 1920, as the first organization seeking to co-ordinate consumer co-operatives, mirrored this eclectic amalgam of ideological tendencies in the co-operative movement. The Federation was supported by very different and in some cases antagonistic social and political agents. Nevertheless, the co-operative movement sought to play an important political role in the exceptional context of the economic and social crisis of the 1920s. At the first co-operative congress, in June 1921, the FNC’s president stressed the movement’s role as a “fruitful, fair and great achievement of man against the brutally creative, expansive, dominating and transforming action of capitalism,” defending consumers from the “oligarchy of profiteers”. The president wished for the political and religious independence of the movement in order to ensure the “economic, moral and national emancipatory conversion of Portuguese society.”²² But the Federation had a short life, ceasing its activities in the mid-1920s.

It is important to emphasize the support of the state for this initiative. In fact, as in other national contexts, it was during and especially after the war that the Portuguese authorities showed real intentions of promoting the movement as a way to mitigate the serious problem of shortages. Indeed, it

20 Andrade, *Co-operativismo em Portugal*, p. 20.

21 *O Combate: Órgão do Partido Socialista Português*, September and October 1919.

22 Call for the 1st Co-operative Congress, 1921. Arquivo Histórico-Social. Instituto de Ciências Sociais, Universidade de Lisboa.

was noted that the “public authorities view with sympathy the emergence of an institution that could help them combat the cost of living.”²³ In 1921, the president of FNC was even invited to join the government. The invitation was refused, but the FNC took part in an official committee to study the economic situation.

In the years following these proposals were prevented by economic crisis and the increase in unemployment, in parallel with the rise of conservative political tendencies. It is important, however, to emphasize their historical relevance. The attempt to extend state intervention in economic and social spheres with the support of civil society has been tried in other areas, for example by implementing general social insurance through friendly societies. This was a radically different path from the one imposed by the authoritarian regime, which liquidated voluntary associations in order to extend state control of economy and society.

The Era of Dictatorship, 1926–1974

The military coup of 28 May 1926 changed the course of national politics with a severe impact on civil society, which lasted until the Carnation Revolution of April 1974. During these decades, the country was ruled by two dictatorships: a military dictatorship (1926–1933) and a kind of fascist corporatist state called *Estado Novo* (New State, 1933–1974).

Despite the many limitations imposed by the military dictatorship, the years before the consolidation of *Estado Novo* in 1933 were particularly favorable to the diffusion of co-operative ideas and many voluntary associations were able to maintain some of their activities. This renewed interest was rooted in external and internal factors. Among the first, the impact of the Great Depression from 1929 was particularly relevant. The deep economic crisis, making visible the negative effects of the capitalist system, stimulated the search for alternatives to the prevailing organization of economic activities. In the Portuguese context, the intense political disputes that characterized these years gave opportunities to the co-operative movement to gain relevance in the strategies of some of the political and social agents who were seeking to impose themselves. For example, before it was banned in 1933 the PSP created a committee to monitor the co-operative movement and the party's newspaper continued to provide information about co-operatives.

23 “A obra da Federação Nacional das Co-operativas”, in *A Acção Co-operativa*, 6 January 1923, pp. 1–2.

With the new political constitution of 1933 and the consolidation of the dictatorship, Estado Novo began to create an extensive network of corporate bodies. Corporatism, denying the existence of class struggle, did not recognize the contradictions between labor and capital. The corporatist institutions, presented as a platform which harmonized the interests of employers and workers, became the main institutional intermediary between state and society. The supporters of the dictatorship also disputed and sought to appropriate co-operative proposals, integrating them into the doctrine and corporative system of the regime. In the 1930s corporatism was presented as an alternative to economic and social organization – a third way between capitalism and socialism – in which co-operatives could play an important role.

From 1933 onwards, the parties were outlawed, the press censored, the voluntary associations strongly persecuted and most working class organizations forcibly closed. Trade unions and other associations were banned and replaced by dozens of corporatist institutions controlled by the state. Legally, consumer co-operatives could continue to exist because they were not considered associations but commercial societies, formed in accordance with the commercial code of 1888, which was not amended by the Estado Novo. Despite the legal framework that allowed co-operatives to continue their economic and social functions, any suspicion of political activities could be considered subversive enough to cause the compulsory closure of an institution. It became obvious that the authoritarian Estado Novo was not compatible with the democratic and emancipatory values of the co-operative movement. Despite the restrictions imposed by the dictatorship, it is still not known how each organization sought to preserve co-operative principles. Nor is much known about the fate of most of the 336 consumer co-operatives recorded in 1926.²⁴

The Estado Novo regime had no interest in fostering a co-operative spirit, but sought to use co-operatives in order to impose the authoritarian system. The functions of co-operatives were discussed, for example, at a national assembly session in April 1937.²⁵ In this session, the Portuguese situation was analyzed in comparison with the existing institutional systems in countries such as Switzerland, France and Italy. The regime favored the producer co-operatives related to agriculture. The main concern of the state was not to promote the participation of small producers, but only to control the prices charged by various economic agents, especially merchants.²⁶ In that, co-operatives could play

24 Granado, *Co-operativas de consumo em Portugal*, p. 53.

25 One of the sessions took place on 10 April; *Diário das Sessões da Assembleia Nacional. I Legislatura (1935–1938)* (Lisboa, 1937).

26 Baptista, *A política agrária do Estado Novo*.

a useful role within the corporatist system. Corporatists argued that this system would ensure an efficient coordination of the network of co-operatives.

The dictatorship encouraged the creation of new co-operatives, particularly in productive subsectors dominated by small farms producing wine, fruit, milk and olive oil. This co-operative network, greatly expanded after the Second World War, was always dependent on corporatist institutions and its activities were limited by its position in the economic and political custody of the dictatorship. Before the fall of the regime in 1974 there emerged about 400 co-operatives involved in activities associated with agriculture production.²⁷

In practice the co-operative movement was divided into two spheres of action between 1933 and 1974. The co-operatives linked to production were subject to strict government approval through the ministry of economy and were controlled by the interest groups that supported the dictatorship. In contrast, the consumer co-operatives that remained, covered by the commercial code of 1888, were influenced by different strands of opposition to the dictatorship that sought to keep alive the original co-operative spirit.

With the consolidation of the dictatorship and the destruction of the network of free popular associations, consumer co-operatives and the democratic values that they represented were to be defended by several groups resisting authoritarianism. One group gathered around the journal *Seara Nova* (New Harvest), which since 1921 had included some of the most renowned Portuguese intellectuals from various political tendencies, including republicans, socialists, anarchists and communists. From the military coup of 1926 this movement was seen as a front to fight the dictatorship. Several co-operative enthusiasts belonged to this group, among them António Sérgio, intellectual and politician, who became the leading theoretician and booster of Portuguese co-operatives.²⁸ In 1937, members of this group translated Charles Gide's co-operative program into Portuguese and published it in the *Seara Nova* collection with a foreword by Antonio Sérgio.²⁹ In the same year a small book written by this author was also published under the title of *Introdução ao actual programa co-operativo* (Introduction to the current co-operative program),³⁰ which follows the text published in the preface to Gide's work.

From the 1930s the role of consumer co-operatives in the constitution of a national and international co-operative movement became more consistently

27 Freire, "Co-operativas"; Baptista, *A política agrária do Estado Novo*; Silva, "Co-operativas de Portugal".

28 Leite, *Boletim Co-operativista*.

29 Gide, *O programa co-operativista*.

30 Sérgio, *Introdução ao actual programa co-operativista*.

theorized. On the one hand, this type of association was not a target for the controlling actions of the dictatorship, thus allowing the democrats to maintain spaces of sociability. On the other hand, the works of Charles Gide and Georges Fouquet became more widely disseminated and discussed, due to the influence of António Sérgio, who had had contact with these authors during his exile in France. The reflections of António Sérgio were changing, but the consumer co-operatives had always been at the center of his conception of a social model.

In 1937, when the effects of the Great Depression were still fresh and the Spanish Civil War threatened the regularity of supply in Portugal, António Sérgio stressed the role of consumer co-operatives in allowing the suppression of profit and pursuing distribution instead of selling.³¹ Consumer co-operatives could suppress profit and stimulate the expansion of co-operatives in all areas of economic activity. The creation of a co-operative retail warehouse, a co-operative federation and a wholesale would extinguish intermediary profit. By promoting the creation of industries and the distribution of goods at the cost of production, co-operatives could abolish industrial profits. By acquiring land, engaging in agricultural production and distributing goods through the members, the movement could eliminate land profit. Finally, by founding banks, financial gain could be eliminated. In this system there was no selling, so there was no profit, promoting low prices and abundance. The consumer co-operatives could end wars and economic conflict. If basic needs were met, the human spirit would be free to focus on reflection, arts, science and literature. For António Sérgio, the consumer co-operatives were the key instrument for social change, since they met basic material needs and performed educational duties – such as the diffusion of fraternal spirit and initiative to solve problems – essential for the expansion of democratic values.

In the context of political dictatorship, consumer co-operatives had at least one advantage: without policy interventions, integrated in the environment of capitalism but outside the state, they would be allowed to begin solving problems immediately “through the free initiative of co-operative members, and so in a calm, peaceful, essentially creative and experimental form: suppressing the danger of creating a class of bureaucrats who tyrannize the rest of the population.”³² Defending these ideas after the Second World War, António Sérgio became one of the main leaders of the consumer co-operative movement.

In his book *Confissões de um co-operativista* (Confessions of a Co-operativist), published in 1948, António Sérgio reaffirms his view of the co-operative

31 Sérgio, *Introdução ao actual programa co-operativista*, p. 12.

32 Sérgio, *Introdução ao actual programa co-operativista*, p. 17.

movement as a “more perfect civilization, in which the reality of state intervention and economic planning is reconciled with the freedom of workers’ control and with the existence of the initiative of consumers.”³³ In his view, the co-operative movement reflected the “people’s march to emancipation”, which should be based on an institutional and economic domestic organization. Sérgio proposed the creation of an economic congress of the Portuguese people. The economic plans for the whole nation would be integrated into a global master plan, outlined by a council chosen by the Universal Co-operative Confederation or the International Co-operative Alliance (ICA). Trade between the nations would be managed by the co-operative federation, through the international co-operative bank and the co-operative wholesale society.³⁴ For António Sérgio, and for many of his followers, these ideas were utopian in the sense that they were prospective ideas.

The group that gathered around António Sérgio and met regularly at his home promoted theoretical discussion and activities related to consumer co-operatives. In 1951, the group started the publication of the *Boletim Co-operativista* (Co-operative Bulletin). Four years later, they constituted the UNICO-OPE União Co-operativa Abastecedora (co-operative wholesale). Many of these initiatives were developed on the threshold between legality and illegality, which led to the arrest of some activists, including António Sérgio, and they brought together various political tendencies such as socialists, republicans, communists, anarchists and social Catholics to reinforce the democratic front that had fought against the dictatorship since the end of Second World War.

By the mid-1950s, Charles Gide’s dream of the co-operative republic was becoming more and more criticized. It was stressed that business objectives outweighed the co-operative values. In 1958, Henrique de Barros, agronomist and a member of the António Sérgio group, published a study attacking these projects of universal co-operative organizations. He considered that agricultural production businesses belonging to consumer co-operatives were functionally similar to private companies.³⁵ His approach contributed to raising theoretical obstacles that hindered integration of production and other kinds of co-operatives created since the Second World War into the wider movement.

The theoretical debates and the growing number of new specialized co-operatives led António Sérgio to review the initial proposals. He abandoned his previous conceptions, adopting the theory of a complete co-operative

33 Sérgio, *Confissões de um co-operativista*, p. 11.

34 Sérgio, *Confissões de um co-operativista*, pp. 14–5.

35 De Barros, *Alguns problemas da estrutura agrária portuguesa*.

sector. Although there were other interpretations of the role of co-operatives in Portuguese society, the proposals and initiatives inspired by António Sérgio (who died in 1969) dominated the debate until the 1974 revolution. In fact, after the revolution many changes occurred in the Portuguese co-operative movement. For example, the UNICO-OPE was extinct and replaced by other federations aiming to frame the explosion of consumer co-operatives that emerged with democracy.³⁶ In 1976 the Instituto António Sérgio do Sector Co-operativo (António Sérgio Institute for the Co-operative Sector) was established and in 1980 a co-operative code, the specific legislation for co-operatives, was published. The influence of Henrique de Barros was crucial for both initiatives. Some of these new initiatives that became possible in a democratic system were closely related to the debates and experiences developed during the previous decades of dictatorship.

The Trajectory of the Portuguese Co-operative Movement, 1867–1974: The Era of Liberalism, 1867–1933

In this part of the chapter, we examine the development of co-operatives from the perspective of social movement research. In our analysis, we found that competition among republicans, socialists, anarchists and communists empowered the co-operative movement, because it implied the involvement of different social and political groups. In some periods and socio-spatial contexts, popular participation in the advance of consumer co-operatives can be interpreted as a bottom up movement, since its development turned out to be rooted on a complex mobilization process.³⁷

The lack of empirical evidence and its fragmentation hinders the analysis of the co-operative sector in Portugal. The available information is scarce and contradictory, preventing a rigorous description of the chronological evolution from the second half of the nineteenth century onwards and their spatial and sectoral distribution. Still, the primary sources and published studies indicate that consumer co-operatives have always been the most numerous economic societies based on mutual aid.

As other studies on other southern European contexts in this volume show, the emergence of consumer co-operatives was deeply linked to other forms of worker association, such as friendly societies or trade unions. This can be

36 The number of consumer co-operatives grew from 193 in 1974, to 310 in 1976 and 417 in 1978. The total number of co-operatives grew from 950 in 1974, to 1743 in 1976 and 2715 in 1978. Silva, "Co-operativas de Portugal", p. 281.

37 McAdam, Tarrow and Tilly, *Dynamics of Contention*.

interpreted as a reflection of their relationship to the ancestral ties that bound manual workers and that were reconfigured after the dissolution of the typical structures of the ancien regime, such as corporations. The role of consumer co-operatives in the evolution of these old solidarities is noteworthy, however. If the mutual aid societies, producer co-operatives and even the early unions were marked by a strong corporative heritage, reflected in their exclusive character, consumer co-operatives tended to assume a more inclusive role. In fact, monographic studies in Portugal show that the integration of different strata was achieved mainly by this type of association.³⁸

There was a significant proliferation of co-operatives after the publication of the 1867 law, but it is likely that prior experiences existed. In 1883, 53 co-operatives were known by the national authorities. Most of them (about 32) operated in Lisbon or on its outskirts, while 10 were established in Porto, the second largest city located in the north of the country. The remaining co-operatives were distributed between the other major cities – Coimbra, Évora and Setúbal – and on the islands of Madeira and the Azores. A considerable part of the co-operatives had a clear class identity, visible in designations such as “popular”, “workers”, “laborious” or “poor”. In the first decades of their existence most of the 17 co-operatives devoted to consumption also had a credit component. The vast majority of production co-operatives was found in Lisbon, while the consumer and credit co-operatives were disseminated throughout the country.

Some of the co-operatives were run or supported by industrialists or land-owners, whose beneficiaries were their workers, as exemplified by the co-operative society Lezírias do Tejo e Sado. There were also societies created by members of intermediate social strata: civil servants and technical staff, among others. Others were promoted by military personnel after the law of July 1886. In 1889 there were 25 military co-operatives with a total of 579 members.³⁹

As stated above, consumer co-operatives tend to be more inclusive than other forms of nineteenth century associations. Nevertheless, corporatism persisted among certain professional groups. The Co-operativa de Consumo dos Oficiais do Regimento de Cavalaria (Co-operative of Cavalry Regiment Officers) included only military personnel of that group. The management of these societies often reflected professional hierarchies, for example in this case the general meetings were always chaired by the most senior officer.⁴⁰ Later, military personnel had their own military co-operative, housed in a building

38 Pereira, A produção social da solidariedade operária.

39 *Diário do Governo*, 30 April, Lisboa, 1883, pp. 1021–2.

40 *Estatutos da Co-operativa de Consumo dos Oficiais do Regimento de Cavalaria* n° 5, Lisboa, 1883.

donated by the government and considered for all purposes an official institution of public utility.⁴¹

Most consumer co-operatives were however located in urban and industrial areas, they were multi-purpose and linked to friendly associations and trade unions. Among these can be named the Caixa Económica Operária (Workers' Savings Bank), founded in Lisbon in 1876, with 810 members in 1889 and an impressive headquarters built by its partners. It had a library with over 900 titles and housed "solemn sessions, concerts and brilliant soirées, where the working class gives clear evidence that civilization is a reality today."⁴² In Portugal's other industrial city the Casa do Povo Portuense (Porto People's House) was founded in 1900 and had grown to nearly 10,000 members by 1930. The Porto People's House worked both as a co-operative and as a friendly society. The grandiosity of its headquarters, similar to the Caixa Económica Operária in Lisbon, was a source of pride for the organized working class.⁴³

Part of the nineteenth century consumer co-operatives became bankrupt, contributing to hindering the growth of the movement and leading co-operators actively to seek solutions to the existing problems. In the opinion of Costa Goodolphim, the greatest difficulty facing consumer co-operatives was poor management capacity.⁴⁴ However, the main problem affecting the whole movement was the lack of cohesion and the consequent isolation of small co-operatives. This was one of the issues discussed by the 30 co-operatives present at the co-operative congress held in January 1894. Activists defended the need to converge all efforts in a united movement, which would require the promulgation of specific legislation and advised the creation of a federation to promote connections between all co-operatives. However, these proposals were not implemented and most of the problems identified in the late nineteenth century persisted.⁴⁵ It should be stressed that, by the end of the nineteenth century, the major obstacle to the expansion of the movement was the preference for investment in production co-operatives, which were considered more in line with socialist ideals, despite the greater success of the consumer co-operatives. As Table 12.1 demonstrates, this would change during the first decades of the twentieth century, when there was a significant outbreak of consumer co-operatives. During dictatorship this tendency inverted as the progress of production societies overcame that of consumers' associations.⁴⁶

41 *Estatutos da Co-operativa de Consumo Militar*, Lisboa, 1909.

42 Goodolphim, *A Previdência*, pp. 65–6.

43 Goodolphim, *A Previdência*, pp. 65 ff.

44 Goodolphim, *A Previdência*.

45 Macedo, *Co-operativismo*, pp. 29–30.

46 Silva, "Co-operativas de Portugal", pp. 233–304.

TABLE 12.1 *The Portuguese co-operative movement*

Year	Number of co-operatives	Number of consumer co-operatives
1889	29	21
1921	421*	—
1930	271	210
1974	950	193

* Official data do not distinguish typologies, but according to several authors consumer co-operatives were dominant in this period.

SOURCE: GOODOLPHIM, *A PREVIDÊNCIA*, P. 50; BARBOSA, *MODALIDADES E ASPECTOS DO CO-OPERATIVISMO*, PP. 206–16; SILVA, “CO-OPERATIVAS DE PORTUGAL”, P. 281.

As the movement's political and ideological orientation changed during the early twentieth century there was a resurgence in consumer co-operation, especially in more industrialized regions such as Lisbon and Porto. The deficiency of the statistical data does not allow a more rigorous characterization of this expansion, but a survey conducted in the late 1920s provides some quantitative evidence. The major co-operatives were located in Lisbon and were streamlined by professional groups employed in the tertiary sector or by military personnel (working in banks, postal and telegraph services, in the army and navy). In Porto, the largest co-operatives were linked to civil servants and construction workers.

The other co-operative members did not correspond to a specific professional group, as for example in the case of the Porto People's House. In the late 1920s, as in the nineteenth century, names including the words “working class” and “popular” continued to dominate.⁴⁷ With the exception of these examples, the movement was characterized by modest projects, based on ancient ties of solidarity and mutual aid. The detailed study of the social bases of co-operative founded in the suburbs of Lisbon during this period reveals the hegemony of the working classes, but also traces of informal social networks of migration and trade.⁴⁸ As illustrated in Figure 12.1, the preponderance of small scale societies pointing in the same direction were mainly in face-to-face relationships that structured these organizations.

These associations involved different social strata and pursued several aspirations, projects and forms of management. Despite their diversity, it is possible to define two main features already noted in this analysis: the movement was

47 Barbosa, *Modalidades e Aspectos do Co-operativismo*, pp. 207–17.

48 Pereira, *A Produção Social da Solidariedade Operária*.

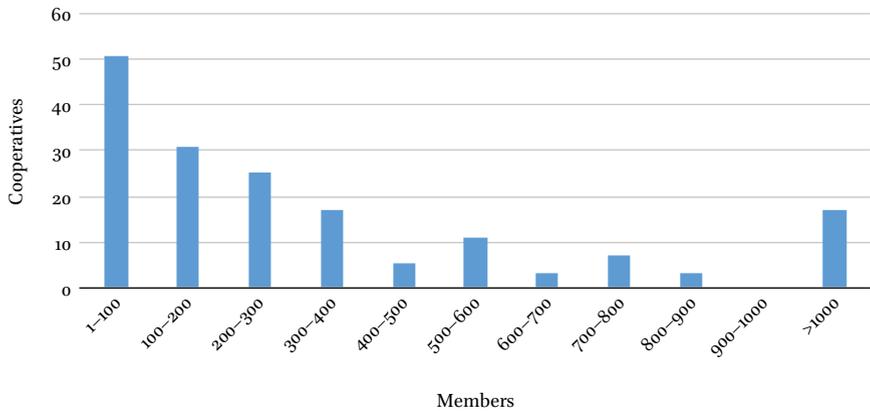


FIGURE 12.1 *Consumer co-operatives according to number of societies and membership, in Portugal, 1930*

SOURCE: BARBOSA, *MODALIDADES E ASPECTOS DO CO-OPERATIVISMO*, PP. 207-17.

divided between worker co-operatives and other professional groups. The first type, though economically weaker, was dominant. Among other projects, co-operators aimed to create libraries, schools for members and their families and also to assist members unable to work. They could also provide support to associates, such as canteens, soup kitchens and labor exchanges, among others. In most cases the vision of social emancipation was implicit, but sometimes statutes clearly refer to aims such as “to protect in general all the working classes” or “to contribute to propaganda useful to the interests of the producing classes.”⁴⁹ In these cases, text could specify the promotion of conferences, lectures, readings, soirées or propaganda sessions.

In most of the cases the essential factor in the emergence of the movement was collective effort. The construction of the co-operative Almadense is reported thus:

After three months of paying fees and gathering together in the same place, where we had a carpenter as desk, we felt the need to own a home. At last we rented a shop on Garret street... And so it was beautiful to see the eagerness with which all worked in the preparations of the society: ... the ones who knew less about these things, were building rough shelves, while the more educated were in charge of writing... To pay the costs of

49 *Estatutos da Co-operativa de Consumo de Alcântara*, Lisboa 1896, p. 10.

installing the Co-operative it was decided that each of us would contribute with a small amount.⁵⁰

38 years later, “the co-operative was established in its beautiful building, divided into seven sections, the service being made by 27 members of the 300 that are currently part of the co-operative and without remuneration of any kind.”⁵¹

Although it is clear that professional solidarities are the basis of much of the known examples, the exceptions reflect the aspiration to interclass collaboration. For example, the statutes of the Co-operativa de Consumo do Funchal in Madeira promulgated the reconciliation of capital and labour, and even considered that “the institutions founded on the co-operative principle are designed to restore the harmony of divorced classes.” This association was established by eight medical doctors, 30 landowners, two members of the armed forces, five members of the church, two professors, 13 civil servants, one employee, one lawyer, one judge and five politicians.⁵²

In some cases, there were significant reconfigurations over time. For example, the profiles of the leaders of a consumer co-operative founded in the outskirts of Porto city deeply changed during this period. Founding members in 1892 were employers and well paid employees but in 1932 the board of directors included on a tailor, a smelter and a locksmith.⁵³ Other examples of this kind of processes, in which workers moved into the leadership of consumer co-operatives, demonstrate the growing social appropriation of these organizational structures by lower social strata. To illustrate this, let us remember also philanthropic initiatives which became associations with a clear class identity. In the Lisbon suburbs, a few co-operatives were created in the major factories with the employers’ support. In the period of social unrest of 1917–20 these societies helped workers to resist during long term strikes.⁵⁴

Both the Basilar Law of 1867 and the commercial code of 1888 required these societies to be democratically administered. All bodies were elected by secret ballot. The members elected to the management and supervisory boards were responsible for managing the society’s accounts. The general meeting was the

50 José da Costa Leal, um dos fundadores em entrevista ao *Almadense*, 6 de Janeiro de 1929, p. 3.

51 «O 38º aniversário da fundação da S. Co-operativa Almadense», *O Almadense*, 6 de Janeiro de 1929, p. 3.

52 Estatutos da Co-operativa de Consumo do Funchal, 1875, pp. IV–V.

53 *Estatutos da União Familiar Operária de Consumo e Produção de Ramalde* (Porto 1917 and 1932).

54 Pereira, A produção social da solidariedade operária, p. 256.

highest co-operative organ. In this meeting all members who fulfilled their obligations were eligible to participate and vote. The restrictions that prevented the eligibility of members were related to gender, age or literacy.

As regards the division of profits co-operatives were divided. Some distributed the surplus to the shareholders, others to the partners, in proportion to their annual consumption. The mixed solution was dominant, where part of the income was distributed according to capital and the other by consumption. The proportions were quite distinct, and, once again, the border was established between workers' co-operatives and societies destined for more privileged social strata. The latter favored the shareholders while the first type encouraged the consumers. With time these fields got more defined: a considerable proportion of the co-operatives established in working class areas distributed their surplus between the reserve fund, social projects such as economic houses and the consumers. The co-operatives founded by members of the elite tended to distribute profits only in proportion to the capital invested.

The 1894 aspiration to form a federation finally materialized in the 1920s. The initiative came from Andrade Saraiva, member of the labor ministry, and began to develop in 1919. Mobilization in the Lisbon area and the drafting of the statutes was undertaken by five co-operatives in the municipality of Almada, an important working class community in the capital's industrial belt. In order to mobilize the rest of the country, a co-operative federal board was created and a newspaper called *O Informador* (The Informer) was published, which reported on the work in progress to create a national structure. The great assembly, which approved the establishment of the Federação Nacional das Co-operativas (FNC) was held in July 1920 at the headquarters of the employees' association. Despite the efforts to mobilize support, official data show that only 167 of the 365 existing co-operatives were federated in the 1920s, a majority of which were working class associations.

The first co-operative congress organized by the FNC was held in Lisbon over three days in June 1921. The main concerns were focused on two directions, internal organization and the international framework. On the first point, it was reaffirmed that co-operatives were one of three types of workers' associations. The movement distinguished itself from trade unionism or mutualism by its specific purpose: the suppression of intermediaries in the distribution of goods. Another concern expressed in the FNC's journal, *Acção Co-operativa* (Co-operative Action) was fundraising. The FNC argued that co-operatives should use their profits for the spread of education, the establishment of production workshops and other initiatives bringing greater efficiency to co-operativism.

On the second point, the relations of the Portuguese federation with its foreign counterparts, the promotion and the intensification of international economic co-operation were the main concerns. For the Portuguese, the ICA, its wholesale and its various national federations should become the main regulators of international transactions, prices and exchange rates. Since the nineteenth century, co-operative activists had expected that the international co-operative system would replace speculative trading. This was an issue that regained relevance in the economic context of the First World War and the years following. This was one of the utopian visions that Portuguese co-operators shared with their European counterparts despite the difficulties they had in agreeing with the international movement.⁵⁵ However, since the formation of the national movement came late to Portugal, so too did international integration, despite the propaganda of some authors about the importance of an “inter-co-operative union”.⁵⁶

In fact, only “late and by indirect means” did the national co-operative federation come to know about the circular released by ICA in 1923 on an International Day of Co-operators in the first Saturday of July, with the motto “Co-operators of the world, unite!” Nevertheless, solemn sessions were organized in Portugal in 1923 and the following year, involving several structures and political agents. As has been noted, however, crisis and dictatorship wiped out the associative movement. It should be stressed that one of the nationalists’ impositions on the associations converted to corporatism was the prohibition of international contacts and affiliations.

During Corporatism, 1933–1974

After the military coup of 1926, the participants in the co-operatives tried different strategies to sustain the initiatives of the movement. One way was to seek to give them some international legitimacy. For example, in July 1930 the socialist journal *República Social* (Social Republic) published the manifesto of the ICA and the Co-operative Committee of the PSP urged all Portuguese co-operatives to propagandize actively its content. However, as we noted before in this analysis, the consolidation of the dictatorship in 1933 imposed a legal and

55 *1st Co-operative Congress Thesis*, 1921. [in Espólio Pinto Quartim. Arquivo Histórico e Social, Instituto de Ciências Sociais, Universidade de Lisboa]. <http://www.ics.ul.pt/ahsocial/?doc=31809898552&ctmid=2&mnid=1&ln=p&mm=6>.

56 Da Silva, *Co-operativas de Consumo*, p. 36.

political framework which conditioned the co-operative movement for many decades.

The action of the dictatorship took three main directions. First, the state took possession of the most appealing co-operative sectors, the financial and the agricultural. The financial sector had expanded since the legislation of 1911, with hundreds of agricultural credit co-operatives formed throughout the country. Following the Great Depression, the finance minister forced these local co-operatives to submit to large financial institutions controlled by the state: in 1930, the Caixa Nacional de Crédito (National Credit Bank) and from 1969 the Caixa Geral de Depósitos (General Deposits Bank). From 1933, the few co-operatives that existed to process and store agricultural products were subject to corporations created by the state for the more important economic subsectors. In some cases, co-operatives were integrated into the corporatist system, as happened with the Adega Co-operativa de Colares (winemaking co-operative) near Lisbon, established in 1931. In other cases, they disappeared. The creation of new co-operatives linked to agriculture was under the strict control of corporations, a position which intensified after Second World War. Thus, the state could intervene directly in the choice of board members and in the management of dozens of co-operatives related to the production and distribution of wine, olive oil, fruit and milk.⁵⁷

Moreover, state action also limited co-operative operations in other areas. Some sectors were excluded from co-operative activity, to be reserved for a combination of private initiative and corporatist organization. These included socially and politically sensitive sectors, such as that for cereals production and trades linked to the manufacture and sale of bread, or sectors that were economically relevant and interesting for the elites, such as manufacturing, construction, services, electricity and water.⁵⁸ Co-operatives also became subject to new rules, which required the revision of their statutes. In some cases, especially those of military and civil service co-operatives, the statutory changes imposed made these societies more hierarchical and heavily tutored by the state.⁵⁹ The legislation published in 1933 (decree number 22513) advised co-operatives to engage only in transactions between co-operators, removing

57 Freire, *Produzir e beber*; Freire and Truninger, "Poached Pears in Wine"; Baptista, *A política agrária do Estado Novo*.

58 Freire, Ferreira and Rodrigues, "Corporativismo e Estado Novo"; Rosas, *O Estado Novo nos anos 30*.

59 *Estatutos da Co-operativa dos funcionários públicos e militares do distrito de Huíla* (Co-operative of the Civil Servants and military from the Huíla district) in «*A Co-operativa*», Luanda 1933, pp. 3–22.

tax exemptions when they also covered other consumers. The state thus sought to meet the demands of the traders who considered co-operatives to be unfair competitors. This obligation also provided the dictatorship with access to information which could be used for political repression, such as who actually economically supported consumer co-operatives or the names of members.

Finally, the repression of individuals and the lack of freedom of association intensified during the 1930s and in the following decades. In 1933, many associations belonging to socialist and other progressive streams amended their bylaws so that they could become co-operatives. The reason was that these societies, under the commercial code of 1888, were excluded from the regime's attempts to illegalize other kinds of collective organizations. During the decades of dictatorship many of these organizations continued to be guided by the principles that inspired the free associations of the mid-nineteenth century: voluntarism, democratic management and mutualism. The democratic management of consumer co-operatives survived during the dictatorship, helping to strengthen the sense of exceptionalism and turning these structures into "schools of opposition". Besides their economic activities, consumer co-operatives fostered very diverse initiatives in the spheres of culture, education and health, which could be included in an alternative circuit of resistance to *Estado Novo*.

As happened in other authoritarian regimes,⁶⁰ however, the repression and the legal framework contributed to destroy the capital of trust that was being built especially in growing urban communities. This affected the consolidation of the entire co-operative movement. Partial data collected in the 1950s indicated that the number of consumer co-operatives had not increased, even though there had been an expansion in the number of members and the volume of sales. Consumer co-operatives demonstrated strong tendencies to isolation as political organizations developed strategies to control these organizations.⁶¹ In these decades, the most important was the Portuguese Communist Party. It developed clandestine activities and had many supporters among the workers of the industrial belts of Lisbon and Porto, where the highest number of consumer co-operatives survived.

It was after the end of the Second World War that the most important initiatives to enhance the activities of the consumer co-operatives were carried out. In some cases, activists returned to unification strategies that had been tested since the late nineteenth century. The first attempt was the creation of the *Conselho Central Co-operativo* (Central Council of Co-operatives) in

60 Poulsen and Svendsen, "Social Capital and Market Centralization".

61 Silva, "Co-operativas de Portugal", p. 270.

1948, which had a short life due to financial and ideological factors.⁶² From 1950, however, António Sérgio assumed an increasing importance by stimulating discussion and action which highlighted the economic, social and cultural rights of consumer co-operatives and by supporting concrete initiatives to strengthen the Portuguese movement.

From 1950, the regular publication of the *Boletim Co-operativista* allowed the dissemination of knowledge about international co-operative activities and co-operative initiatives in Portugal and reflections on the possibilities of co-operation under the dictatorship. Different ideological tendencies including socialists, anarchists, communists and social Catholics were present on the editorial board of the *Boletim*. Thus it was possible to maintain the plurality of the debate that had marked the early decades of the movement, and also to allow the representation of the different consumer co-operatives that remained active. For the promoters of the *Boletim*, diversity should not act as a factor of division, but rather help to strengthen the unity of the movement. António Sérgio, and the group that supported him, wanted to create a national institutional framework that would make the movement more cohesive and economically stronger.

A major objective of the promoters of the *Boletim* was precisely the reorganization of the FNC. In the early 1950s, it was recognized that only a small number of co-operatives were willing to join this type of organization, but it was believed that these would be “the nucleus of a national association of consumer co-operatives, with a central wholesale warehouse buying directly from producers.”⁶³ As this central wholesale warehouse would buy large quantities, it could negotiate lower prices and thereby benefit the shareholders of small co-operatives. In order to give practical meaning to the theory, the Junta de Compras de Lisboa and the Junta de Compras do Porto (Shopping Boards of Lisbon and Porto) were created. These boards bought and distributed goods to the co-operatives’ members. Their experience in the first years led their supporters to believe that it would be even more beneficial to create a single national organization. Therefore, in 1955, five co-operatives in Lisbon and its surroundings founded *UNICO-OPE*, which became the Portuguese representative in the ICA.

However, these second level co-operative objectives were not merely economic. *UNICO-OPE* aimed to promote and foster co-operative ideals and education, to unite co-operatives and defend the interests of consumers, to organize joint buying, to acquire the means of production, to obtain state

62 Granado, *Co-operativas de consumo em Portugal*, p. 56.

63 *Boletim Co-operativo*, n^o1, 1951.

subsidies for consumer co-operatives, to study the resolution of Portuguese problems and to collaborate with foreign co-operative movements.⁶⁴ UNICO-OPE tried to accomplish these missions over the twenty years 1955–75.

The process of federating small local co-operatives was slow and uncertain, however. Successive articles published in the *Boletim* concern some of the difficulties found during the federal proceedings. These difficulties can be systematized in two main points. First, the creation and survival of co-operatives was closely linked to the commitment of their members, sometimes under conditions of great risk, to guarantee the economic and cultural activities of these societies. On the other hand, by integrating into a national organization, the members lost some autonomy in the management of the co-operative. This was even more relevant for the co-operatives where the majority of the members, often linked to the Portuguese Communist Party, did not agree with the political orientation of UNICO-OPE, where republicans and socialists were in the majority. Second, the UNICO-OPE wholesale was not in fact the most useful option to supply a small co-operative. It was necessary to take into account the diversity of products and transport costs and, furthermore, the fact that stockholders from conventional trades were often linked by kinship and friendship with co-operative members and could be able to offer more advantageous global conditions.

It was known that the difficulties found in Portugal were similar to those existing in other countries. The British, French and Scandinavian co-operative movements were known and discussed by the Portuguese co-operators. For example, in 1956, Fernando Ferreira da Costa, one of the promoters of the *Boletim*, published a detailed book on the history of the English co-operative movement since Rochdale. The author stressed the concessions that each small co-operative made in favor of the strengthening of national co-operative ideals and practices.⁶⁵ Nevertheless, rather than enumerating problems, Portuguese activists sought co-operative solutions. They considered that the isolationist spirit prevailing among co-operatives limited UNICO-OPE's financial and organizational consolidation and delayed the advance of the Portuguese movement.

These difficulties became even more noticeable from the 1960s, as profound social changes such as rural exodus, rapid industrialization, urban growth and migration affected Portuguese society and increasing interdependence linked the Portuguese market to the European commercial channels. In order to meet successfully the changing profile of urban consumers and market rules,

64 *Boletim Co-operativo*, n°28, 1956.

65 Costa, *O movimento co-operativo britânico*.

UNICO-OPE stressed the necessity of integrating structures and also of professionalizing the co-operatives' management. In 1964, JW Ames was invited to help design and implement an action plan regarding the reorganization of the Portuguese co-operatives. The author of the book *Co-operative Sweden Today*, edited in 1956, was presented in Portugal as a prestigious Swedish co-operator.

The so called Ames Plan established a merger strategy to run over two or three years, which would constitute a national organization based on regional services. The first phase of the Ames Plan was intended to promote joint purchasing. The second phase, which included the creation of a "service centre", started in the late 1960s with the foundation of the supermarket network called Domus. Supermarkets and the concept of self-service were a novelty in Portugal. This plan was based on the Swedish experience and recognition that consumer co-operatives needed to become more efficient to face successfully competition from large retail chains which were beginning to operate in Portugal. Local reactions to the implementation of the plan were diverse. UNICO-OPE often had to face opposition from co-operative members who disagreed with the mergers, and also complaints from grocers who feared the competition of the supermarkets.

Attempts to implement the Ames Plan generated enormous tensions in the consumer co-operative movement. The reaction of the members of the Co-operativa Piedense allows us to understand some of the factors that led to the failure of the Ames Plan. This society, established in 1893, was firmly embedded in its community. It combined economic activities with cultural, educational and healthcare provisions and it had a considerable urban and rustic heritage. It was one of the five UNICO-OPE founders in 1955 and used its wholesale for its supplies. In 1965 it ceded its own land to build a regional UNICO-OPE warehouse. But with the advance of the merger process, a group of members disagreed with their loss of autonomy over managing the assets and deciding on activities to be undertaken. Opposition sprang up when it was suggested that the co-operative bakery should produce bread for other co-operatives in the Lisbon area. The management was accused of delivering Piedense co-operative to UNICO-OPE and several projects became impossible. In recent interviews, members continued to stress the strong ties of identity which related "their co-operative" to the community as a factor preventing the formation of broad consensus about the fate of Piedense co-operative in the 1960s.⁶⁶ These same factors also seem to explain the reaction of other co-operatives to the merger proposals.

66 Simões, *Memórias e Identidades*, pp. 28–30.

In 1973 Portugal had 132 consumer co-operatives,⁶⁷ of which about 100 were associated with UNICO-OPE. To streamline the activities of consumer co-operatives, UNICO-OPE had developed a network of services that included several affiliates, regional warehouses and supermarkets. However, many of the old difficulties persisted as co-operatives continued to take autonomous decisions. Co-operators continued to ignore the behavioral changes occurring in urban areas, where greater social and occupational diversification re-configured taste and sociability, seeking instead to preserve the older popular identity of the societies. UNICO-OPE faced several problems regarding the presentation of its services to co-operatives and also financial and organizational difficulties. Some leaders advocated the creation of a co-operative bank to help the consumer co-operatives facing the intense competition of private economic groups, benefiting from state protection and progressively conquering the national market. After more than a century of activity, several authors considered the Portuguese consumer co-operatives to be a movement in crisis,⁶⁸ although the 1974 revolution opened an auspicious phase for the co-operative movement, allowing the creation of more than 300 consumer co-operatives in a few years.

Concluding Remarks

This chapter advocates an approach to national consumer co-operative history from the perspective of the “dynamics of contention”, whereas, throughout the history of Portugal, co-operation in the sphere of consumption was mainly a strategy to resist speculation, exploitation and political oppression.⁶⁹ We have attempted to relate the development and dissemination of co-operatives as a social movement to state politics, economic and social intervention. From 1867, when the first law concerning co-operatives was approved, until 1974 when the 48 years of corporatist dictatorship ended, we observed the discussion and diffusion of co-operative ideas and the conflicts within political parties and unions over the movement’s ideological hegemony in interaction with the general political process.

First we sought to illustrate how, in the late nineteenth and early twentieth centuries an assortment of anti-monarchical streams, responsible for Portuguese political modernization, gained political hegemony over the

67 Granado, *Co-operativas de consumo em Portugal*, p. 55.

68 Granado, *Co-operativas de consumo em Portugal*; Silva, “Co-operativas de Portugal”.

69 McAdam, Tarrow and Tilly, *Dynamics of Contention*.

co-operative movement, as over most associations and popular neighborhood networks. We stressed that, along with the mutual and trade union movements, co-operatives experienced considerable expansion and institutional recognition during the First Republic (1910–1926), benefiting from an exceptional political opportunity structure.⁷⁰

The impact of the European revolutionary crisis in Portugal after the First World War translated into an intense and broad wave of strikes, which brought the social question onto the political agenda. For the first time, political powers acknowledged co-operatives as a solution to the subsistence crisis that had plagued the country since the war began, supporting their development and validating their political identity. The sharpening of the economic, social and political crisis in the 1920s was responsible for the decay of the First Republic. In this scenario, the co-operative movement played a significant role against the conservative wing and the rise of fascism.

After 1926, the enforcement of corporatism suppressed the autonomy of the workers' and popular associations, disrupting the progressive expansion and articulation that these structures had known in the democratic period. In the 1930s, the rise of fascism led to the violent reconfiguration of popular associations. However, among the workers' associations, consumer co-operatives preserved greater autonomy in response to corporatist organization. Diverse sectors of the political opposition acted within these organizations which offered opportunities for civic participation at a grassroots level.

As an expression of civil society, the co-operative movement has always sought to preserve ideological pluralism and democratic values. These aims became particularly problematic during the long period 1926–74 during which the country was ruled by a fascist dictatorship. For nearly 50 years, consumer co-operatives worked on the threshold between legality and illegality. They occupied the space left vacant by the state and the state allowed them to continue to fulfil their economic functions. However, the regime also proscribed cultural activities and pursued and arrested the leaders and members of the movement, affecting its everyday activities. The dictatorship eroded the social capital which was indispensable for the promotion of the associations. The *Estado Novo* imposed rules limiting the horizontal and vertical advance of the Portuguese co-operative movement and leading co-operatives to develop several mechanisms to enable them to survive. These strategies saved many co-operatives and contributed to the consolidation of opposition to the dictatorial regime, but they seem to have affected the consolidation of co-operative values and the organizational strengthening of the co-operative network.

70 Mann, *Forging Political Identity*, pp. 6–11.

Furthermore, consumer co-operatives aimed to provide basic products at low prices, thus contributing to the policy of controlled prices imposed by the state (which usually fixed a minimum acquisition price at the point of production and a maximum price for consumers) and to compete with local businesses. However, Estado Novo did not intend to subvert the profit chain as co-operative theorists aspired to do, but merely to limit the projects of traders, thus preventing social unrest and political instability. The policy of low prices for commodities was related to low wages, also strictly controlled by the state. The wage level of workers became one of the most important comparative advantages offered by Portugal during the twentieth century, which contributed to the rapid industrialization and strong economic growth that followed the Second World War. Consumer co-operatives may have functioned as an instrument used by the dictatorship to contain discontent and contention in districts that were socially and politically sensitive, such as the working class communities surrounding the main industrial cities.

If national political process had a major role shaping the trajectory of the movement, then transnational contacts and relations were also important. Since the second half of the nineteenth century, Portuguese co-operatives had studied the ideas and initiatives of other national co-operative movements. They also examined some co-operative experiences developed in neighboring countries and participated in the transnational structuring of civil society, representing Portugal in several international meetings and congresses.

The main theorists knew about various theoretical co-operative streams. It seems that the first initiatives were inspired by the Rochdale pioneers, but in the following decades the French, Belgian and Scandinavian experiences became more popular. Standing in the periphery, rather than as a producer of models, Portugal imports innovations developed elsewhere. This process, which required mechanisms to adapt foreign models to national particularities, induced constant debates and uncertainties about the effectiveness of external solutions. The extent to which these initiatives successfully configured the creation of a specifically Portuguese model is still unclear.

To complement the overview of the co-operative movement, in the second part of this article we offered some observations on the grassroots of the movement. Despite the lack of empirical data we attempted to trace some general guidelines for further investigation through a range of different and representative case studies.

Considering the popular interest in associations as a historical phenomenon, we recall the historiographical debate that discusses the continuities

between ancient and modern forms of association.⁷¹ Similarly to what Linda Shaw observes in Africa, traditional historiography in Portugal devalued pre-modern social ties.⁷² Better known case studies provide evidence that social capital accumulated through medieval and modern professional associations and community networks was used by the co-operative movement.⁷³ With major developments within the communities of poverty and place⁷⁴ and in some cases with the support of friendly societies and unions, it is clear that the co-operative project appropriated ancient networks of kinship, neighborhood and craft.

The geography of consumer co-operatives in Portugal shows how their origin lay in the imposition of industrial social relations. The analysis of their social bases, functions and practices highlights how occupational ties and neighborhood solidarities were interconnected in their development. However, if the rhythm and geography of the expansion of consumer co-operatives were deeply linked to processes of industrialization and urbanization, it is necessary to remember that until the 1960s, agriculture was the major economic activity in Portugal and the deruralization of the largest cities (Lisbon, Porto and Setúbal) was only completed in the late twentieth century.

Thus, for many decades, consumer co-operatives developed in a context of slow and scattered industrialization on small settings located around major cities. Rurality and urbanity, agriculture and industrial production, were closely connected in such spaces and several generations of workers that migrated to these clusters maintained traditional ties with the countryside. As often happened during the Great Depression and the oil crisis of the mid 1970s, these ties provided food and financial aid, mitigating the negative effects of capitalist crisis.

In brief, our understanding of the evolution of the co-operative movement can be pursued through a relational framework, namely the one which relates the diffusion of industrial social relations to the political opportunity structure.⁷⁵ The development of industrial social relations induced the development of consumer co-operatives, even if we stressed continuities linking them to ancient crafts and communal ties. The conversion of these networks into

71 Putman et al., *Making Democracy Work*.

72 Shaw "Casualties inevitable".

73 Pereira, *A Produção Social da Solidariedade Operária*.

74 Yeo, "Labour and Community", p. 3.

75 Mann, *Forging Political Identity*.

formal associations was part of a global strategy to deal with the insecurity associated with wage labor.⁷⁶

The political opportunity structure of state democratization and modernization, from the diffusion of a primitive social reformism (1867) to the end of the First Republic (1926), allowed the dissemination of these organizations. Conservative reaction and the imposition of an authoritarian regime changed this juncture completely. Self-protective strategies could only be abandoned in 1974, when the April revolution opened a new favorable political opportunity structure.

76 Savage, "Space, Networks and Class Formation".

Consumer Co-operatives in Spain, 1860–2010

Francisco J Medina-Albaladejo

The emergence and formation of the Spanish co-operative movement took place in the period 1860–1940. Spanish historiography has focused on the agricultural or credit co-operatives before the Civil War (1936–39) as the most developed entities in a historically agricultural country. The main conclusion of this research is that the movement was late and relatively weak compared to that in other European countries in those years. Some reasons provided by the historiography to explain this fact are limited state support, the poor implementation of legislation, the low social capital and education in rural areas and social conflicts, among others. The first Spanish co-operatives, both socialist and Catholic, were short-lived and financially weak. Their social impact on Spanish farming was very limited.¹ Other authors have been more optimistic in suggesting that the co-operative movement was a tool of agrarian modernization, but this interpretation is a minority one.² Consumer co-operatives in Spain have not previously been studied in depth from the historical point of view but they do not seem to be very different.

This chapter aims to address this historiographical gap and contribute to the beginning of historical research on consumer co-operatives in Spain. To that end, it provides an overview of the historical development of Spanish consumer co-operatives, paying particular attention to their chronological development, legislative framework, relationship with the state, ideological structure, internal organization and management and economic and social impact.

The main findings are that the development of consumer co-operatives in Spain was delayed in comparison to other European countries and it was

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- 1 Garrido, *Treballar en comú*; Garrido, “Why Did Most Cooperatives Fail?”; Simpson, “Cooperation and Cooperatives”; Fernández and Simpson, “Product Quality or Market Regulation?”; Planas, “Cooperativismo y difusión”; Planas and Valls, “Por qué fracasaban las cooperativas agrícolas?”; Planas, “The Emergence of Winemaking Cooperatives”; Medina-Albaladejo, “Cooperative Wineries”; Beltrán, “Commons, Social Capital”; Martínez Soto, “El cooperativismo de crédito”; Martínez Soto, Martínez-Rodríguez and Méndez, “Spain’s Development of Rural Credit”; among others.
- 2 Arribas, “El sindicalismo agrario”; Fernández Prieto, *Labregos con ciencia*.

mainly located in the most industrialized and urbanized areas of the country. Co-operatives were strongly linked to the working-class movement and to left wing ideologies in the early years and later to the Catholic Church. The ultimate development came after the state impulse the co-operative movement received in the years of the Franco dictatorship, under which consumer co-operatives were strongly controlled by state structures. In 2016 consumer co-operatives were an important pillar in the food distribution sector in Spain.

The chapter has four sections. The first describes the Spanish historical context in general at the time of the emergence of the consumer co-operatives. The second is a chronological overview of the historical development, with special attention to organization, ideology, legal framework and the relationship with the state. The third section focuses on the structure, objectives and strategies of these entities. Finally the last section deals with the impact of consumer co-operatives.

Spanish Historical Context in the Second Half of the Nineteenth Century

The nineteenth century was a very turbulent period in Spain, especially in regard to politics. From the second half of the nineteenth century to the mid-twentieth century the country had to face various external and internal conflicts. The high political instability and problems in economic and social development compared to other European nations were also important. In this context the first consumer co-operatives appeared. Their arrival was chronically lagging behind developments in the rest of Europe, with the major expansion taking place only from the 1940s.

From 1850 to 1890 Spanish GDP grew moderately, at rates even above those of some of the big European economies.³ Despite this, the slow growth of previous decades meant that national income remained below that of countries like France, the United Kingdom or Germany. This growth was stable, but still highly dependent on the evolution of agriculture. Spain was still a predominantly agricultural country in the second half of the nineteenth century, with the sector employing over 60 percent of the workforce in 1877.⁴

Spanish farming was characterized in those years by a highly unequal distribution of property in the center and south of the country; the dissolution of the feudal regime and the introduction of private property; and intense

3 1.7 percent annual GDP and 1.2 percent annual GDP per capita in the period 1850–90; Pascual and Sudrià, “El difícil arranque”.

4 Carreras and Tafunell, *Estadísticas Históricas de España*.

environmental constraints.⁵ Agricultural output increased in the period 1840–80, but only slowly.⁶

The second half of the nineteenth century saw Spanish industrialization. In 1887 industry accounted for only 17.3 percent of the workforce, far below that of most industrialized European countries.⁷ Spanish industrialization was highly localized. Conditions were not good. Farming did not generate enough capital accumulation to invest in industry. There was no transfer of the workforce from agriculture to industry. The state did not encourage industrialization and the financing system was weak.⁸

Only in some peripheral regions was the situation different. Here there was a tradition of intense trade and more diversified and productive agriculture. Ownership structures were more egalitarian and there was a high level of agricultural exports of products such as wine, flour, oil or oranges. These areas were near the major ports of the Basque Country, Catalonia, Valencia, Cantabria and in some areas of Andalusia. The second half of the nineteenth century was a time when the Spanish economy was opened up to the outside. Foreign trade increased rapidly, including exports of food and minerals (especially lead, copper, mercury and iron) and imports of food, raw materials and industrial machinery. All this was accompanied by a moderately protectionist trade policy, focusing on some agrarian and industrial sectors, intended to protect the domestic production of the first and to try to develop the second.⁹

In the areas mentioned above there was a transfer of the capital accumulated in agricultural trade to industry. All of this was combined with the inflow of foreign capital for investment in railways and extraction of mineral resources, especially from France, Belgium and the United Kingdom. Large quantities of minerals started to be exported to the major industrial countries and exploited by foreign companies. The same occurred with the construction of the railway network, with the state granting lines to foreign capital corporations.¹⁰

Industrial development in these regions generated growth in Spanish industry, despite its slowness and limitations in previous years. It incorporated most of the technical innovations developed in Europe during the previous years. Nevertheless, this did not cause a transformation of the Spanish economy, which remained largely agrarian, with low urbanization rates and a poorly developed domestic market.

5 González de Molina, "Condicionamientos ambientales del crecimiento".

6 Simpson, *Spanish Agriculture*.

7 Carreras and Tafunell, *Estadísticas Históricas de España*.

8 Pascual and Sudrià, "El difícil arranque", pp. 203–41.

9 Pascual and Sudrià, "El difícil arranque", pp. 203–41.

10 Tortella, *Los orígenes del capitalismo*.

Initially there was the development of the consumer goods industry, especially in Catalonia through the textile industry (cotton and wool). The food industry was important in Valencia and Castile. From the 1880s the capital goods industry developed, particularly in the Basque Country (steel) and Asturias, Leon, Andalusia and Murcia (mining). An important labor movement developed in these regions, especially in Catalonia and the Basque Country and the first consumer co-operatives appeared here during the second half of the nineteenth century.¹¹

From a demographic point of view, the population growth was very weak in the second half of the nineteenth century. This was due to the high mortality rate, especially in children, and a life expectancy below that of other European countries. Until 1882 Spain suffered the subsistence crises of the *ancien régime*, with peak mortality caused by epidemics or food shortages.¹² These demographic characteristics show the poor living conditions, the lack of medical and social services, and the low educational level of the population. Only 30 percent of Spanish people could be considered literate in 1870. In this context, external or internal migrations were unimportant. The population still lived mostly in rural villages with poor living conditions, especially in the south of the country, with low levels of income and high seasonal unemployment.¹³ In 1900 the urban population accounted for less than 30 percent of the total, with the most industrialized regions being those which showed the highest levels of urbanization, together with Madrid (Andalusia 44.6 percent; Catalonia 41.7 percent; Valencia 37.2 percent; Basque Country 29.1 percent).¹⁴

The Spanish state was weak during the nineteenth century. Investment in agricultural or industrial infrastructure, education and welfare was very low due to the limited financial resources of the central government, which faced several wars and great resistance to the implementation of a modern tax system by the upper class, and to direct and indirect taxes by the working class. Throughout the second half of the nineteenth century the Spanish state was often forced to suspend payments and remained on the verge of bankruptcy with great debt and a chronic deficit. Tax reform efforts failed one after another; public spending rose but tax revenues remained stable. Public spending was used mainly for military and state administrative expenses and a

11 These were the only two regions in 1900 that exceeded the Spanish average in industrial intensity: Spain 1; Catalonia 3; Basque Country 4.91. Carreras and Tafunell, *Estadísticas Históricas de España*; Nadal, *El fracaso de la revolución*.

12 Nadal, *La población española*.

13 Pascual and Sudrià, "El difícil arranque", pp. 203–41.

14 Carreras and Tafunell, *Estadísticas Históricas de España*.

small proportion went on public works, industry, business, agriculture, health or education.¹⁵

In short, this was the economic, social and political background to the emergence of Spanish consumer co-operatives in the 1860s. The main activity of co-operatives was the distribution of food and other retail commodities among their mostly working-class members and other social services related to social protection and the promotion of education and culture of workers and their families.

The Origin and Expansion of Consumer Co-operatives before the Spanish Civil War, 1860–1939

Consumer co-operatives in Spain emerged two decades after the Rochdale pioneers. In the 1860s co-operatives began to appear in the most industrialized areas of the country, first in Catalonia and a few years later in Madrid, Valencia and the Basque Country. Among the most important cases may be mentioned the first consumer co-operative in Spain, La Económica Palafrugellense from Girona in Catalonia, created in 1865 with 78 members.¹⁶

The first Spanish co-operatives were created under the ideological influence of the writings of Fernando Garrido,¹⁷ a Republican leader exiled in France and the United Kingdom, and follower of utopian socialists such as especially Fourier, but also Saint Simon and Owen. Garrido had contact with ideologues all over Europe and he defended the successful Rochdale model and the co-operatives developed in France or Germany.¹⁸ He also had contacts with followers of Fourier and Proudhon in France and he even participated in a consumer co-operative in Paris during 1864. Afterwards, he lived in London

15 Comín, *Hacienda y economía*.

16 Campo Jordá, "El cooperativisme a Catalunya"; Juanola i Boera, *Cooperativa "L'Econòmica Palafrugellensa"*; Pérez Baró, *Història de les cooperatives*.

17 Politician, writer and journalist from Spain (Cartagena 1821 – Córdoba 1883). He was important due to his work spreading socialist and republican ideas in the Iberian countries. Influenced by the doctrines of Fourier, he founded several newspapers of working-class ideology and published important books on Spanish socialism. He was member of the Spanish courts and was exiled several times for his intense defense of socialist ideas, among which was his commitment to the spread of co-operatives.

18 Garrido, *Historia de las asociaciones*. Portugal was a similar case. The leading Portuguese co-operators were also influenced by utopian socialism and the Rochdale Pioneers: see Chapter 12.

for four months, from where he visited the Rochdale co-operative and studied its organization deeply.¹⁹

Later, consumer co-operatives spread to the industrial areas, especially in Catalonia. The publication in 1899 of the journal *Revista de Cooperació Catalana* (Review of Catalan Co-operation) integrated 37 consumer co-operatives created in this region in previous years. In the same year there was also a regional conference and the Cambra Regional de Cooperatives de Catalunya i Balears (Regional Chamber of Co-operatives of Catalonia and Balearic Islands) was set up, with 94 members. This was the first co-operative movement in Spain, with a socialist ideology, although it was much less developed than in most European countries. At the national level the I Congreso de Cooperativas de España (First Conference of Co-operatives in Spain) was important. It was first held in Barcelona in December 1913, with 255 representatives, mainly consumer co-operatives. A Spanish delegate had participated earlier in the conference of the International Co-operative Alliance (ICA) held in Manchester in 1902.²⁰

The Federació de Cooperatives de Catalunya (Co-operative Federation of Catalonia) was created in 1918.²¹ Along with representatives from the north and east it played an important role in the formation of the Federación Española de Cooperativas (Spanish Federation of Co-operatives), created in 1929.²² The publication of the first books in Spanish about co-operatives also helped the spread of this phenomenon to other areas of the Iberian peninsula (Table 13.1).

In the early years, consumer co-operatives in Spain were tightly linked to the working-class movement in the most industrialized areas and had an intense socialist ideology. Many co-operatives were established as places of support and education for the working-class, and in many Spanish towns the facilities became cultural centers for workers. In fact, many Casas del Pueblo (Peoples' Houses founded by the Partido Socialista Obrero Español (PSOE, Spanish Socialist Party), and spread throughout the Spanish territory) had consumer

19 Reventós, *El movimiento cooperativo en España*; Aja, *Democracia y socialismo*; Roussell and Albóniga, *Historia de las cooperativas*.

20 Campo Jordá, "El cooperativisme a Catalunya"; Juanola i Boera, *Cooperativa "L'Econòmica Palafrugellenca"*; Pérez Baró, *Història de les cooperatives*.

21 Among the many important people who had a strong participation in the early development of consumer co-operatives in Catalonia, there may be mentioned Joan Salas i Anton; Francesc d'A. Ripoll; Eladi Gardó i Ferrer; Joan Ventosa i Roig; Miquel Mestre Aviñó; Sants Boada i Calsada; Josep Lladó i Quintana; Joan Tutau i Vergés; among others. Pérez Baró, *Història de les cooperatives*; Casanovas i Prat, *Josep Lladó i Quintana*; Ferrer i Gironès, *Joan Tutau i Vergés*; Jiménez Navarro, *Sants Boada i Calsada*.

22 Juanola i Boera, *Cooperativa "L'Econòmica Palafrugellenca"*; Pérez Baró, *Història de les cooperatives*.

TABLE 13.1 *The first published books about co-operatives in Spain*

Author	Publication	Year
Fernando Garrido	<i>Historia de las Asociaciones Obreras</i> [History of Trade Unions]	1864
Fernando Garrido	<i>La Cooperación: estudio teórico-práctico</i> [Co-operation: theoretical and practical study]	1879
Antonio Polo Bernabé	<i>Las Sociedades Cooperativas</i> [The Co-operative Societies]	1867
Eduardo Perez Pujol	<i>La cuestión social en Valencia</i> [The social question in Valencia]	1872
Manuel Pedregal	<i>Sociedades cooperativas</i> [Co-operative Societies]	1886
Piernas Hurtado	<i>El movimiento cooperativo</i> [The Co-operative Movement]	1890

SOURCE: PÉREZ BARÓ, *HISTÒRIA DE LES COOPERATIVES*.

co-operatives attached to them, as well as trade unions and other cultural or working-class associations.²³

The presence of a middle class arising from public administration or the service sector, and later the role of the Catholic Church, were also important. In the Basque Country for example there appeared co-operatives created by the Catholic Church, and even the steel companies organized the creation of consumer co-operatives for their workers. Examples include the Sociedad Cooperativa de Obreros de Barakaldo (1884), created by the company Altos Hornos de Bilbao, or Cooperativa de Consumo de Sestao (1887), created by the company Vizcaya. In the rest of the Basque Country the situation was very similar; the Catholic Church also participated in the formation of new co-operatives, especially in the province of Guipuzcoa. As in Catalonia, a co-operative union was also created in the Basque Country: the Unión de Cooperativas del Norte de España (Union of Co-operatives in Northern Spain), founded in 1914.²⁴

These developments were not confined to the Basque Country. As also occurred in the agricultural co-operatives, middle-class conservatives also began to participate in consumer co-operatives. The earliest co-operatives from Catalonia had a strongly liberal, socialist and working-class character, but

23 Campo Jordá, "El cooperativisme a Catalunya"; Pérez Baró, *Història de les cooperatives*.

24 Roussell and Albóniga, *Historia de las cooperativas*.

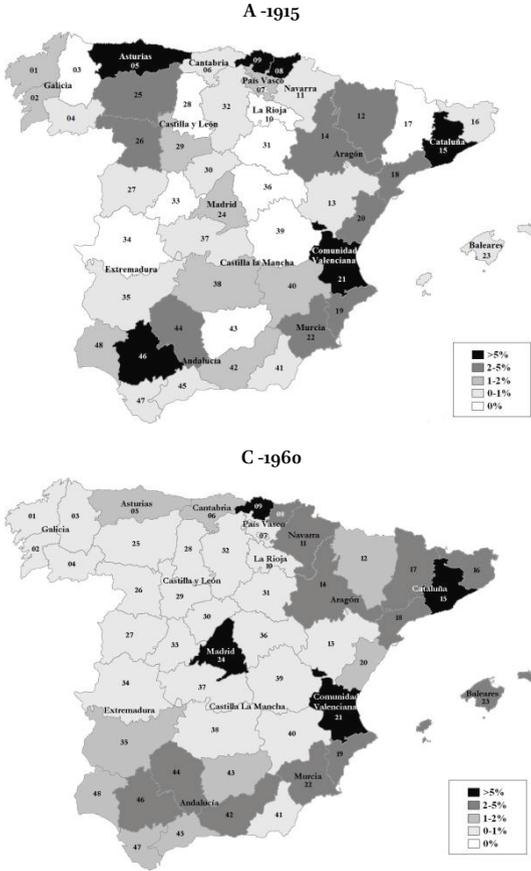
from the 1910s the Catholic Church erupted with force even in the consumer co-operatives. In Madrid most co-operatives were formed by public servants or service sector employees. The starting point for the spread of social Catholicism in Spain was the encyclical *Rerum novarum* (1891), which received theoretical support from authors like Joaquín Díaz de Rábago, Severino Aznar or Luis Chaves de Arias.²⁵ The role of the priesthood was also important. Thereafter the Catholic hierarchy encouraged the creation of co-operatives with the aim of improving the conditions of farmers, workers and consumers and avoiding social conflicts and the spread of socialism. This ideological trend was organized through the foundation of the Confederación Nacional Católica Agraria in 1917 (CNCA, Catholic National Agrarian Confederation). The majority of entities integrated in the CNCA were agrarian or rural credit co-operatives, but many of them had a consumer section. The presence of Catholic co-operatives increased in Spain during the 1920s, especially in the first half of the decade.²⁶

The Spanish co-operatives were widely scattered territorially. Consumer co-operatives were much more important in some regions than others. As shown in Figure 13.1, in 1915 and 1932 the greatest concentration of consumer co-operatives was in Catalonia (the province of Barcelona), the Basque Country (especially the provinces of Vizcaya and Guipuzcoa), Valencia or Madrid, along with some areas of Andalusia and the north of Spain. These were the regions with the highest level of industrialization and urbanization in Spain. Historically, Barcelona and its surroundings were characterized by the development of consumer goods industries, especially textiles. Bilbao was characterized by heavy industries like steel. The administrative and service sectors were important in Madrid, while the food industry, textiles and footwear were developed in Valencia. All were pioneers (along with others such as Asturias, with its mining) in the formation and development of a working class and the spread of socialist ideas and social Catholicism. This environment was much more propitious for the formation of consumer co-operatives. Despite the changes in the movement throughout the second half of the twentieth century and into the twenty-first, the regional location of consumer co-operatives in the country has experienced little changes. The same regions continue to host most of these entities, incorporating some new areas located in the center and south.

The co-operative sector in Spain remained dominated by the agricultural co-operatives and these had a greater presence in regions where agriculture had greater weight, for example, in Castile and Leon (provinces of Avila, Burgos,

25 The same thing happened in other Catholic countries, for example Italy. See Zamagni, Battilani and Casali, *La cooperazione di consumo*; also Chapters 7, 23.

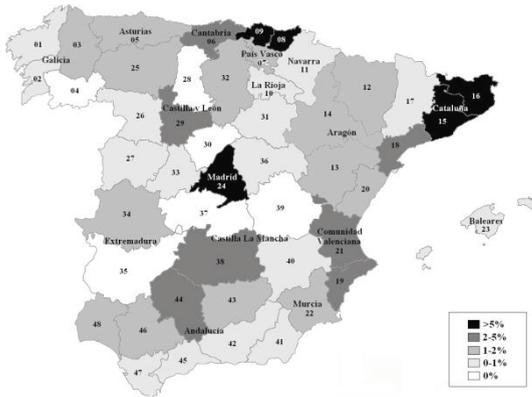
26 Reventós, *El movimiento cooperativo en España*; Castillo, *Proprietarios muy pobres*.



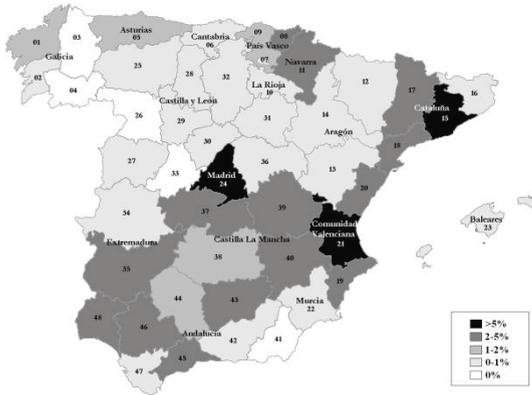
- | | |
|-------------------------------|-------------------------------|
| Galicia (01) (02) (03) (04) | Aragón (12) (13) (14) |
| La Coruña (01) | Huesca (12) |
| Pontevedra (02) | Teruel (13) |
| Lugo (03) | Zaragoza (14) |
| Orense (04) | Catalonia (15) (16) (17) (18) |
| Asturias (05) | Barcelona (15) |
| Cantabria (06) | Gerona (16) |
| Basque Country (07) (08) (09) | Lerida (17) |
| Alava (07) | Tarragona (18) |
| Guipuzcoa(08) | Valencia (19) (20) (21) |
| Vizcaya (09) | Alicante (19) |
| Rioja (10) | Castellon (20) |
| Navarre (11) | Valencia (21) |
| | Murcia (22) |
| | Balearic Islands (23) |
| | Madrid (24) |

FIGURE 13.1 *Percentage distribution of the number of consumer co-operatives in Spain, by provinces. 1915, 1932, 1960, 2010*
 SOURCE: 1915: INSTITUTO DE REFORMAS SOCIALES, *AVANCE AL CENSO DE ASOCIACIONES*; 1932–2010: INSTITUTO NACIONAL DE ESTADÍSTICA, *ANUARIO ESTADÍSTICO DE ESPAÑA*.

B-1932



D-2010



- Castile-Leon (25) (26) (27) (28) (29) Castile-La Mancha (36) (37) (38) (39) (40)
- (30) (31) (32) (33) Guadalajara (36)
- Leon (25) Toledo (37)
- Zamora (26) Ciudad Real (38)
- Salamanca (27) Cuenca (39)
- Palencia (28) Albacete (40)
- Valladolid (29) **Andalusia (41) (42) (43) (44) (45) (46) (47) (48)**
- Segovia (30) Almeria (41)
- Soria (31) Granada (42)
- Burgos (32) Jaen (43)
- Avila (33) Cordoba (44)
- Extremadura (34) (35) Malaga (45)
- Caceres (34) Seville (46)
- Badajoz (35) Cadiz (47)
- Huelva (48)



ILLUSTRATION 13.1 *Grocery store of the co-operative "La Flor de Mayo" in Barcelona, 1908.*

ARXIU NACIONAL DE CATALUNYA, SOCIEDAD COOPERATIVA OBRERA DE AHORRO Y CONSUMO LA FLOR DE MAYO.

Leon, Palencia, Salamanca, Segovia and Valladolid), in the region of Valencia (provinces of Valencia, Alicante and Castellon), Galicia (especially in La Coruña), Navarre, Aragon (especially Zaragoza) and Catalonia (in the areas of Lerida and Tarragona).

The Spanish state played a very limited role in the development of the co-operatives prior to the Spanish Civil War. The first legislation to make specific reference to co-operatives was the Ley de Libertad de Creación de Sociedades por Acciones y de Crédito (Stock Companies and Credit Act, 1869), which recognized their legality and legal capacity. In those early years no commercial nature was recognized and they were excluded from the Código de Comercio (Commercial Code, 1885). Co-operatives were regulated by the Ley de Asociaciones (Associations Act) in 1887, under which they were considered as civic companies. The law emphasized their mutualist character and determined that profit-sharing should be based on the work of their members. The law did not regulate the internal organization or working of these entities.

This situation continued for consumer co-operatives until the enactment of the Ley General de Cooperativas (General Co-operatives Act) in 1931, the first law regulating the co-operative movement in general in Spain.²⁷ Until then only the agricultural co-operatives had enjoyed their own legislation, the Ley

27 Guinnane and Martínez-Rodríguez, "Cooperatives Before Cooperative Law".

de Sindicatos Agrícolas (Agricultural Trade Union Act) of 1906, due to the importance of this kind of co-operatives in Spain. The General Co-operatives Act defined co-operatives explicitly and identified co-operative principles as free access; a minimum number of members; democratic vote; the existence of social reserve funds; member participation in management; distribution of the surplus in proportion to the activity of each member; the need to draft rules; and regulation of the internal workings of management organs.

Until 1931, without specific legislation to regulate the co-operative movement, the state's role was really very limited. In addition there were no statistics, nor was their creation favored. There were legislative measures only for agricultural co-operatives, but these did not favor their development. Socialism on the one hand and the Catholic Church on the other were the major drivers of these entities, especially the former in the case of consumer co-operatives.

Co-operatives during the Spanish Civil War and the Franco Dictatorship, 1936–1960

During the first half of the twentieth century, the Spanish consumer co-operatives experienced moderate growth consistent with the general trend of the co-operative movement but in a country where the establishment of such associations occurred late in comparison to other areas in Europe. Table 13.2 shows that in 1915 only 265 co-operatives were in existence in the country. Despite this, the consumer co-operatives were important in Spain, especially in the regions mentioned in the previous section. Almost 60 percent of all non-agricultural co-operatives created were consumer co-operatives. This shows that during the early years of the Spanish co-operatives, the consumer co-operatives prevailed until the 1940s, along with the agricultural co-operatives created under the Agricultural Trade Union Act.

The situation of the consumer co-operatives during the Spanish Civil War varied, depending on whether they were located in Republican or Nationalist areas. Many co-operatives experienced intervention by the institutions of the Republic and were collectivized – or even had their assets or property confiscated – by trade unions such as Unión General de Trabajadores (UGT, socialist) or Confederación Nacional del Trabajo (CNT, anarchist). At the same time new co-operatives were created in a revolutionary context, under the control of the left-wing trade unions. The main aim was to alleviate the problems of food distribution and consumption in the Republican area during the conflict.²⁸

28 Pérez Baró, *Història de les cooperatives*.

TABLE 13.2 *Evolution of total and consumer co-operatives in Spain, 1895–2010*

	Consumer co-ops	Total co-ops	% consumer co-ops
1895*	87	138	63.0
1908*	182	273	66.7
1915*	265	443	59.8
1932	251	592	42.4
1942	439	2162	20.3
1955–59	791	7752	10.2
1960–64	1083	10,548	10.3
1965–69	1391	15,318	9.1
1970–74	1503	17,575	8.6
1975–79	1632	17,577	9.3
1980–82	2082	23,433	8.9
2000–04	337	16,951	2.0
2005–09	320	15,279	2.1
2010	303	13,310	2.3

* “Total Co-ops” refers only to non-agricultural co-operatives in the sources.

SOURCES: 1895: DÍAZ DE RÁBAGO, *HISTORIA DE LA COOPERACIÓN EN ESPAÑA*; 1908: INSTITUTO DE REFORMAS SOCIALES, *ESTADÍSTICA DE LAS INSTITUCIONES DE AHORRO*; 1915: INSTITUTO DE REFORMAS SOCIALES, *AVANCE AL CENSO DE ASOCIACIONES*; 1932–82: INSTITUTO NACIONAL DE ESTADÍSTICA, *ANUARIO ESTADÍSTICO DE ESPAÑA*; 2000–10: MINISTERIO DE EMPLEO Y SEGURIDAD SOCIAL, *DATOS ESTADÍSTICOS DE ECONOMÍA SOCIAL* (WWW). TAKEN FROM WWW.MTIN.ES. LAST ACCESSED 1 JULY 2016.

In Nationalist areas Catholic co-operatives were integrated into the new state structures. Meanwhile, the liberal or socialist co-operatives were purged or dissolved, and the state confiscated their properties and documents.²⁹ The Nationalist victory meant that Spanish co-operatives were isolated in the international context for the next forty years. The conflict provoked major interest abroad, but the new regime was not recognized by the ICA, which never allowed the membership of co-operative structures, despite attempts by the Franco regime to re-affiliate.³⁰

After the Civil War the party system disappeared, to be replaced by a single-party regime (Spanish Falange). Co-operatives were purged and transformed to adapt to the structures of the regime. From then on co-operatives lost their connection with ideologies and political parties. However, the establishment

29 Pérez Baró, *Història de les cooperatives*; Castillo, *Propietarios muy pobres*.

30 Pérez Baró, *Història de les cooperatives*.

of the Franco dictatorship provided the final boost to the emergence of the co-operative movement in Spain. The enactment of a legal framework was important; the Ley de Cooperación (Co-operative Act) of 1942 and the firm intention of the regime to foster the spread of the co-operative system are key factors in understanding this intense growth. The state designed a series of mechanisms that supported the creation of co-operatives, especially low interest loans, grants and tax benefits. In the early 1960s there were more than 1000 consumer co-operatives in Spain and numbers peaked in the early 1980s with more than 2000 (Table 13.2).

The aim of the state was to provide a tool to improve the welfare of the population and also to place the farmers, workers and consumers under institutions that were heavily subjected to the hierarchical structures of the dictatorship.³¹ After the Civil War, consumer co-operatives faced intense political control by the regime, with the creation of a large number of entities that now acquired a much more conservative character, with leaders imposed by the state. The function of these co-operatives in years of famine and rationing was to offer their members basic foods at low prices at a time of scarcity³² and when prices on the black market were very high compared to the low wages prevailing.³³ Co-operation was a tool to safeguard the purchasing power of the members.

In these years the Spanish consumer co-operatives thus lost their autonomy and failed to fulfill some co-operative principles, mainly those of democratic member control and independence from the state. This is typical in dictatorial contexts, as can be seen in other cases of fascist regimes like Italy or Germany.³⁴ Despite that, these societies did not lose their co-operative character completely. They maintained co-operative principles such as voluntary and open membership or providing social services and education among their members.

31 Battilani and other authors show a very similar situation for the Nazi and Fascist regimes in Germany and Italy. See Zamagni, Battilani and Casali, *La cooperazione di consumo*; see also Chapter 23; Menzani, “Between Leader Worship”.

32 An example is the case of the Economato Obrero de Palafrugell (Gerona), created in 1946 by municipal institutions for food distribution at reduced prices among local cork and steel workers. The Board was chaired by the mayor of the town, and the participating companies had representatives in the governing body. All food distribution was made through the local co-operative, L'Econòmica Palafrugellenca, founded in 1865. *Estatutos del Economato Obrero de Palafrugell* (Gerona, 1946), Juanola i Boera, *Cooperativa “L'Econòmica Palafrugellenca”*.

33 Barciela, *Autarquía y mercado negro*; Barciela, López Ortiz and Melgarejo, “La política industrial del franquismo”, pp. 83–101; Barciela, López Ortiz and Melgarejo, “La intervención del estado”.

34 Menzani, “Between Leader Worship”.

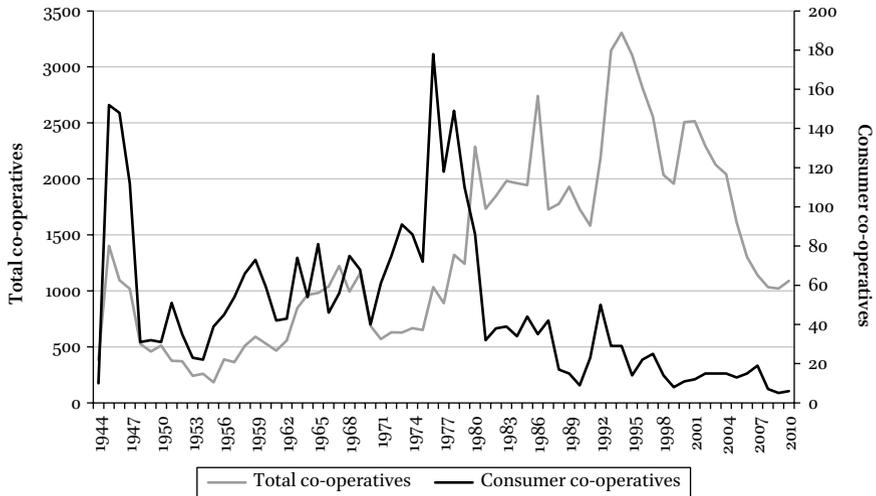


FIGURE 13.2 *Evolution of total and consumer co-operatives created yearly in Spain, 1944–2010*

SOURCE: 1944–82: INSTITUTO NACIONAL DE ESTADÍSTICA, *ANUARIO ESTADÍSTICO DE ESPAÑA*; 1983–2010: MINISTERIO DE TRABAJO Y SEGURIDAD SOCIAL, *BOLETINES DE ESTADÍSTICAS LABORALES*.

Figure 13.2 shows that after the promulgation of the Co-operative Act there was a sharp increase in the number of consumer co-operatives created in a propitious context due to the food situation in the period of autarky, and a state that gave support to the formation of such entities. The expansion of consumer co-operatives followed the general trend of the Spanish co-operative movement, which during those years experienced a real boom for a country that had been backward in this aspect.

The Beginning of Decline, 1960–1980

From the 1960s consumer co-operatives were faced with changes in consumption trends and the distribution sector in a country that underwent a strong process of industrialization and urbanization.³⁵ The “Spanish economic miracle” triggered the closure of a large number of co-operatives which could not cope with competition from new private companies and modern forms of distribution, in particular the development of supermarkets and branding. Moreover, the co-operative movement was very fragmented, not well organized, overly dependent on the structures of the state and unable to adapt to

35 Alonso and Conde, *Historia del consumo en España*.

new trends. Co-operatives continued to operate as typical neighborhood shops selling their products in bulk. Only very specific cases adapted to these new trends (Tables 13.2 and 13.4).³⁶

In other parts of Europe in these years, such as Italy or the Scandinavian countries, consumer co-operatives were pioneers of retailing innovation.³⁷ The consumer co-operatives in these countries increased their market position and membership figures substantially during the second half of the twentieth century. Consumer co-operatives had an active role in the introduction of modern retailing practices (self-service, supermarkets, warehouses and hypermarkets) and their organizational structures were federal and decentralized. Consumer co-operatives in these countries were therefore well adapted to the new trends in consumption and retailing and they controlled the local markets.³⁸ In Spain the dictatorship imposed a centralized model where the co-operatives were dependent on state institutions in their decision-making and the state failed to undertake the restructuring of the sector. The organizational structure was more rigid than in the much more flexible federal systems. Much more important than consumer co-operatives in the spread of modern retailing in Spain was the role of Spanish immigrant entrepreneurs in Latin America familiar with practices from United States. Also significant were the contacts of some businessmen with Europe and foreign direct investment, especially from France in the 1970s.³⁹

From the point of view of regional distribution, consumer co-operatives continued to focus on those regions with higher levels of urbanization and industrialization, as shown in Table 13.3. Catalonia, the Basque Country, Andalusia, Valencia and Madrid were the regions with the highest number of consumer co-operatives and members in 1960. These regions housed the biggest co-operatives measured by the number of members and also had the highest co-operative density (members and number of co-operatives per capita).

During the last years of the dictatorship and the “Transición” (Spanish democratic transition, 1975–1982), the co-operative movement was divided.

36 Rousell and Albóniga, *Historia de las cooperativas*, pp. 24–8.

37 Today they are still successful cases, see Zamagni, “A World of Variations”, pp. 63–82. See also Chapter 27.

38 Ekberg, “Organization: Top Down or Bottom Up?” pp. 222–42; Ekberg, “Confronting Three Revolutions”; Zamagni, Battilani and Casali, *La cooperazione di consumo*; Friberg et al., “The Politics of Commercial Dynamics”, pp. 243–62; Alexander, “Format Development and Retail Change”, pp. 492–4. See also Chapter 23.

39 Casares Ripol, “Las transformaciones en la distribución”; Castro, “Máquinas de vender”; García Ruiz, “Cultural Resistance and the Gradual Emergence”; Maixé-Altés, “La modernización de la distribución”.

TABLE 13.3 *Ranking of main regions by the density of consumer co-operatives in Spain, 1960*

	No. co-ops	Membership	Members/ co-op	Co-ops/ population ¹	Members/ population ²
Catalonia	293	107,842	368	7.5	27.7
Basque C.	109	28,541	262	8.0	21.0
Andalusia	138	27,020	196	2.3	4.6
Valencia	102	12,969	127	4.1	5.2
Madrid	64	9,917	155	2.6	4.0
Aragon	44	5,210	118	4.0	4.7
Castile-Leon	57	4,543	80	2.0	1.6
La Mancha	33	2,947	89	1.6	1.5
Navarre	20	2,341	117	4.9	5.8
Cantabria	14	1,487	106	3.2	3.4
Galicia	12	1,392	116	0.4	0.5
Extremadura	21	1,211	58	1.5	0.9
Murcia	23	1,124	49	2.9	1.4
Asturias	16	916	57	1.6	0.9
Balearic I.	22	620	28	5.0	1.4
Canary I.	7	463	66	0.7	0.5
Rioja	4	272	68	1.7	1.2

1 : Number of co-operatives per 100,000 inhabitants.

2 : Number of members per 1000 inhabitants.

SOURCE: INSTITUTO NACIONAL DE ESTADÍSTICA, *ANUARIO ESTADÍSTICO DE ESPAÑA*; INSTITUTO NACIONAL DE ESTADÍSTICA, *CENSO DE POBLACIÓN 1960*.

The majority of co-operatives created in the Franco regime remained within the state structures. They did not become part of a civil society opposed to the dictatorship, like in Portugal.⁴⁰

The end of the regime and the severe economic crisis that Spain experienced in that period contributed to strong growth in the formation of consumer co-operatives. After 40 years of dictatorship, socialist and working-class ideologies were allowed in the country. This encouraged growth in the total number of co-operatives created in those years (Figure 13.2). In the case of consumer co-operatives, high inflation meant a loss of purchasing power for Spanish families, creating the ideal context for this growth. These newly created entities became part of a regenerated civil society opposed to the Franco

40 See Chapter 12.

regime. The role of the social movements was very important to the democratic transition process, which included the active participation of cultural associations, bookshops, film societies, theatre groups, media, trade unions, co-operatives and neighborhood associations.

The advent of democracy in the 1970s led the elimination of oppressive economic and political control over the Spanish co-operatives. From then on Spanish co-operatives have remained independent of ideologies and political parties. But there was a legacy: 40 years of dictatorship and control had created co-operatives without a political ideology that sought only the best operating conditions. More recent ideological evolutions were marked by the dictatorship, for example Eroski, of the Mondragón group, which was founded in the Franco years with a strong Catholic ideology.

Modernization and Adaptation to the New Distribution System, 1980–2010

Growth ended in the first half of the 1980s. The creation of new Spanish consumer co-operatives followed a sharp downward trend, as did the agricultural, housing and credit co-operatives. The general growth of the movement in the 1980s, which can be seen in Figure 13.2, was based on the creation of industrial and workers' co-operatives. This was because the expansion of industry needed small auxiliary companies and because of the great crisis of the 1970s which stimulated interest in co-operation as a strategy for self-employment.⁴¹

From that moment the more traditional consumer co-operatives in Spain went into decline. Modern distribution systems had been implanted in the country with the entry of large French foreign companies such as Pryca and Continent.⁴² In addition, the consumption habits of Spanish families were fully adapted to European trends.⁴³ The percentage of household spending on basic products (food, clothing and footwear) went from almost 70 percent in 1958 to just over 30 percent in 1990.⁴⁴ In this context traditional consumer co-operatives lost their function.⁴⁵

41 Román, "Las cooperativas españolas y los ciclos".

42 Casares Ripol, "Las transformaciones en la distribución"; Castro, "Máquinas de vender"; García Ruiz, "Cultural resistance and the gradual"; Maixé-Altés, "La modernización de la distribución".

43 Alonso and Conde, *Historia del consumo en España*.

44 Carreras and Tafunell, *Estadísticas Históricas de España*.

45 Germany is another similar case of failure where consumer co-operatives did not adapt to changes in the retailing sector during the second half of the twentieth century. See Krampfer, "Why Cooperatives Fail", pp. 126–49; also Chapter 10.

The last decades have witnessed an international opening up of the Spanish consumer co-operatives. There are examples of Spanish consumer co-operatives which observed other co-operatives in several European countries in order to adapt their structures to new market trends. Eroski, which at the time of its birth was a merger of several local co-operatives, analyzed the organization of co-operatives in countries such Switzerland and Germany. Later, Eroski extended these European contacts by opening a hypermarket in France or participating in organizations such as Eurocoop. In recent years this consumer co-operative has signed various agreements of co-operation, exchange and training with co-operatives from other European countries, for example with the French company Adous Pirynées to create the Altis company to open supermarkets and hypermarkets in France.⁴⁶

During the 1980s the role of the national associations was important, as well as the appearance of the first regional federations. In 2016 there were two co-operative federations at national level: the Confederación Española de Cooperativas de Consumidores y Usuarios (Hispacoop; Spanish Confederation of Consumer co-operatives) and the Unión Nacional de Cooperativas de Consumidores y Usuarios de España (Unccue; National Union of Consumer Co-operatives of Spain).⁴⁷ There are also various regional federations scattered throughout the Spanish territory. Especially important are the federations from Catalonia, the Basque Country, Valencia and Andalusia (all of them members of Hispacoop). These federations are loosely linked to the ideologies of political parties. They are all fully involved in the ICA, thus showing the definitive opening up of the Spanish movement at international level.

The consumer co-operatives have redefined their functions in the face of the intense competition from large national and foreign companies, in an attempt to bring a degree of rationality to the distribution process where the big monopolies impose their conditions. In short, they seek to renew the emphasis on the role of the consumer and to be an alternative to large retail

46 Ciriec, "Cooperativas de Consumo: Grupo EROSKI".

47 Hispacoop was a consumer co-operative federation created in 1990. In 2010 it had 166 consumer co-operatives associated with it and 3,103,799 members, 57,232 employees, 3011 stores and 2,506,578 m² of sales area. Total turnover was 10,086 million Euros. This federation is the most important of the two existing, especially for having among its members the four most important regional federations and the Eroski and Consum groups, the two largest consumer co-operatives in Spain. Confederación Española de Cooperativas de Consumidores y Usuarios (Hispacoop); www.hispacoop.es. Unccue is a consumer co-operative federation created in 1942. It has 250 co-operatives and about 300,000 members nationwide. Unccue belonged to Hispacoop from its creation in 1990 but they separated in 1996. Unión Nacional de Cooperativas de Consumidores y Usuarios de España, Unccue; www.consumidores.coop. Last accessed 1 July 2016.

TABLE 13.4 *Ranking of main Spanish consumer co-operatives in 2009, by turnover*

Co-operative	Province	Stores	Staff	Area (m ²)	Members	Turnover (million €)
Eroski	Vizcaya	2,367	48,000	2,036,032	661,187	8,427
Consum	Valencia	575	9,064	413,140	1,245,079	1,584
Bide Onera	Vizcaya	7	124	7,165	8,387	2,052
La Progressiva	Barcelona	3	54	1,300	1,800	690
La Moixentina	Valencia	1	26	800	1,396	349
Laguntasuna	Guipúzcoa	1	12	700	1,421	283
Coborja	Huelva	1	23	833*	1,750	250
San Miguel	Guipúzcoa	1	13	350	618	229
Cristo Obrero	Huelva	3	21	2,500*	1,890	199
S.M. Magdalena	Cádiz	2	20	600*	618	193
S.J. Obrero	Palencia	2	10	600*	415	160
La Bartolina	Huelva	1	11	900*	556	115

* 2005 data.

SOURCE: HISPACOP, "COOPERATIVAS Y CONSUMIDORES", PP. 22–5.

multi-nationals. However, the Spanish consumer co-operatives have a moderate weight in the distribution sector. The most important cases are Eroski (Basque Country) and Consum (Valencia), the only two consumer co-operatives among the 20 largest companies by revenue in 2010.⁴⁸

Table 13.4 shows that in 2009 there were huge gaps between the two major co-operative groups in the country, Eroski and Consum, and the rest of the Spanish consumer co-operatives. Co-operatives are normally small entities operating at a local level, with no more than three stores, about a thousand members and a turnover below 6 million euros.

Structure, Targets and Strategies

Before the Civil War Spanish consumer co-operatives were modest; they were usually short-lived and based on brotherhood and mutual aid. Initially consumer co-operatives supplied products mainly for their members, who were responsible for running them without having to hire paid staff. In addition, many of the first co-operatives in Catalonia operated as benefit societies, helping workers in cases

⁴⁸ Alimarket, *Anuario Alimarket. Sector distribución*. Eroski is a company from Mondragón group.

of illness or labor unrest. Later cases appeared to reach more complex forms of organization, building warehouses or social centers that included cafeterias, theatres, libraries, children's rooms or workers' education centers. Co-operatives now needed to recruit staff externally. The consumer co-operatives also included joint facilities, such as common ovens and savings banks that granted credit to the members to make purchases from the co-operative.

Spanish consumer co-operatives focused their commercial activity on local primary products, which were usually sold in bulk.⁴⁹ Historically consumer co-operatives rarely used trademarks or marketing policies. The main target of these early co-operatives was to provide basic products to their members in the best possible conditions, social protection and to promote culture among them. This did not help to create a material culture or iconography. Perhaps the social centers that were built especially in Catalonia before the Civil War are the most important elements of the material culture of Spanish co-operatives, along with some important publications.

The functioning of these entities was simple. Access was unlimited; there was limited liability and an established minimum level of consumption which if not fulfilled could result in a fine or expulsion for the member. The share capital was made up by a number of bearer shares which were acquired by the members. Profit sharing was based on members' participation in share capital and consumption made each year. The surplus was distributed after deductions for running costs and the percentages that were intended to cover the social or reserve funds of co-operatives, to cover issues such as illness, accidents, unemployment, disability, retirement, education or culture of their members.

Management was not professional but was undertaken by members. Usually there was a general assembly with all members where the most important decisions were taken such as the election of staff, changes in the rules, approval of the annual accounts, credit applications, major purchases, etc. These entities worked democratically: each member had one vote, regardless of the level of participation in the co-operative. Decisions were made by an absolute majority of votes. General assemblies usually met once a year in ordinary session and several times in extraordinary sessions.

49 From the data of the Federació Comarcal de Cooperatives de Vic (Regional Federation of Co-operatives from Vic, Barcelona) for 1936, the most traded products by value for consumer co-operatives in the area were: flour (25.3 percent); wine and other alcoholic beverages (17.5 percent); cereals and pulses (8.4 percent); olive oil (8.3 percent); sugar (7.4 percent); chocolate (6.9 percent); sandals (4.4 percent); soap (3.7 percent); and coffee (3.6 percent). Casanovas i Prat, *El cooperativisme a Osona*, p. 52. These results are similar in other studied cases. Medina-Albaladejo and Pujol, "Cooperativas de consumo y niveles de vida".

There was a governing body in charge of the daily management of the co-operative, which decided what articles were commercialized and fixed prices for the members. It usually consisted of a president, vice-president, treasurer, secretary and members. This body was responsible for the running of the store, which was originally carried out by members until a few years later external employees began to be hired.⁵⁰

The relationship between consumer co-operatives and other co-operatives in Spain was a casual one. There was no consistent co-operation. The reasons are several, such as ideological differences in the decades before the Civil War. Consumer co-operatives were mostly influenced by socialist and working-class ideology, while credit or agricultural co-operatives had a greater presence of Catholics and bourgeois and a more conservative ideology. In addition, prior to the Civil War agricultural co-operatives hardly produced; they only offered credit to their members and supplied inputs such as fertilizers and seeds. Moreover, collaboration with consumer co-operatives to distribute the products was not necessary. Agricultural co-operatives tended to create their own local distribution networks and retailers, or sold wholesale to dealers or private producers (for example in the case of wine).

Later, the social character of co-operatives was marked by legislation. The laws of 1931 and 1942 established that co-operatives should establish reserve and social funds with their surpluses. This was closely related to the development of the housing co-operatives during the second half of the twentieth century, because other consumer or production co-operatives were behind many of these.⁵¹

In the 1960s, 1970s and 1980s the Spanish consumer co-operative movement was fragmented, not well organized, very dependent on state structures and failing to adapt to new trends. Normally, consumer co-operatives were like small neighborhood stores, with only one store where products were sold in bulk to the members. They did not have professional management and in

50 *Estatutos fundacionales de la Sociedad Cooperativa "El Trabajo"* (Alcoy, Alicante, 1881), Hernández Ferris, *La Sociedad Cooperativa "El Trabajo"; Reglamento de la Cooperativa "La Catalana"* (Vic, Barcelona, 1904); Casanovas i Prat, *El cooperativisme a Osona*, p. 52; *Estatutos de la Sociedad Cooperativa Obrera de Consumo "La Dignidad"* (Barcelona, 1916); *Reglamento general de la Sociedad Cooperativa Obrera de Ahorro y Consumo "La Flor de Mayo"* (Barcelona, 1928); "Archivo digital de la Fundació Roca i Galés". Taken from www.rocagales.org/arxiu.html; last accessed 1 July 2016.

51 *Estatuts i reglament interior de la Societat Cooperativa Unió de Cooperadors de Sant Pere de Torelló* (Barcelona, 1934); Casanovas i Prat, *El cooperativisme a Osona; Estatutos y reglamento interno de la Cooperativa Popular L'Andreuena* (Barcelona 1935); Castaño, *Itinerari històric de la Cooperativa; Estatutos y reglamento interno de la Sociedad Cooperativa de Consumo "Unión Cooperatista Barcelonesa"* (Barcelona, 1943, 1947, 1959); "Archivo digital de la Fundació Roca i Galés". Taken from www.rocagales.org/arxiu.html; last accessed 1 July 2016.

60 percent of cases did not have more than five employees per co-operative. Decision making was ineffective due to the organizational structure and since the contributions of members accounted for only about 10 percent of their capital they had strong problems raising funding. Together with their low profitability this meant that many co-operatives had to be dissolved because they were unsustainable.⁵² As Roman has shown, almost 40 percent of Spanish consumer co-operatives started between 1942 and 1977 developed their activities for a period between 11 and 15 years. They were short lived, a fact that is indicative of their weakness.⁵³

The state did not encourage adaption to new trends in distribution, such as business concentration to increase their size and their ability to compete, the introduction of new forms of distribution through supermarkets, marketing policies or professional management. In Italy there were strong organizations that encouraged these processes (Legacoop and Confcooperative),⁵⁴ but not in Spain, and the timid attempts made by the state were a failure.

The use of own brand labels was introduced in the late 1970s, when some of the co-operatives that now make up large groups (especially Eroski), began to modernize their structures in response to the evolution of the distribution sector in those years. However other attempts failed, such as the Central de Compras Unificadas, a second-degree co-operative founded in the early 1980s and linked to the Unión Nacional de Cooperativas de Consumo (National Union of Consumer Co-operatives), which unsuccessfully tried to start packaging with the brand name Coop. The attempt failed because of the fragmentation and dispersion of Spanish co-operatives.

Nowadays, large co-operative groups like Eroski and Consum defend the idea of consumer protection in their emphasis on healthy eating, environmental concerns and social development. A part of their profits is allocated to these activities through foundations. They also advocate long-term agreements that are both sustainable and profitable for providers.⁵⁵

Impact of Consumer Co-operatives in Spain

The Spanish case lacks general research from a historical perspective on the impact of consumer co-operatives at the economic, social, political or cultural

52 Rousell and Albóniga, *Historia de las cooperativas*.

53 Román, "Las cooperativas españolas y los ciclos".

54 See Zamagni, Battilani and Casali, *La cooperazione di consumo*; also Chapter 23.

55 Ciriec, "Cooperativas de Consumo: CONSUM"; Ciriec, "Cooperativas de Consumo: Grupo EROSKI"; Revuelto Tobaada and March Chordá, "De cooperativa de consumo valenciana".

levels. There is no doubt that their work had significant effects on the welfare of the working class in some regions. But this issue has not been studied empirically, and therefore quantitative data do not exist to help to establish firm conclusions. It can be assumed that their educational and cultural work during the early decades was also important and this has been confirmed in several local studies of specific cases, especially for Catalonia.⁵⁶

The most important expansion in the Spanish co-operatives took place under the Franco regime. During the 1940s co-operatives were used as a tool to manage rationing of scarce food and to alleviate the socio-economic situation of the Spanish population. A question for future research would be to check the real extent and impact of these entities among the Spanish working class.

As shown in Table 13.5, in 1960, when the movement was experiencing strong growth, only between 10 percent and 12 percent of the population engaged in the secondary sector in the most industrialized regions was part of a consumer co-operative. Even if only the active population in manufacturing plants is considered, instead of taking into account the total population of the secondary sector, the percentages grow by just 2 or 3 percent.⁵⁷

In general the impact of Spanish consumer co-operatives was limited in the regions where they were strongest and was almost non-existent in the rest of the country. To explore the issue more rigorously would require a series of studies at local and regional level that show the real impact of such entities in areas where they were developed.

In 2009 (Table 13.4), the Spanish co-operative movement has a strongly dualized structure, with two large co-operative groups that compete with private companies in national distribution and a large number of small consumer co-operatives which act only locally or regionally. In 2010 consumer co-operation accounted for approximately 13 percent of the total turnover in the distribution sector, of which almost 100 percent was due to the presence of Eroski and Consum (Table 13.6).⁵⁸ Compared with other national cases, consumer co-operation in Spain is an important movement.⁵⁹ However, as shown in Table 13.7, only Eroski and

56 Arrieta et al., *El movimiento cooperativo en Euskadi*; Ibañez Ortega "El cooperativismo en Vizcaya"; Burillo et al., *Flor de Maig*; Casanovas i Prat, *La Cooperativa de Manlleu*; Roussell and Albóniga, *Historia de las cooperativas*; Casanovas i Prat, *El cooperativisme a Osona*; Castaño, *Itinerari històric de la Cooperativa*; Juanola i Boera, *Cooperativa "L'Econòmica Palafrugellenca"*; Pérez Baró, *Història de les cooperatives*; among others.

57 The outcome is very similar when it multiplied the total number of co-operative members by four (an average family) with respect to the total population of these regions.

58 Indisa, *Anuario de la distribución*.

59 According to Eurocoop, in 2010, the consumer co-operatives in Spain in terms of turnover were below the UK, at the same level as important countries like Italy and Finland, and above countries such as Denmark, Norway and Sweden. "European Community of

TABLE 13.5 *Percentage of consumer co-operative members with respect to the secondary sector workforce in Spain and in regions where co-operatives were strongest, 1960*

Region	Total active population in the secondary sector (1)	Total active popula- tion in factories (2)	Members (3)	% (3/1)	% (3/2)
Catalonia	832,293	679,152	107,842	13.0	15.9
Barcelona	700,109	583,578	85,280	12.2	14.6
Gerona	65,352	50,950	13,109	20.1	25.7
Tarragona	36,138	25,669	5784	16.0	22.5
Lerida	30,694	18,955	3669	12.0	19.4
Basque C.	277,957	228,574	28,541	10.3	12.5
Alava	22,655	17,822	3698	16.3	20.8
Guipuzcoa	99,559	85,048	16,179	16.3	19.0
Vizcaya	155,743	125,704	8664	5.6	6.9
Valencia	331,775	262,122	12,969	3.9	5.0
Valencia	183,164	142,412	7016	3.8	4.9
Alicante	111,303	90,479	1990	1.8	2.2
Castellon	37,308	29,231	3963	10.6	13.6
Madrid	351,804	232,189	9917	2.8	4.3
Spain	3,387,208	2,379,169	209,095	6.2	8.8

SOURCE: INSTITUTO NACIONAL DE ESTADÍSTICA, *ANUARIO ESTADÍSTICO DE ESPAÑA*; INSTITUTO NACIONAL DE ESTADÍSTICA, *CENSO DE POBLACIÓN 1960*.

Consum are present among the ten major food distribution companies in Spain, with 10.8 percent and 2.2 percent of the market respectively. They face large private national (Mercadona and El Corte Inglés) and international groups (such as Carrefour and Auchan Group, both of French origin) which dominate the Spanish retail market.

In 2010 consumer co-operatives accounted for only 2.3 percent of co-operatives in Spain, compared with more than 10 percent in the 1960s, 20 percent in the 1940s and almost 40 percent in the 1930s (see Table 13.2). This

Consumer Co-operatives (Eurocoop)”, taken from www.eurocoop.org. Last accessed 1 July 2016. To learn more about what happened to the consumer co-operatives in other European countries from a historical point of view, see Brazda and Schediwy, *Consumer Co-operatives in a Changing World*; Brazda and Schediwy, “Esbozo histórico de las cooperativas de consumo”; Furlough and Strikwerda, *Consumers Against Capitalism?*

TABLE 13.6 *Main data on the two major Spanish consumer co-operative groups, Eroski and Consum, 1989–2009*

	Stores	Staff	Area (m2)	Members	Turnover (mills. €)
EROSKI					
1989	84	1909	74,100	152,413	361
1995	343	7733	360,489	217,331	1518
2000	1171	18,674	699,413	294,509	3655
2005	1826	30,716	1 381,445	515,226	6006
2009	2367	48,000	2,036,032	661,187	8427
CONSUM					
1989	58	970	33,951	24,097	81
1995	n.d.	2030	n.d.	82,669	311
2000	406	4643	195,000	156,346	553
2005	428	5870	263,463	280,000	863
2009	575	9064	413,140	1,245,079	1584

SOURCE: HISPACOOOP, "COOPERATIVAS Y CONSUMIDORES", PP. 22–5.

TABLE 13.7 *Main distribution groups by turnover in Spain, 2010*

Company	%	Company	%
Mercadona	20.20	Lidl Supermercados	3.03
Grupo Carrefour (Carrefour; DIA)	19.81	Consum	2.22
Grupo Eroski (Eroski, Vegalsa, Caprabo)	10.83	Dinosol Supermercados	1.85
Grupo Auchan (Alcampo, Sabeco)	6.22	Makro	1.74
Grupo El Corte Inglés	5.41	Ahorramás	1.72

SOURCE: INDISA, *ANUARIO DE LA DISTRIBUCIÓN*.

shows the decline that the consumer co-operatives have experienced in recent decades with respect to the total Spanish co-operative movement. In addition, consumer co-operatives are significant only in certain regions and in the rest of the country they are generally dependent on agricultural co-operatives, the most important type of Spanish co-operatives.

Conclusions

The main aim of this chapter was to provide an initial overview of the historical evolution of consumer co-operatives in Spain. They appeared in the early 1860s, later than in other European countries. Consumer co-operatives were strongly linked to the working-class movement and left wing ideologies in their early years and later to the Catholic Church. Moreover, the Spanish consumer co-operatives have been concentrated in the regions with the high levels of industrialization and urbanization: Catalonia and the Basque Country, followed by others such as Valencia, Madrid, Asturias or Andalusia.

During the first decades co-operatives were quite weak, operating as local distribution warehouses and providing social and cultural services to their members. After the Spanish Civil War, the Franco regime introduced state structures to regulate these co-operatives and encouraged the emergence of a definitive national movement through the legislative framework and state funding. Consumer co-operatives were used as a means of food distribution and political control in years of shortages and rationing.

With the advent of democracy, consumer co-operatives entered a process of general decline. The number of entities has fallen in recent years, but they started to focus on the markets in the 1970s. At the time of writing in 2016 the movement was characterized by a strong duality in its structure, with two large co-operative groups (Eroski and Consum) that are able to compete with large retail companies at national level, and an important number of small entities which act only locally. Despite this, consumer co-operatives remain important in analyzing the food distribution sector in Spain.

In short, the Spanish case is similar to other countries of Mediterranean Europe, such as Portugal or Italy. This chapter has shown that the formation of consumer co-operatives was delayed due to the weak urbanization of a mainly agrarian country, except in specific highly industrialized regions. Despite this, during the generalized and rapid industrialization of the country in the 1960s, consumer co-operatives could not respond to the changes in the retailing sector. This shows the importance of the historical context in understanding the evolution of these entities in different periods. The traditional role of consumer co-operatives as suppliers of basic foods to a segment of the population with low incomes lost its function in the second half of the twentieth century. It happened because of the changes in the consumption structure of Spaniards and the introduction of modern systems of distribution. That explains the limited position of consumer co-operatives in the Spanish distribution sector in the early twenty-first century.

The Experience of the Consumer Co-operative Movement in Korea

Its Break off and Rebirth, 1919–2010

Kim Hyungmi

The introduction of co-operatives to Korea during the early twentieth century was both a top down and a bottom up process. On the one hand, financial and agricultural co-operatives were introduced by the Japanese colonial government (1910–45), which exercised the power to appoint and dismiss the board.¹ These co-operatives were the predecessors of Nonghyup (the National Agricultural Co-operatives Federation NACF), one of the largest agricultural co-operatives in the world.²

On the other hand, an independent co-operative movement, including rural co-operatives, multipurpose co-operatives and consumer co-operatives was organized by intellectuals and freedom fighters in an effort to assert self-determination and sovereignty under the Japanese colonial occupation. 290 co-operatives were active throughout the early 1930s, but the Japanese colonial government's repression of collective organizing by Koreans led to the dissolution of many of them by the 1940s. The most remarkable characteristics of the movement were that it represented an independence movement against the economic exploitation of colonial Japan and solidified an emerging people's enlightenment and education movement. Sobi-johab (consumer co-operative) adapted lessons from the Rochdale Society of Equitable Pioneers and brought them into occupied Korea. It worked as an active agent for Mulsan Jangnyeo Undong (Buy Korean Products Movement), a campaign similar to Gandhi's Swadeshi movement in India.

The moment of independence on the Korean peninsula did not last long as it was soon met with the division of the North and South Korea. After the Korean War, a military dictatorship took power in South Korea and aggressively drove economic development at the expense of human rights. Attempts to

1 Korea lost its diplomatic rights in 1905 under the Japan–Korea Treaty of 1905. It was officially annexed in 1910 under the Japan-Korea Annexation Treaty and liberalized on 15 August 1945 after the Potsdam Declaration of 26 July.

2 ICA, *Global 300 Report 2010*.

rebuild consumer co-operatives continued even in these difficult circumstances but nevertheless had little success until the late 1980s. Political democratization, the gaining of the right to assemble and the economic development that created the urban middle class all contributed to the rebirth of the consumer co-operative movement.

Since its renaissance, consumer co-operation in Korea has had unique characteristics that make it different to that of Europe or Japan.³ One of its distinguishing features is that most Korean consumer co-operative activities have originated from the concerns of urban consumers at the negative effects of the increase in imported produce and collapsing rural communities, due in turn to rapid economic growth, rather than from the economic motivation to procure high quality goods at an affordable price. As a result, the core objective has become the promotion of organic and ecofriendly food with the intention of protecting agriculture and the environment in rural communities. Another differentiating characteristic is the focus on ethical consumerism in opposition to profit seeking retail business. Other distinctive features of Korean consumer co-operatives include the preponderance of relatively small sized primary co-operatives operated by their members, high demands for member participation and a strong civic participatory movement.

Modern consumer co-operatives in Korea are called *Saenghyup*, derived from consumer co-operation in Japan. The term means: “consumer co-operative that promotes autonomous member activities based on mutual benefits in the consumer’s daily life”. Thus, health and childcare co-operatives are included in this category of *Saenghyup* in Korea. In this chapter, the origin and development of Korean consumer co-operation and the characteristics of *Saenghyup* as a revived modern co-operative movement will be discussed, along with analyses of the contribution of the Korean consumer co-operative movement to a globalized Korean society.

Origins: Consumer Co-operation under Japanese Rule

As the ideas of the Rochdale Pioneers arrived in Japan in the late nineteenth century, the Chosun Dynasty was close to collapse on the Korean peninsula. In 1910, the Chosun Dynasty lost sovereignty as a result of the Japanese imperialist invasion. The Korean peninsula’s entry into the capitalist world began with the Japanese colonial occupation. Modern institutions were introduced from Japan, though in many cases they were implemented for the economic benefit

3 On Japan see Chapter 26.

of imperial Japan as part of its industrialization process. For example, modern cadastral surveys conducted by the Japanese colonial government from 1911 show that the proportion of land-owning farmers decreased from 22.8 percent in 1913 to 16.3 percent in 1932 while that of tenant farmers increased from 41.7 percent to 52.8 percent during that same period.⁴

According to the late Ivano Barberini, the former President of the International Co-operative Alliance (ICA), Korea has had a long history of collective aid in daily living and various forms of co-operation existed in Korean communities as early as 32 CE.⁵ Gye, Bo and Do were examples of people's associative organizations in the economic and educational sectors. In particular, Gye was a community-based economic organization through which people saved a certain amount of money to create the capital for members' common businesses or to improve community infrastructure as well as mutual microfinance. It was very active in all economic fields nationwide during the latter period of the Chosun Dynasty. According to a survey conducted by the Japanese researcher Zensho in 1926, the number of Gye stood at 20,000 and the number of members at 800,000 in that year.⁶

A co-operative system based on foreign models was introduced to Korea during Japan's occupation. Finance co-operatives were established in 1907 and industrial co-operatives were introduced in the 1910s by the Japanese colonial government. These co-operatives were legitimized by the Korean Finance Co-operative Act of 1914 and the Korean Industrial Co-operative Act of 1926. They grew in quantity: financial co-operatives had 661 societies with 726,294 members in 1932 and there were 115 industrial co-operatives with 221,000 members in 1940.⁷ These were, however, government-made institutions where the Japanese colonial government exercised the power to appoint and dismiss the board and had strict control of the co-operatives' operations.

An independent co-operative movement emerged on the Korean peninsula as part of the 1 March Liberation Movement in 1919. The movement adhered to the doctrine of national self-determination, modeled on the fifth point of US President Woodrow Wilson's Fourteen Points for a new international order after the First World War. The Korean people's movement for independence from Japanese rule spread to every corner of the country. The first independent co-operative was a credit union, Kangkye Public Co-operative, which was established in April 1919. Ham Sang-hun, a co-operative activist and a reporter on

4 Miyashima, "Chousenni okeru shokuminnti jinusiseino tenkai", p. 125.

5 Barberini, *How the Bumblebee Flies*, p. 22.

6 Zensho, *Chousenno Gye*, p. 2.

7 Kurumada, *Chousen Kyoudoukumiairon*, p. 15.

the nationalist newspaper *Dong-A Ilbo* (East Asia daily) reported that, “in 1919, a grand wave of ideas flowed into Korea... Korean people realized clearly that there is no political independence without economic independence. Then consumer co-operation aiming economic solidarity appeared almost everywhere... almost every county or at least every other county had one co-op.”⁸

Stimulated by these nationalist ambitions to gain economic independence from Japanese capitalists or tradesmen, four branches of the independent co-operative movement developed as follows. The first branch was Chosun Hyeopdong Johab Undongsa (Co-operative Movement League), an association of Korean students in Tokyo established in July 1926 for Korean independence. Some of the leading figures returned to Korea where they organized committees and formed co-operatives in rural communities in the Gyeongsang Provinces. Hamchang co-operative was established in January 1927 in Sangju, North Gyeongsang Province. It practiced joint shipping, collective purchases of consumer goods and redistributed its surplus to members as a dividend in proportion to purchases. The co-operative also operated Jeogok, or a grain bank, as most of its members were cash-strapped farmers. While cash transactions were the basic principle, destitute farmers could borrow a bag of grain in the lean spring season and pay it back in the harvest autumn season. Some of the profits earned from co-operative activities funded a night school for women. By the autumn of 1928, twenty two societies of 4777 members were organized around the South Chungcheong Province and Gyeongsang Provinces.⁹

The second branch was the Nongmin Gongsang Johab (Farmers' Mutual Aid Co-operative), established in the late nineteenth century. This was a multi-purpose farmers' co-operative, formed by Chosun Nongminsa, a farmers' association of followers of the indigenous Korean religion Cheondogyo (Religion of the Heavenly Way). In the 1930s Cheondogyo had 832 missionary centers and more than 103,500 believers, with especially high penetration in the Hamgyeong Provinces.¹⁰ This movement actively promoted courses in hygiene education along with a campaign to abolish illiteracy amongst its members through lecturing tours. The Pyongyang Farmers' Gongsang Co-operative was particularly notable as the Pyongyang Rubber Factory was founded in January 1932 to provide high-quality galoshes made by Korean farmers at lower prices in order to resist the Japanese conglomerate Mitsui's monopolization of the galoshes market in Korea. The shoes were sold in co-operative stores under

8 Ham, “Chosun Hyeopdong Undonggeui Gwageowa Hyonjoe”, p. 19.

9 Kim, “Iljeha Mingan Hyeopdongjohab Undonge gwanan Yeongu”, pp. 50–1.

10 Murayama, *Chousenno Ruiji Shukyou*, p. 64.

the label of Nong, meaning “agriculture”. By 1933, there were about 180 farmers’ Gongsaeung co-operatives with around 50,000 members.¹¹

The third branch, Nongchon Hyeopdong Johab (Rural Co-operative), were co-operatives run by YMCA Korea. YMCA leaders like Dr Shin Heung-woo (1833–1959) and Reverend Hong Byeong-seon (1888–1967)¹² turned to the example of Denmark as a way to improve the rural areas in which 85 percent of the whole population lived. The Danish experience of reviving rural areas through the folk high school movement and co-operative movement was introduced to Korea through missionary organizations and Japanese writers. Thus, Dr Shin and Reverend Hong, funded by YMCA International, underwent co-operative training in rural areas and in 1927 spent a year visiting folk high schools in Denmark. They modeled their co-operative movement after the Danish agricultural co-operatives and Denmark’s folk high school movement.¹³ Upon returning to Korea, they had organized as many as 65 co-operatives by 1932, and also established the Nongmin Suyangso (Farmers’ moral cultivation center), a Korean-style folk high school in Yeonhui Jeonmun Hakgyo, Seoul (now Yonsei University). This Nongmin Suyangso admitted a total of 140 students until the Japanese government-general forcibly closed the institution in 1938.¹⁴

The fourth branch was the Sobijohab Undong (Consumer Co-operative Movement).

Mokpo Consumer Co-operative, the first consumer co-operative in Korea on record, was established on 15 May 1920 and subsequently consumer co-operatives spread throughout the country. The main organizing forces behind the co-operative movement were nationalists and socialists. Consumer co-operatives mainly targeted urban dwellers but sometimes workers, students and women were organized. Chosun Nodong Gongjehoe Consumer Society was established on 15 July 1921 by Chosun Nodong Gongjehoe (Korean Workers’ Mutual Aid Association), the first Korean labor movement organization. In 1922 it had branches in Daegu, Gwangju, Wonsan and Jinju. Many other regions

11 Hida, *Nitteika no Chosen Nongmin Undong*, p. 29.

12 He led the agricultural co-operative movement, served as an advisor for NACF after the Korean War, and wrote some books including *Co-operativism* and *Jeongmal Nongmin gwa Chosun* (Denmark and Danish Farmers).

13 The Danish folk high school (folkehøjskole) movement was inspired by the concept of the Danish poet and pastor N F S Grundtvig in the 1800s. Folk high schools were institutions for popular education teaching rural young people during the agricultural off season. After the surrender to Prussia in 1864, campaigns for creating a new Danish consciousness based on popular enlightenment arose. These schools contributed to developing a new Danish identity and to improving the lives of farmers.

14 Hong, *Jeongmal Nongmin gwa Chosun*, p. 37.

formed their own co-operatives. These co-operatives played a pivotal role in protecting workers' livelihoods and served as supply bases during worker strikes. Politically, these co-operatives had close relations with the socialist movement. Around 70 students from 38 secondary schools and vocational schools held a meeting for student co-operative initiators in Seoul in May 1929. This meeting of students is considered the forerunner of the modern university co-operative. In January 1933, Chosun Yeoja Sobijohab (Korean Women's Co-operative) was founded with 350 members. They supplied daily necessities at affordable prices and ran various manufacturing departments such as sewing, dyeing, laundry and traditional sauce making, which created jobs for its members during financial difficulties. Although there are no records on the exact number of co-operatives in existence during the 1920s, *Dong-A Ilbo* indicates that there were 97 co-operatives in March 1932 and that 73.6 percent of them were consumer co-operatives.¹⁵ By adding *Dong-A Ilbo's* second statistics from June 1932 with Chosun Nongmins'a's data, Ham Sang-hun estimated in 1933 that there were 290 independent co-operatives.¹⁶

What purpose or function did co-operatives serve in a colonized country like Korea? What did the people of Korea expect of their co-operatives? Under Japanese imperial rule there flourished many dreams of building an ideal co-operative community where locals came together and took part in their own production and consumption in order to revive devastated agricultural villages. A *Dong-A Ilbo* article issued in 20 June 1920 entitled, "The Propagation of Consumer Co-operative System: One Way to Develop the Korean Economy" suggested that if at least one co-operative per county in Korea was organized to purchase necessities directly from producers at wholesale prices, to retail them to members at market prices, and share the profits with its members, it would not only increase member benefits but also create economic sovereignty. This practice would decrease the middleman's commissions and result in a gradual recovery of commercial power by causing foreign merchants to withdraw. In other words, under Japanese occupation, Korean co-operatives were considered to be a significant tactic for achieving sovereign economic rights in competition with Japanese traders and businesses.

In fact, the Buy Korean Products Movement was carried out mainly under the leadership of Cho Man-sik (1883–1950),¹⁷ a prominent independence

15 *Dong-A Ilbo*, 6 April 1932.

16 Ham, "Kyodou-Kumiai Undou" (The Co-operative Movement) (Osaka, 1933), cited in Lee Hwan-gyu, "1920nyondae Hanguk Hyupdongjohab Undongui Siltae", p. 146.

17 Cho Man-sik, called "Korea's Gandhi", was an educator, social activist and co-operative advocator. He organized the Korean Democratic Party in North Korea under the Soviet

movement leader from the 1920s. With the aim of raising native capital in Korea and pursuing economic independence, the movement encouraged various concrete practices such as the organization of co-operatives, building self-sustaining industries and encouraging the purchase of local products. Many co-operatives were therefore established primarily to purchase Korea's indigenous products and goods manufactured by small and medium sized local companies, as opposed to those produced by Japanese companies or wholesalers. Deogahn Consumer Co-operative even directly ran a textile mill. In this way, it had much in common with the Swadeshi movement led by Gandhi in India in 1919.¹⁸ Cho Man-sik founded the Pyongyang Consumer Co-operative in 1929, and later established the Gwanseo Hyeopdong Johab Kyeongrisa (Gwanseo Co-operative Administration), a coalition of co-operatives in Gwanseo area, in April 1931.

The campaign to build co-operative communities was led by the leaders of the nationalist movement such as Lee Seung-hun (1864–1930), Cho Man-sik and Lee Chan-gap. They were connected through the Osan School founded by the highly influential nationalist leader Lee Seung-hun in 1907, which nurtured future leaders of the Korean nationalist movement. Osan School was located in Yongdong village, in a newly established region where Lee Chan-gap had grown up. By 1907, several modern facilities such as churches, hospitals, orchards, drug stores and public bathhouses had been established. The village was run by the Yongdonghoe, the villagers' committee. Villagers devoted themselves to hygiene education, promoted the increase of production by arranging for each household to have a loom and practiced communal living by harvesting and selling crops collectively. The literacy night school run by the villagers' committee taught community members how to read and write.

Cho Man-sik succeeded Lee Seung-hun as the principal of Osan School in 1915. He advocated the Buy Korean Products Movement and the establishment of nationwide consumer co-operatives. Lee Chan-gap (1904–74), a native of

military regime after the liberation and served as one of the most influential political leaders. However he is known to have been detained by the Soviet army in 1946 for leading the Anti-Trusteeship Movement of December 1945 and was killed during the Korean War. Impressed by the writings of Gandhi, he deeply sympathized with Gandhi in his nonviolent civil disobedience movement.

- 18 A monthly magazine with nationalist inclinations, *Samcheonri* introduced many articles about the Indian independence movement and its leader Gandhi, especially from 1930 to 1934. For details see "Ghandi Zajeon" (The Biography of Gandhi), *Samcheonri*, 8 (1930); Choi Young-sook, "Ghandi wa Naidu Hoegyeon-gi" (An Interview with Gandhi and Naidu), *Samcheonri*, 4, 1 (1932) and "Ghandi: Inmul gwa Choegyeun Sajeong" (Gandhi: The Person and Recent Development), *Samcheonri*, 6, 7 (1934).

Yongdong village, attended Osan School whilst Cho Man-sik was the principal, joined the youth group and participated in pilot projects such as soil enrichment, fuel production and joint shipment of products. In 1931, Lee Chan-gap was elected as the executive director of Osan Consumer Co-operative and actively led the movement. He continued to expand his knowledge of the educational philosophy of Grundtvig and Danish co-operation that was based on farmers' self-help and strong attitudes of independence by studying at Guzura Folk High School in Shizuoka Prefecture, Japan.¹⁹

After the Sino-Japanese war broke out in 1937, the Japanese authorities in Korea strictly oppressed Korean people's associations. Co-operatives which did not support the war were forced to dissolve or their leaders were arrested in accordance with the Maintenance of the Public Order Act. After the outbreak of the Pacific War (1941) there was no space to maintain the daily activities of consumer co-operatives. As a result, records on activities of consumer co-operative disappeared from public space from the early 1940s until the liberation in August 1945.

Consumer Co-operation during the Military Regime and the Economic Development Drive, 1950s–1970s

The Korean War broke out in June 1950 and ended three years later, after 3 million deaths, with an armistice.²⁰ Following the war, Korean society faced many drastic changes. Due to the massive inflow of refugees from North Korea, the South Korean population grew from 6.9 million in 1945 to 25 million in 1960. War refugees from North Korea reached about 735,000, with many of them concentrated in Busan, which was not a war zone. The main characteristics of the Korean economy in the early 1960s following the Korean War were its poverty and American aid. In terms of the political climate, after the collapse of the Rhee Syngman administration through a students' uprising in 1960, a military coup led by General Park Chung-hee seized political power on 16 May 1961. The authoritarian Park administration maintained office for eighteen years until his assassination on 26 October 1979. The Park administration drove an aggressive economic development policy promoting rapid industrialization and a Korean economy based on export-led industry. This economic growth, referred to as the Miracle of Han River, continued to expand in the context of the propagating of national ideologies of anti-communism, and the suppression

19 Obana, "Lee Chan-gap, Ilbon dohang susukekireul balkinda", p. 84.

20 For a brief understanding of the Korean War, see Cumings, *The Korean War*.

of freedom of thought and freedom of assembly. Under the repressive political structure of the Yusin regime and martial law,²¹ many protestors and activists suffered severe political repression and faced challenging conditions for the organization of mass civic action.

The Park Administration ratified co-operation legislation in each co-operative sector. For instance, the Agricultural Co-operative Federation, small and medium sized business co-operatives and fishery co-operatives were viewed as powerful assets to mobilize resources for national economic development. Unlike the government's top-down enactment for fostering producer co-operatives, the act on credit unions was passed in 1972 as the result of a grassroots credit union movement that spread through the country in the 1960s supplying micro credit and banking (see Table 14.1).

On the other hand, consumer co-operatives had difficulties re-establishing themselves. The prosecution of the founding leaders by the Japanese

TABLE 14.1 *Co-operative laws in Korea*

Law name	Enactment date	Office & bureau
Agricultural Co-operatives Act	14/2 1957. Law No. 436	Ministry for Food, Agriculture, Forestry and Fisheries
Small and Medium Enterprise Co-operatives Act	27/12 1961. Law No. 884	Small and Medium Business Administration
Fisheries Co-operatives Act	20/1 1962. Law No. 1013	Ministry for Food, Agriculture, Forestry and Fisheries
Tobacco Producers Co-operatives Act	29/5 1963. Law No. 1347	Ministry of Strategy and Finance
Credit Unions Act	17/8 1972. Law No. 2338	Financial Services Commission
Forestry Co-operatives Act	4/1 1980. Law No. 3231	Korea Forest Service
Community Credit bank Act	31/12 1982. Law No. 3622	Ministry of Public Administration and Security
Saenghyup Act	5/2 1999. Law No. 5732	Fair Trade Commission

SOURCE: MINISTRY OF GOVERNMENT LEGISLATION. "NATIONAL LAW INFORMATION CENTER", LAST MODIFIED MARCH 8, 2012, WWW.LAW.GO.KR/ENG/ENGMMAIN.DO.

21 On 17 October 1972, President Park Chung-hee proclaimed emergency management, stopped all democratic institutions and confirmed the Yusin Constitution (i.e. Revitalizing Reforms Constitution). This heralded the fourth republic where the president and one third of the lawmakers were elected through indirect election and local assemblies were closed.

authorities in Japan led to their dissolution following the Sino-Japan War in 1937. Economic difficulties and repressive political conditions in Korea at that time made it difficult for consumer co-operatives to re-emerge.

In this context, it can be argued that human networks and the ideological sympathy of Christians were the facilitators in the revival of consumer co-operation after the Korean War. There were also some examples of continuities from the occupation period. The former leader of the Osan movement Lee Chan-gap fled to South Korea with his family in May 1948, avoiding the land confiscations of the North Korean Communist government and the persecution of Christians. With Ju Ok-rho (1919–2001) he founded Poolmoo School in Ju's hometown in South Chungcheong Province in 1958. Lee and Ju instructed the first class of 18 students without a middle school education, and in September 1959 they used the joint capital of teachers and students to install a school co-operative store for the collective purchase and sale of daily necessities and books. The store was the first consumer co-operative established and survived for decades after the Korean War. Poolmoo School began high school instruction in 1963 and one of its instructors, Hong Soon-myeong (born 1936), organized a book co-operative. In November 1963, Poolmoo Credit Union was launched by Jeong Gyu-chae, a graduate of the School. In 1980, the school co-operative expanded to communities outside of campuses. It opened a 330-square-meter store and changed its name to Poolmoo Saenghyup. By 2010 its membership had grown to 849.²²



ILLUSTRATION 14.1 *The first co-operative store was formed in Poolmoo School in 1959 and still exists today.*

HONG SOON-MYEONG.

22 From an interview in Poolmoo Saenghyup on 22 August 2011.

Under the leadership of Hong Soon-Myeong, Poolmoo School published magazines that introduced the ideas of co-operative movements in other countries, such as those of Gandhi, the Rochdale Pioneers, Raiffeisen and Sidney and Beatrice Webb.²³ Graduates from the school became leaders of the co-operative movement or foresighted farmers in the region. In 1975, under the training of the leader of the Japanese Ainoukai Association (Love Agriculture Association) Kotani Junichi, the school started to explore organic farming and has since developed the area into the largest organic farming region in Korea.

There were also links between Poolmoo School and the first Korean medical co-operative, the Busan Blue Cross Medical Co-operative. The co-operative was organized with 723 members in the war-devastated refugee villages in Busan in May 1968 by Dr. Jang Gi-rye (1911–95), a war refugee, and Chae Gyu-cheol (1937–2006). Jang was in charge of hygiene in the Pyeongnam Preparation Committee for National Construction for two months in 1946, while Chae taught at Poolmoo School in the 1960s and returned from Denmark in 1967, after receiving training there on co-operatives and agriculture. Together, they formed the Blue Cross Medical Co-operative following Bible study at a non-church Christians' meeting led by Ham Seok-heon (1901–89), a Quaker from North Korea.

Medical bills were a major burden for ordinary people as there was no healthcare insurance system in Korea during the 1960s and 1970s. Dr Jang Gi-rye modeled his medical co-operative on the Blue Cross Movement in the US, and by collecting a monthly fee he reduced medical costs of members and their families by half. On 2 July 1969, one year after the launch of the Busan Blue Cross Medical Co-operative, the Seoul Blue Cross Medical Co-operative was launched. From 1972 to 1973, Blue Cross Medical Co-operatives were established in major cities such as Incheon, Daejeon, Jeonju, Geoje, Suwon, Okgu, Daegu and Jeju. In 1972, with its 24 co-operatives and 160,105 members, the co-operative gained enough influence to form the Korean Federation of Blue Cross Medical Co-operatives. It voluntarily disbanded in 1989, after a national healthcare system had been instituted. Based on the principles of self-help and co-operative ideas under a privatized national health care system, the Blue Cross Medical Co-operative helped to reduce the burden of medical fees on ordinary people, and "gave great focus on members' participation in operation, publicity activities, and education while limiting management expenses to fewer than 10 percent of total expenditure".²⁴ The Blue Cross Medical

23 From an interview with Hong Soon-myeong on 22 August 2011.

24 Jang, "The Development and Tasks of BlueCross Medical Insurance Business", p. 80.

Co-operative even served as a model for the pilot of the government's medical insurance service started in 1989.

Further Christian influences on the Korean co-operative movement came from the Antigonish movement of Nova Scotia, Canada.²⁵ In May 1960, while conducting missionary work in villages with high concentrations of war refugees in Busan, Sister Mary Gabriella Mulherin from the Maryknoll Sisters in the USA founded Seong-ga Credit Union, the first credit union following the Korean War. Meanwhile, in the same year, Father Jang Dae-ik established the Catholic Central Credit Union, mostly among refugees in Seoul. Both leaders received training from the Coady International Institute, Canada. From then, the credit union movement spread throughout the country and by September 1973 it had 748 unions with 168,240 members.²⁶ From the 1960s to the 1970s Korea's credit unions placed great emphasis on micro credit in order to protect urban and rural areas from usury. They also contributed to member self-help programs by promoting hygiene education, advocacy for better living conditions, savings campaigns and the establishment of co-operative stores.

In addition, significant educational activities were developed in order to nurture the leadership of the consumer co-operative movement in Korea. The Voluntary Co-operative Center, established by Sister Mulherin in 1962, was renamed the Co-operative Education Institute in 1963 and by 1973 had produced 2383 graduates since its founding.²⁷ The institute's curriculum covered not only credit unions but also information regarding consumer co-operatives, fishery co-operatives and leadership training, ensuring graduates were able to play active roles in social movements as well as in the consumer co-operative movement. The institute was indeed the incubator of the co-operative movement; its graduates returned to their communities and practiced the skills they learned about grassroots democracy. They embodied the philosophy of co-operation as a system free from government interference in an authoritarian dictatorship.

There were also Christian influences on the development of workers' consumer co-operation. After the Korean War these developed along two different paths. The first was the consumer co-operative stores organized by the trade unions of the Federation of Korean Trade Unions (FKTU); the other was the

25 The Antigonish movement was inspired by St. Francis Xavier University, Antigonish, Nova Scotia during the 1920s. Initiated by Dr Moses Coady and Fr Jimmy Tompkins, it promotes community development through adult education and co-operative movement initiatives. See Chapters 7 and 17.

26 Jeong, "Sinyong Hyupdongjohab eu Jogikwhakdae e kwanhan Gochal", p. 75.

27 Park, "Hanguk Hyeopdongjohab Gyoyugui Hyonhwangwa Munjejeom", p. 73.

co-operatives of the democratic trade union movement centered on the Urban Industrial Mission of the Presbyterian Church in Korea (Industrial Mission). While the FKTU was under close control of the government with a strong anti-communist ideology, the Industrial Mission was close to the Protestant labor movement for protecting labor rights and dignity in the workplace. Enterprise unions belonging to FKTU operated co-operative stores to provide goods and necessities for underpaid workers at affordable prices as part of their provision of worker welfare services. Labor unions under FKTU had 145 consumer co-operative stores and 27,193 individual members, earning 23.9 billion KRW in revenue in 1984.²⁸ While FKTU's consumer co-operative movement provided tangible benefits to workers by providing high-quality necessities at reduced prices, it also planted negative ideas about consumer co-operatives amongst the public due to structural issues: operating rights were reserved exclusively for senior union officials, there was a lack of member participation in its activities, and a strong dependency on the dictatorship.

The main focus of the Industrial Mission was the poor working conditions during the 1960s and the 1970s when the Park dictatorship was at its peak. The Yeongdeungpo Industrial Mission was founded in 1958 and began teaching the principles of the co-operative movement after Reverend Cho Ji-song took office in 1964. From 1968, workers of the Yeongdeungpo Industrial Mission launched a number of organizations including housing co-operatives, a worker co-operative named Workers' Co-operative Mission Tire which recycled waste tires, credit unions, collective buying and co-operative shops, and health co-operatives. The smallest co-operative had 17 members, the largest one had 965 members and operated for at least three years. Yeongdeungpo Industrial Mission protested against human rights violations under the Park Chung-hee administration and supported the democratic trade union movement of workers without government intervention. In the end, the co-operation of Yeongdeungpo Industrial Mission was frustrated by government repression, including the detention of Reverend Cho in 1978, revocation of the credit union's authorization, and the deportation of Stephen Lavender, an Australian missionary who had served two years in Seoul. However, the members continued their mutual aid activities and study meetings through the underground organization named Daramgwi-hoe (Squirrel Group) and in 2002 they were active in Seorosolim Saenghyup (Reciprocal Living Consumer Co-operative) and the Seoul Medical Co-operative.

Other types of consumer co-operatives can be found in the democratic labor union movement that was initiated by women workers in the 1970s. Dongil

28 Lee Han-ok, *Hanguk Sobihyeopdong Undoni Iron gwa Silje*, p. 90.

Textile Consumer Co-operative run by the Dongil Textile Labor Union and the Wonpung Woolen Textile Labor Union's Consumer Co-operative were established in 1975 and 1978 respectively. They also practiced the principle of paying dividends to members in proportion to purchases. However, these co-operatives were forced to close as labor unions were dissolved under the Chun Doo-hwan dictatorship, which seized power following the 18 May Democratic Uprising in 1980. After the assassination of Park Chung-hee, the military junta led by Chun seized power on 12 December 1979 through a coup d'état. On 18 May 1980, the Chun Doo-hwan regime massacred and injured over 4000 citizens in Gwangju following popular demonstrations. These had been stirred up by Jeonnam University students after the proclamation of martial law on 17 May. Gwangju was isolated and severely infringed by the army. From this uprising to the June Struggle of 1987, the right of association was completely banned in Korea.²⁹

The consumer co-operative movement in Gangwon Province was stimulated by the response to the flooding of thirteen cities and eighty-seven towns in three provinces on the Namhan River in August 1972. The areas affected included Gangwon Province. More than 20,000 houses were inundated, leaving more than 145,000 flood victims. Bishop Ji Hak-soon (1921–93)³⁰ of Wonju Catholic Parish delivered the urgent news to the NGOs Misereor International and Caritas International immediately following the flood and received DM 2.91 million of aid in 1973. At the same time, he organized the Namhan River flood emergency management committee. The committee consulted Geonguk University's general research center for agriculture in order to develop a long-term strategy for post-flood restoration. The research center dispatched more than 15 counselors into the flooded areas to survey every affected farmer, and prepared a restoration plan. Among the counselors were several future leaders of Gangwon Province's consumer co-operative movement, such as Park Jae-il (the founding chairperson of Hansalim), Kim Yeong-ju (president of the credit union training institute), and Jang Il-soon who would become an advocate of

29 According to the May 18 Memorial Foundation website, available at <http://eng.518.org/index.es?sid=a5>; last accessed 2 July 2016.

30 Ji Hak-soon was born in South Pyeongan Province and crossed to South Korea after the division of the country. He was ordained as a priest in 1951. After his inauguration as bishop of the newly established Wonju Catholic Parish in 1965, he made remarkable achievements in advocating and promoting the co-operative movement by founding Wonju Credit Union (1965), offering classes in co-operation in Wonju Catholic Church (1967), and establishing the Co-operative Education Institute attached to Jingwang Middle School. He also initiated the Catholic Priests' Association for Justice (CPAJ), which became an important pillar of Korean democratization movement in the 1970s.

the Hansalim movement in the 1980s. Based on the research results, the emergency management committee encouraged each village to build co-operatives by practicing “community co-operation in production, purchasing, shipment, and finance”, after completing emergency aid for flood-dispersed people. In the end, many community-owned shops selling agricultural implements and daily necessities were established in rural areas in Gangwon Province where flood relief work was done. Initially, there were some disputes over the losses amongst villagers, as none of them was skilled in accounting and training. Counselors taught villagers accounting skills and empowered them to organize credit unions in order to manage their capital better.

Consumer co-operatives were born from these credit unions, beginning with Sinri Consumer Co-operative in Pyeongchang-gun in 1979. By the mid-1980s, 26 consumer co-operatives were established in areas belonging to the Catholic parish of Wonju and its neighboring areas. Further, more than ten miners’ consumer co-operatives were organized in mining areas of Taebaek and Jeongseon Counties. In December 1982, consumer co-operatives in the region formed the Agricultural Consumer Co-operatives Council (later reorganized into Gangwon Federation of Consumer Co-operatives). The association practiced the collective purchasing of urban industrial products and joint shipments of agricultural products from consumer co-operatives in Gangwon Province to co-operatives in urban areas.

The community development project rooted in the flood emergency management in Wonju Catholic Parish served as the main support for consumer co-operation in Gangwon Province. The project continued for 20 years from 1973 to 1993 with funding primarily from international organizations including Caritas Asia and Cebemo in the Netherlands.³¹ It is worth noting that there was massive support and solidarity from international organizations, helping the consumer co-operative movement grow in Korea. In addition to this, we should remember that the emergency management committee in Wonju Catholic Parish left a very successful legacy in its strategy of pursuing community development through international co-operation. It applied for foreign funds as seed money for community development through the empowerment of local governance and co-operatives, as opposed to funneling all the money into emergency aid.

In summary, several attempts to establish consumer co-operatives were made in the period c. 1950–80. However, each movement operated in isolation and thus historical links between them cannot be traced. Further, the organization of each respective group rarely went beyond its boundaries towards

31 Kim Hyungmi et al., *Hanguk Saenghyup Undongui Kiwongwa Jeongae*, p. 222.

building a union or larger co-operative. Consumer co-operation during that period was limited as it failed to establish a business model strong enough to succeed under the political and social restrictions of an anti-communist dictatorship. The only successfully revived consumer co-operative movements at the time were Poolmoo Saenghyup and Seorosalim Saenghyup. Every other co-operative had been wiped out by government repression or failures in businesses.

Rebirth and New Phase of Korean Consumer Co-operative Movement, 1980s to 2010

In the 1980s, Korea entered a critical epoch that would modernize Korean society. The co-operative movement was at the centre of these changes. From April 1978 to March 1982, a consumer co-operative called Yangseo Hyeopdongjohab (empowering books co-operative) emerged in Korea. Many intellectuals, young office workers, manual laborers, and university students joined these co-operatives. The first Yangseo co-operative was the Busan Yangseo Co-operative established in April 1978 with roughly 100 members. They opened a Hyeopdongseojeom (co-operative book store) in Bosu-dong, Busan that same month. The co-operative leader Kim Hyeong-gi completed a four-week training course at the Co-operative Education Institute in September 1977 under the guidance of Chae Gyu-cheol, whom he met in a Bible study meeting led by Ham Seok-heon. Kim Hyeong-gi initially attempted to build a consumer co-operative in Busan but soon realized that the workers and youth of Busan did not have enough purchasing power to organize a co-operative. Instead, he decided to run a book co-operative. Busan Yangseo Co-operative adopted the principles of the Rochdale Pioneers and aimed to distribute empowering books in the fields of education, humanities and social sciences at reasonable prices, in order to improve community culture, promote democratic management based on the participation of members, and spread co-operation throughout the community. Its activities consisted of reading empowering books, small group activities, literacy schools, community volunteer works, and co-operative festivals. The co-operative continued to grow and by September 1979 had approximately 500 members, five million Korean won (KRW) in capital and KRW 12.76 million in book sales.³²

32 *Busan Yangseo Co-operative News*, 1, 9 (1979).

From 16 to 20 October, 1979, university students and citizens in Busan and Masan took to the streets to demand democratization and the end of the Yusin regime, the so-called Buma Uprising. President Park Chung-hee mobilized the army to crush the protest. After he was assassinated by the head of the Korean National Intelligence Service Kim Jae-gyu on 26 October, martial law was declared throughout the whole country. The military authorities accused the Busan Yangseo Co-operative of being the force behind the Buma pro-democracy movement and forcibly closed the co-operative in November 1979.

Meanwhile, the experience of Busan Yangseo Co-operative diffused to other areas. In 1978, Yangseo co-operatives were organized in Gyeongnam, Daegu and Seoul and in 1979 in Ulsan, Gwangju, Jeonju, and Suwon. However, their days were short-lived. The spring of democracy in 1980 that followed the assassination of Park Chung-hee soon came to an end with the return of the military led by Chun Doo-hwan and many of the co-operative leaders were either detained or went underground. Nevertheless, Seoul Yangseo Co-op, the last active society until March 1982, managed to pass on the legacy of co-operation. The Seoul Yangseo Co-operative was reborn as the Child Book Research Association and for more than 30 years it has been working for the distribution of literature, the improvement of public and private libraries and community participation through literacy.

The Gwangju uprising between 18 and 27 May 1980 was an uprising of citizens in Gwangju against the military coup. The citizens organized a citizens' army to fight against the troops imposing martial law but were brutally suppressed by Chun Doo-hwan. In 1981 Chun launched the fifth republic by seizing political power and assuming the presidency. The violent suppressive actions of the Agency for National Security Planning and Army Security Command became known as the "reign of terror" and the regime severely repressed freedom of assembly by banning student organizing, controlling the media and delegitimizing the labor movement by restricting its freedoms.³³

Meanwhile, the Korean economy recorded high economic growth during the 1980s, and Korean society entered into an era of high production and consumption. There were several reasons for the remarkably high economic growth: firstly, there was massive capital accumulation due to neo-liberal macro-economic policies such as tight money policy, a wage freeze, financial reform and deregulation of investment and trade. Secondly, the Chun Doo-hwan administration introduced loans from Japan under a security and economic co-operation scheme and invested these in building a new industrial

33 For more details on the political situation of the 1980s in Korea, see the Korean Democracy Foundation website at <http://en.kdemo.or.kr/>; last accessed 22 August 2016.

structure, based on a transition from light industry to heavy chemical industries. Finally, under the three favorable conditions of low oil prices, low interest rates and a weak currency, there was market expansion and technical progress based on a high quality labor force. Korea continued to achieve high rates of economic growth: according to Statistics Korea, the real GDP annual growth rate grew from minus 1.7 percent in 1980 to an average of 9.2 percent per year during the period 1981 to 1990. This high growth led to the emergence of a middle class of consumers in the late 1980s. For example, the number of private car owners grew from 180,000 in 1980 to 1.9 million in 1990. On the other hand, the impact of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), which aimed to reduce subsidies on agriculture and to deregulate the import of agricultural products, was challenging to Korean agriculture, which experienced drastic social changes such as the rapid decline of the agricultural population and a deterioration in the food self-sufficiency ratio. This structural change in agriculture in Korea had a much great impact than in any other developed country (see Table 14.2).

Against the background of this rapid economic and social change, consumer co-operation in Gangwon Province declined rapidly from the late 1970s,

TABLE 14.2 *The decrease in the proportion of gross agricultural product and farming population, in international comparison*

Country	Year when gross agricultural product as a percentage of GNP reached 40% and 7% respectively			Year when the farming population as a percentage of the total working population reached 40% and 7% respectively		
	40%	7%	time frame (years)	40%	7%	time frame (years)
England	1788	1901	113	around 1800	1868	more than 70 years
US	1854	1950	96	1897	1950	53
Germany	1866	1958	92	1900	1960	60
Denmark	1850	1969	119	1920	1962	42
Japan	1896	1969	73	around 1940	1971	31
Korea	1965	1991	26	1977	1991	14

SOURCE: LEE JUNG-WHAN, *NONGEOPUI KUZU JEONHWAN GUSIZAKWA KEUT*, P. 26.

primarily due to the migration of rural residents into the cities.³⁴ Urbanization was accelerated due to the state's policy of economic development. Meanwhile, a shift in the nation's energy policy led to the closure of mining sites, as well as the construction of the Chungju dam in June 1978, which destroyed livelihoods and displaced farmers from their rural communities.

The leader of the co-operative movement in Gangwon province, Jang Il-soon (1928–94),³⁵ realized that the existing consumer co-operatives were unable to stop the decline of rural villages. He believed that only when the relationships between the ecosystem and farming, agriculture and food, and rural villages and urban cities were reorganized could the co-operative movement be revived, thus reviving the agricultural community as well. His ideas were derived from the traditions of Sicheonju (humans are endowed to worship god) and Sainyeocheon (humans should worship humans as God) of the ethnic Korean religion Donghak (Cheondogyo). The principle he promoted was that all people are equal and deserve as much respect as a god, and that “a grain of rice has a universe within it”; in other words that there existed an organic circulation of life. In concrete terms, such ideas translated into resistance to government-led agricultural practices that relied on chemical fertilizers and pesticides. Followers introduced organic farming to protect the ecosystem, and new co-operative businesses to promote direct trade in organic agricultural products. Jang Il-soon, Park Jae-il, Choi Hae-seong and the poet Kim Ji-ha called this new movement *Hansalim* (save all living things). It led to the establishment of a small shop in the eastern district of Seoul. The shop, called Hansalim Nongsan, sold organically grown grains including rice, sesame oil, and free-range eggs from Wonju. Wonju Consumer Co-operative (renamed Wonju Hansalim in 1990) was organized in June 1985. In April 1987, 350 households in Seoul and Gwacheon formed the Hansalim Community Consumer Co-operative (now Seoul Hansalim) and launched a door-to-door delivery system based on units of five households. The community and door-to-door delivery system had originated from the Seikatsu Club Co-operative in Japan.³⁶

34 From 1955 to 1980, the population of Gangwon Province decreased slightly while that of Seoul increased six times and the total population of South Korea doubled. *Gangwon Domin Ilbo*, 12 August 2008.

35 Jang Il-soon was a social activist, educator and co-operative advocator. A meeting and communication with Bishop Ji Hak-soon in 1965 led him to create a co-operative movement in Gangwon Province and to develop the Hansalim movement based on the idea of saving all living creatures. He was also good at calligraphy and had a profound knowledge of philosophy, such as Lao-Chuang's thought and *Donghak* thought.

36 See Chapter 26.

The Hansalim business fulfilled the needs of urban middle-class housewives. Much like in Japan, the participation of married women in economic endeavors was slim to nonexistent. In the late 1980s, Korea experienced a similar phenomenon to that found in Japan in the 1970s: the emergence of a class of highly educated stay-at-home wives. These housewives were willing to practice conscious consumption for reasons of food safety and environmental protection, and were able to build social ties through the community activities of Hansalim. The number of members in Hansalim grew from 1545 in 1988 to 10,420 in 1992. The Hansalim Manifesto (1989) gained an even greater reputation through the striking message of the poet Kim Ji-ha which encouraged modernization in Korea. Kim's manifesto encouraged a paradigm shift in order to reform Korea, and introduced ideas such as participation, autonomy and co-existence based on the keyword "life" in order to cure the social ills of unconditional devotion to economic growth and massive consumption. Hansalim was regarded as a new alternative by middle-class citizens who had found the limitations of advocacy-only activities. They understood the movement as totally different from previous consumer co-operatives, which simply sold goods at lower prices in competition with local merchants. In other words, the direct co-operation of consumers with the aim of transforming a way of life came to fruition.

Chun Doo-hwan sought a second term of the presidency through an indirect election but a vigorous popular movement for democracy forced him to promise a "people's direct election". The so-called Grand Political Change was made in June 1987. Behind the victory of the people's pro-democracy movement lay the spirit and the experiences of autonomous administration of the Gwangju democratization movement. In May 1980, after the troops enforcing martial law withdrew from Gwangju, a citizen's management committee was formed and took charge of maintaining order and negotiating with the government forces. During this period, a strong sense of solidarity and citizen autonomy was realized in the city, as housewives and merchants supplied food for the citizen's army and young people donated blood for wounded citizen soldiers. Based on the lessons from the Gwangju Uprising for Democracy, activists from the student and labor movements built mass organizations in the 1980s. They engaged in militant protests against the state's use of unjust violence, and finally succeeded in ousting the reign of terror. Those who had been deeply involved in student and labor movements and had participated in the struggle for democracy became active participants in the new wave of civic organizing in Korea after 1987, for example in the local residents' movement, the women's movement and the Saenghyup (consumer co-operative) movement.

As the political democratization movement allowed citizens the right of assembly in the late 1980s, a great number of civic organizations emerged in Korea in various fields. In May 1985, around the time when Wonju Hansalim was founded, Anyang Consumer Co-op (now Anyang Bareun Saenghyup) was established and began to operate an advanced direct delivery system that had originated from consumer co-operatives in Japan. In December 1989, Hamgge Ganeun Saenghyup (meaning “forward together”, now Women’s Minwoo Saenghyup) was launched in close relations with the Korean Women Link. University, medical, childcare and consumer co-operatives continued to be created in the 1990s. The Seogang University Student Co-operative was established as the first university co-operative in October 1988 and Ansan Medical Co-operative in April 1994, and the Evergreen Childcare Center in August 1994, which was run by a co-operative childcare association, were the first consumer co-operatives in their respective fields.

Thus, by the early 1990s, a civil society was forming in Korea, at the same time as the nation was beginning to be regarded globally as one of the Newly Industrializing Economies (NIEs). The advent of a Korean-style hypermarket, E-MART, in 1993 heralded the beginning of the modernization of marketing. One of the characteristics of the newly established consumer co-operatives was that they officially adopted the term “Saenghyup” derived from Japan, and pursued a new identity that earlier consumer co-operatives could not cover. For instance, as responsible consumers, they promoted the niche market of ethical consumerism. At the same time, co-operative members actively operated a policy of “sharing co-operation in daily lives” including co-operative childcare, field experiences and environmental protection campaigns.

In 1983, the Korean Consumer Co-operative Federation (KCCF) was established as a national body of 76 member societies.³⁷ Most of the co-operatives concentrated their business on the direct trade of eco-friendly agricultural products through stores and home delivery systems. However, the business soon fell into financial difficulties due to its high logistics costs and structural inefficiency. KCCF attempted to resolve these problems through collective business management, but their approach was challenged when Korea became a victim of the Asian economic crisis in 1997. Korea underwent a strict structural adjustment program in exchange for receiving a bailout from the IMF. During the IMF crisis two thirds of consumer co-operatives, including about 90 percent of co-operatives in non-metropolitan areas, went bankrupt.

37 It served as a national association of local, medical and university co-operatives until its dissolution in July 2011 with the aim of rebirth under the revised Saenghyup Act of 2010.

As a way out of the difficulty, the main local co-operatives formed the Metropolitan Business Consortium of Saenghyup (now Dure Saenghyup) in July 1997. The idea of a business consortium was to achieve economies of scale in the purchase and distribution system. Shortly after this, in September of that year, Gyeong-in Saenghyup Yondae (now iCOOP KOREA) was launched and Women's Minwoo Saenghyup began to work as a consortium. These four major unions of retail co-operatives, including Hansalim, have all been growing in competition with each other since the beginning of the 2000s (see Figures 14.1 and 14.2).

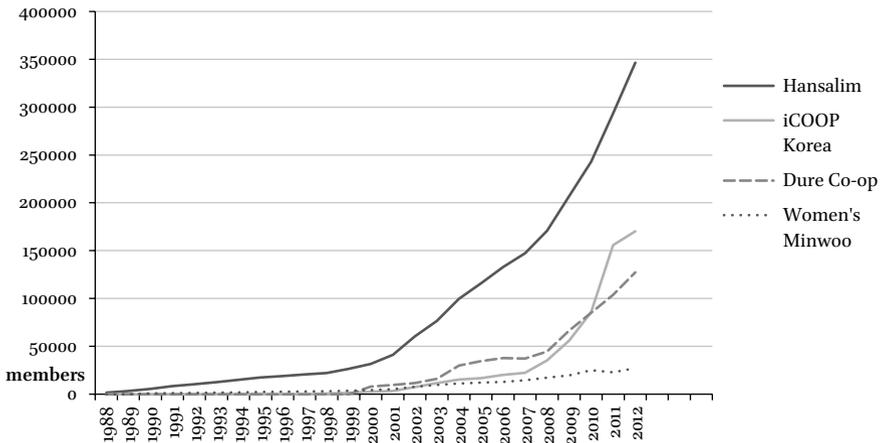


FIGURE 14.1 *The growth of membership in four major consumer co-operative unions in Korea. All figures are collected from the four groups' General Assembly Documentation 2014.*

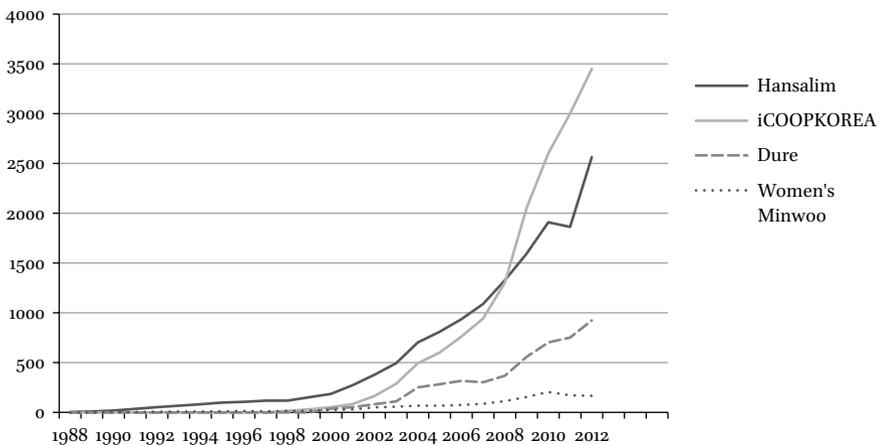


FIGURE 14.2 *The growth of turnover in four major retail co-operative unions in Korea. All figures are collected from the four groups' General Assembly Documentation 2014.*

The business growth rate of these four groups from 2001 to 2009 was 34.7 percent on average, much higher than the 5.0 and 4.9 percent growth rates of the National Agricultural Co-operative Federation and National Federation of Fisheries Co-operatives in the same period.³⁸ To overcome the poor business infrastructure of consumer co-operative businesses, these four co-operative unions developed a sound basis to the management of their payment, logistics, and production, and put great effort into expanding the direct trade of eco-friendly agricultural products both in quality and quantity.

The Saenghyup Act, or the Consumer Co-operatives Act, was enacted in December 1998 and became effective in August 1999. The law vested legal personality on existing co-operatives, but it still had many limitations, such as restrictions against non-members' use of the co-operative and the spheres of business in which it could operate, and the lack of status accorded to business consortia or federations of primary co-operatives. In spite of these limitations, the law provided a turning point in the acknowledgement of co-operatives as a movement to protect domestic agriculture, environment, food safety, and livelihood of consumers. Since the early 2000s there had been regular interchange between co-operative members in Korea. Members in a particular neighborhood met once or twice a month to learn how to deal with everyday tasks in their co-operatives and gradually developed new co-operative activities. Members often organized hobby clubs, participated in local community services and exchanged childcare with locals. "Co-operation in daily lives" contributed to cultivating weak ties in urban lives that were often isolated and to generating social capital based on the exchange of non-material services, mutual trust, and discipline. Therefore, most primary co-operatives prefer to limit membership to a few thousand where face-to-face relations amongst members are possible. Since the co-operative act was passed Korean consumer co-operatives have made notable achievements in the following fields.

First, the expansion of the eco-friendly agricultural products market and establishment of a production base: as of 2010, consumer co-operatives accounted for 15 percent of the market in eco-friendly agricultural products, worth about KRW 4 trillion.³⁹ Co-operatives also provide stable support for producers through the negotiation of annual contracts between producers and consumers.

Second, the local wheat diffusion campaign: co-operatives run local businesses and bakeries offering wheat-based processed food with the aim of

38 Jang Jong-ik et al., "The Perspectives on Co-operative Sector", p. 130.

39 Jeong Eun-mi et al., *The Economic Fruits and Policy Tasks*, p. 20.

increasing local self-sufficiency in wheat. Imported wheat meant that local production had plunged to 0.1 percent of the total in 2000. By 2011, the local wheat self-sufficiency rate grew to around 2 percent and the price discrepancy between imported wheat and local wheat dropped to less than 15 percent, which created the basis for an expansion of local wheat consumption.

Third, the school lunch campaign: in 2002, consumer co-operatives joined the ecofriendly free school lunch campaign. The school lunch enactment campaign allowed local governments to create and grant expenses for eco-friendly meals, and co-operatives took part as the vendors of local food and eco-friendly agricultural products to schools. For example, in 2010, iCOOP KOREA provided food to about 486 catering facilities including elementary, middle, and high schools, and hospitals.

Fourth, the fair trade expansion: fair trade has surged in Korea since Dure Saenghyup started the fair trade business in 2004, with a surprising 113-fold increase of turnover in 2009. The import of products certified by the Fairtrade Labeling Organization (FLO) accounted for KRW 2.67 billion out of a total turnover of 8.07 billion in 2009. Consumer co-operatives and non-profit organizations recorded KRW 5.4 billion worth of turnover, and 36.5 percent of this was accounted for by the sales of independent brands like Dure Saenghyup and iCOOP KOREA.⁴⁰

The total number of co-operative members increased from 70,000 in 1999 when the consumer co-operation law was enacted to 630,000 by late 2010.⁴¹ There are now active federations of co-operatives for the childcare, medical, university and retail sectors. In February 2010, the Consumer Co-operatives Act was amended to abolish the restriction of business areas and to allow the establishment of unions. Behind the growth were iCOOP KOREA's efforts to promote local co-operatives in remote small towns far from the metropolitan area by building a national logistics network. Korea has large regional disparities with more than half of the population, and economic, political, and educational infrastructures highly concentrated in metropolitan areas. iCOOP KOREA was the sole co-operative union to develop a nationwide logistics network. As a result of the co-operative's intensive efforts, the ratio of co-operative members in the metropolitan area to that in non-metropolitan areas was reversed: from 29.5 : 70.5 in December 2001 to 41.9 : 58.1 in December 2011.⁴²

40 Estimation by Korea Council of Fair Trade, March 2012.

41 Korean Fair Trade Commission release, 8 March 2012.

42 Jeong Won-gak, "Yoe Urieun Jiyoeseo Undonguru Hanunga." Unpublished lecture note (2012): 1-22.

Conclusion

The Korean consumer co-operative movement that emerged in the 1920s experienced its ups and downs in accordance with the political climate, but has been reborn as a new civic movement in South Korea within the last two decades. Political democratization in 1987, followed by the emergence of the middle class and civil society, coupled with high economic growth, contributed to the rebirth of the Saenghyup movement. Most importantly, the civic participation cultivated through struggle for political democratization served as an important foundation for the participatory membership system that Korean co-operatives were built and operated upon.

The re-born consumer co-operative movement pursued different paths by creating niche markets which had not yet been penetrated by capitalist retailers. The decision to take a different strategy can mostly be attributed to the historical context that consumer co-operation of the 1960s and the 1970s had failed to sustain itself in the face of various trials, and that large capitalist retailers had already modernized the retail market. As a result, the household membership rate of Korean co-operatives is no more than 3 percent, with 288 co-operatives and 630,000 members in December 2010, according to data from the Fair Trade Commission of Korea. However, co-operatives have played an important role in consumer awareness in their efforts to secure domestic agricultural production, as well as protecting consumers' livelihoods throughout the contemporary history of Korea. They are also potentially important market players in promoting ethical consumerism, such as fair trade, support for native wheat production and trade with social enterprises or workers' co-operatives.

Consumer co-operatives are continuing to expand even after the global financial crisis of 2008. Their members participate in various activities and businesses such as house meetings, club activities, committees, exchange programs with rural areas, social campaigns, and community businesses. It is difficult to say how much Korean consumer co-operatives will continue to grow in the context of the current wave of globalization with intensifying competition. However, one thing is clear: Korean consumer co-operatives are demonstrating significantly dynamic capabilities and entering into a phase of real growth contrary to other co-operative sectors in Korea.

By the end of 2010, Hongdong-myeon had four active co-operatives: Poolmoo Consumer Co-operative, Poolmoo Credit Union, Hongdong Agricultural Co-operative and Poolmoo School Co-operative. Out of a population of 3807, it had 5460 individual memberships, and had been transformed into a highly livable agricultural area with kindergartens, day care centers, alternative education, a specialized course in organic farming at Poolmoo School, a

resident-financed child care center and a community library. More than other rural villages, Hongdong-myeon is full of various community-based businesses, such as a community choir, whose members range from children to seniors; a community café; and Masil-i School, which provides a guided tour of Hongdong area. These are all practices embodying the principles of the Osan School and Osan Consumer Co-operative that Lee Chan-gap experienced in his hometown Yongdong village under colonial rule. In other words, this is a continuation of the co-operative community building campaign to create a livable community through education and co-operatives.

Consumer Co-operatives in the People's Republic of China: A Development Path Shaped by Its Economic and Political History

Mary Ip and Kay-Wah Chan

The western concept of co-operatives has a long track record in contemporary China.¹ Its history can be traced back to the late Qing Dynasty at the beginning of the twentieth century.² However, consumer co-operative development in contemporary China was deeply dictated by national history. Chinese co-operatives have been heavily influenced by the political and economic upheavals in the country's twentieth-century history, probably to a greater extent than co-operatives in other countries. The first consumer co-operative was established in late 1910s shortly after the downfall of the Qing Dynasty.³ However, external factors such as the first and second Japanese invasions and internal factors such as civil wars, natural disasters, political turmoil and economic reforms, have placed Chinese consumer co-operatives on a rocky road in the subsequent few decades.

Following the surrender of Japan in 1945 and the end of the Chinese civil wars, the People's Republic of China (PRC) was founded on 1 October 1949. Shortly after, China was embroiled in a series of political turmoils. These were the Anti-Rightist Movement in the late 1950s, the Great Leap Forward (1958–61) and the Cultural Revolution (1966–76). It was not until Mao Zedong died in 1976 and Deng Xiaoping⁴ assumed power that a more stable political environment became available for the renaissance of consumer co-operatives in China. Under Deng, China embarked on vigorous economic reforms which included modernization and openness to foreign trade. The watershed events for Chinese economic reform were the adoption of a socialist market economy

1 Contemporary China in this chapter refers to the period after the downfall of the Qing Dynasty in 1911.

2 Xiong, "Early Dissemination and Practice", p. 126. All Chinese names in this article (except its authors' names) follow the Chinese practice of placing the surname before the given name.

3 Ge and Li, "The Narration of the Chinese Rural Co-operatives", p. 24; and Yin, "A Discussion on the Establishment", p. 67.

4 Deng Xiaoping (22 August 1904–19 February 1997) was the Chairman of the Central Advisory Commission and was regarded as the chief architect of China's economic reforms.

in 1992, to replace the planned economy, and the accession to the World Trade Organization in 2001. A consequential result of the economic restructuring is the steady and remarkable growth of the Chinese market. It was evident that by 2010 China had surpassed Japan as the second largest economy in the world.⁵ Interestingly, except during the periods of the Great Leap Forward and the Cultural Revolution, consumer co-operatives have maintained a role in the Chinese economic system despite experiencing ups and downs. Thus, the distinctive ways in which consumer co-operatives have had to adapt to these changes raise some intriguing issues for the study of global co-operative development.

The objective of this chapter is to trace and examine the development path of Chinese consumer co-operatives under the PRC regime. This chapter argues that the rise and fall of consumer co-operatives have been strongly influenced by the political-economic policies in China while social impact is minimal. Even though the focus of this chapter is the PRC's consumer co-operatives, a brief discussion of the pre-PRC (1910s–49) situation for consumer co-operatives is provided at the outset. Then, the role, function and position of Chinese consumer co-operatives under different political and economic environments are analyzed in turn according to the following phases: the period of command economy (1949–78); the early stage of Deng's economic reform (1979–91); and the market-oriented economy (from 1992 to the present). Finally, the chapter summarizes the history of consumer co-operatives in contemporary China, highlights its distinct characteristics which deserve attention in the study of global consumer co-operatives, and reviews the current Chinese economic situation which might impact on the course of development of consumer co-operatives in China.

As the history and development of co-operatives in China is a huge and complex topic, the chapter adopts a macro approach to Chinese consumer co-operation by tracing its development path from a socioeconomic political perspective, rather than focusing on institutional issues. The rationale for this was that, for economic and political reasons, co-operatives in China had been used as tools to achieve various governmental purposes. Therefore, the Chinese co-operative has acquired its own unique characteristics which do not conform to the traditional model. For instance, rural credit co-operatives were actually administered by the People's Bank of China and then the provincial governments.⁶

5 Andrew Monahan, "China Overtakes Japan as World's No.2 Economy", *The Wall Street Journal*, 14 February 2011. Available at <http://online.wsj.com/article/SB10001424052748703361904576142832741439402.html>; accessed 8 February 2012.

6 Cheng, "China's Reform of Rural Credit Cooperatives", pp. 27, 35–8.

In fact, it is questionable whether these rural credit co-operatives can be correctly referred to as co-operatives.⁷ Since co-operatives may sometimes exist more in name than substance in China, we believe that it would be more meaningful to focus on the macro picture of the emergence, disappearance and re-appearance of consumer co-operatives in China.

Pre-PRC Era, 1900–1949

As early as the late Qing Dynasty,⁸ the concept of a co-operative was imported into China through Chinese intellectuals who had exposure to foreign education. During the years 1900–10, two economics professors in Peking University, having returned from their study in Japan, taught on industrial organizations and introduced the study of co-operatives.⁹ Another example is Tan Shou-Gong who had studied in Japan and published two books on the topic of co-operation in 1906.¹⁰ Later, Xu Cang-Shui became another co-operative advocate after being inspired by his studies in Japan.¹¹ Apart from Japan, Germany was another important influence on the co-operative movement in China. Xue Xian-Zhou, renowned as the “master of co-operative movement in China”, had learnt about the concept of co-operatives from Germany.¹² France was also a breeding place for Chinese co-operative enthusiasts which included Lou Tong-Sun, Wu Ke-Gang and Peng Shi-Qin.¹³ Legal scholars took the lead in the establishment of a co-operative. Hu Jun (a law professor) organized students to set up the Peking University Consumer Co-operative in 1918, which was commonly cited as the first co-operative of its kind in China.¹⁴ This brief account indicates that the co-operative movement in China, at that point of time, was largely initiated by academics and they later played a dominant role in its advocacy.

7 See, for example, He and Ong, “Chinese Rural Cooperative Finance”, which points out the non-co-operative nature of their “corporate governance structure”.

8 The Qing Dynasty lasted from 1644 to 1911.

9 Chen, “Spread and Influence of Western Co-operativism”, p. 92; Xiong, “Early Dissemination and Practice”, p. 126.

10 Zhao, “A Study on the Chinese Economic Thought”, p. 88.

11 Chen, “Spread and Influence of Western Co-operativism”, p. 92; Zhao, “A Study on the Chinese Economic Thought”, p. 88.

12 Qian, “Master of Chinese Co-operative Movement”, p. 52.

13 Lai, *Cooperative Movement*, p. 35.

14 Ge and Li, “The Narration of the Chinese Rural Co-operatives”, p. 24.

However, the western influence on the co-operative campaign in China came not only through scholarly exchange, but also through philanthropic institutions responding to the severe drought in the northern part of the country in 1920. Five provinces were declared disaster zones with about 500,000 casualties.¹⁵ In response to the natural disaster, the Peking United International Famine Relief Committee (PUIFRC) was set up to carry out relief works. The PUIFRC was formed by a union of the North China Famine Relief Society (a federation of Chinese relief organizations) and the International Executive (formed by representatives from a number of foreign relief societies).¹⁶ In November 1921, through the efforts of a number of international relief committees and the PUIFRC, the China International Famine Relief Commission (CIFRC) was established.¹⁷ CIFRC's management was also based on a joint model but the number of western voting members slightly outstripped their Chinese counterparts.¹⁸ The westerners were mainly "missionaries, YMCA workers or miscellaneous China hands personally interested in the famine problem."¹⁹ The USA was one of the major benefactors and a major taskforce in the relief effort.²⁰ Some senior management positions in CIFRC were occupied by Americans as well. For example, Dwight Edwards, a former secretary of PUIFRC who was first appointed as CIFRC executive secretary and later as treasurer in 1922 was American, as was his successor Walter Mallory.²¹ American influence over CIFRC was also through some Chinese Executive Committee members who had been educated in the United States. Examples include Zhang Yuan-Shan (also spelt Y S Djang or Chang Yüan-shan) who had studied in Cornell University, the Columbia University doctoral graduate Chu yu-yü

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- 15 Lai, *Cooperative Movement*, p. 71; Chen "The China International Famine Relief Commission", p. 106.
- 16 Peking United International Famine Relief Committee, *The North China Famine*, p. 2.
- 17 Lai, *Cooperative Movement*, p. 72; Nathan, *A History of the China International Famine Relief Commission*, p. 11.
- 18 Nathan, *A History of the China International Famine Relief Commission*, p. 12; Chen, *The China International Famine Relief Commission*, p. 108.
- 19 Nathan, *A History of the China International Famine Relief Commission*, p. 24.
- 20 Peking United International Famine Relief Committee, *The North China Famine*, p. 5 and p. 48.
- 21 Nathan, *A History of the China International Famine Relief Commission*, p. 12; China International Famine Relief Commission, *The C.I.F.R.C. Fifteenth Anniversary Book 1921-1936*, No 47, p. 30; Chen, "The China International Famine Relief Commission", p. 108; The Regents of the University of Minnesota – Twin Cities and University Libraries, "YMCA International Work in China: An Inventory of Its Records", The Kautz Family YMCA Archives, University of Minnesota Libraries, 2005. Retrieved from <http://special.lib.umn.edu/find-aid/html/ymca/yusaa009x2x4.phtml>; accessed 9 September 2013. Lai, *Cooperative Movement*, p. 91, note 2.

(YY Tsu), and Yale University graduate Chou I-ch'un (YT Tsur).²² Nevertheless, a discussion of the missionaries' contribution to the co-operative movement in China would be incomplete without mention of the remarkable work by John Bernard Tayler from the London Missionary Society.²³ He had chaired the CIFRC Committee on Credit and Economic Improvement and was highly regarded as an influential leader in Chinese co-operative development.²⁴

Despite the different nationalities of the members in the CIFRC, they shared the common view that preventative measures and economic and social improvement for the community should be the long-term solution of the drought issue in China, rather than handout relief.²⁵ They also believed that a co-operative was the most apposite vehicle to achieve the goal. This is illustrated by the types of works which were carried out in relation to co-operatives. For instance, CIFRC provided loans to local credit co-operatives²⁶ and a rural credit co-operative was set up by CIFRC in Hebei province in 1923.²⁷ Through the staff of Yenching University (the predecessor of Peking University) and Tsinghua University, CIFRC also offered training courses for co-operative delegates.²⁸ Committee members had studied co-operative methods in India and Japan.²⁹ In 1927, with CIFRC's funding, Tayler travelled to Denmark to investigate its co-operative movement and to consider its adaptability to China.³⁰ Knowledge gained from these tours seemingly enhanced CIFRC's mission, as illustrated by the launch of the rural co-operative movement and the establishment of the North China Industrial Service Union for the development of programs to improve rural industries.³¹ By 1932, 915 rural co-operatives had been established under CIFRC's guidance.³²

22 Nathan, *A History of the China International Famine Relief Commission*, pp. 23, 72–3.

23 For an account of John Bernard Tayler's (1878–1951) accomplishments, see Trescott, "John Bernard Tayler", pp. 209–26.

24 Trescott, "John Bernard Tayler", pp. 209–10.

25 Nathan, *A History of the China International Famine Relief Commission*, pp. 13–4; Duke East Asia Nexus Online, "The China International Famine Relief Commission: Leadership, Sustainability, and Prevention." 12 January 2009. Retrieved from <http://sites.duke.edu/dean/2009/01/12/the-china-international-famine-relief-commission-leadership-sustainability-and-prevention>; accessed 5 August 2013.

26 Trescott, "John Bernard Tayler", p. 211.

27 Ge and Li, "The Narration of the Chinese Rural Co-operatives", p. 24.

28 Mallory, "Rural Co-operative Credit in China", p. 490.

29 Mallory, "Rural Co-operative Credit in China", p. 489.

30 Trescott, "John Bernard Tayler", p. 213.

31 Chen, "The China International Famine Relief Commission", p. 110; Trescott, "John Bernard Tayler", p. 213.

32 Ge and Li, "The Narration of the Chinese Rural Co-operatives", p. 24.

Despite the strong enthusiasm and joint effort of both the Chinese and Western campaigners, co-operatives in China could not avoid the damaging interference of various political groups in China at that time. For instance, more consumer co-operatives were set up after the formation of the Peking University Consumer Co-operative, but they did not last for long.³³ Apart from systemic issues (operators' lack of practical skills, frequent personnel changes, problems with financing and lack of demand from most peasants), there were obstructions from the Beiyang Government.³⁴ The Beiyang Government adversely viewed the co-operative movement as a socialist or communist movement and therefore suppressed its existence.³⁵

In stark contrast to the hostile attitude of the Beiyang Government, both the Nationalist government (which ruled the Republic of China from 1919–49) and the Communist Party of China (CPC) which has ruled the Peoples' Republic of China from 1949 to the present, were in great favor of the co-operative concept as it could enhance their economic and political purposes.³⁶ The Nationalist government viewed co-operatives as a measure for the consolidation of its control of the people.³⁷ It would use co-operatives to allocate credit to the peasants in order to resolve the agricultural sector's financial crisis, but in doing so it would also consolidate its political power.³⁸ The Nationalist government treated consumer co-operatives as one of the major forms of operation.³⁹ Consequently, a co-operative campaign was promoted, governmental guidance was given and co-operative law and regulations were passed to enhance its development.⁴⁰ Examples of co-operative legislation under the Nationalist government are the Provisional Regulations on Agricultural Co-operatives

33 Xiong, "Early Dissemination and Practice", pp. 127–8. It should be noted that the literal translation of the Chinese terminology should be "consumption co-operative" because it refers to the "act of consumption" instead of the "actor of consumption".

34 Xiong, "Early Dissemination and Practice", p. 128. After the Qing Dynasty was overthrown in 1911, China was ruled by various governments. They included the Yuan Shikai government (1912–1916) and then the Beiyang government (a warlord regime) until the latter was wiped out by the Kuomintang government in late 1920s.

35 Xiong, "Early Dissemination and Practice", p. 128; Lai, "The Structure and Characteristics", p. 59.

36 Ge and Li, "The Narration of the Chinese Rural Co-operatives", pp. 24–6.

37 Lin, "The Path of Chinese Co-operative Economy", p. 63.

38 Lai, "The Structure and Characteristics", p. 64; Ge and Li, "The Narration of the Chinese Rural Co-operatives", p. 26.

39 For detailed discussions, please refer to the comprehensive and insightful research by Lai, *Cooperative Movement*.

40 Fu, "A Survey of the Agricultural Co-operation Movement", p. 126.

promulgated in 1931 and the Co-operatives Law enacted in 1934.⁴¹ Most probably due to the Nationalist government's promotion, support and legal regime establishment, co-operatives in China experienced a rapid and substantial growth from 1928 to 1935.⁴² However, the Nationalist government's "support" of co-operatives veered towards advancement of their political interests and from 1934 it started to place the co-operative leadership under its control.⁴³ The Nationalist government's destructive impact on the healthy development of co-operatives was lamented by Tayler.⁴⁴

Unfortunately, co-operation was also used by the CPC as a political agent. Such usage dated back to 1921 when the CPC was formed.⁴⁵ During the civil wars with the Nationalist government, the CPC deployed co-operative operations extensively for providing daily necessities and collecting military funds and supplies for its army.⁴⁶ In addition, to raise production and improve everyday life, farmers in the areas ruled by the CPC (called the "liberated" areas) initiated co-operatives to resolve farming problems, to market agricultural produce and to supply daily necessities for their members; and, more importantly, through this operation to eliminate possible exploitation from middle persons in the chain of supply and distribution.⁴⁷ Prior to the founding of the PRC, the majority of the population in the country was farmers.⁴⁸ Liu Shaoqi, a founding member of the PRC, identified two functions which a supply and marketing co-operative could serve.⁴⁹ Firstly, a supply and marketing co-operative coordinated farmers in their capacity as producers and

41 For discussions on these legislation, see Jiang and Zhang, "Evolution of Co-operative Law", pp. 81–7.

42 Jiang and Zhang, "Evolution of Co-operative Law", p. 84.

43 Chen, "The China International Famine Relief Commission", p. 117.

44 Trescott, "John Bernard Tayler", pp. 221–2.

45 Lin, "The Path of Chinese Co-operative Economy", p. 63.

46 Huang, "An Analysis of Cooperation Organizations' Establishment", pp. 63–4.

47 Fu, "Formation and Development", p. 45.

48 According to the *China Population & Employment Statistics Yearbook 1988*, p. 207, the agricultural sector occupied 82.6 per cent of the population while the non-agricultural sector represented 17.4 per cent in 1949.

49 Liu was the vice chairman of the Central People's Government at the founding of the PRC. He played a major role and had made a significant contribution to the restoration of the country's economy in the 1960s. Xinhuanet, "Liu Shaoqi". Retrieved from http://news.xinhuanet.com/ziliao/2003-01/17/content_694156.htm; accessed 1 January 2012 (in Chinese). He was an expert in the subject of co-operatives and had many writings in the area: Zhu and Zhang, "All China Federation of Supply and Marketing Co-operative", p. 32. He had guided the drafting of a co-operative law in 1950: "Draft on Cooperative Law as Guided and Prepared by Liu Shaoqi." *China Supply and Marketing Cooperative Review* 5 (2001): 47 (in Chinese).

assisted them in marketing their excess produce, as well as providing them with the necessary equipment and resources.⁵⁰ Secondly, supply and marketing co-operatives also coordinated farmers in their capacities as consumers to supply them with daily necessities.⁵¹ Therefore, supply and marketing co-operatives also functioned as consumer co-operatives in rural areas. Furthermore, the CPC established consumer co-operatives to meet the needs of users in specific industries such as the renowned Anyuan Road Coalminers' Consumer Co-operative in 1923.⁵² Nevertheless, all this governmental support came with a political agenda. Worse than that, voluntarism, as the core value of the co-operative, was not appreciated by the Communist government. Consequently, co-operative membership was not entirely voluntary and the codes of the co-operatives were imposed by the authority.⁵³ Needless to say, such a mandatory approach was detrimental to the existence of co-operatives, let alone their development.

In 1931, Japan started to invade China again. It set up puppet authorities in regions that it occupied. These authorities promoted the establishment of co-operatives.⁵⁴ However, they were co-operatives in name only.⁵⁵ They were vehicles that the Japanese authority utilized for its military, political and economic purposes.⁵⁶ It was a mechanism established to exert control over the distribution of materials.⁵⁷ Through these co-operatives, Japan acquired resources for its own use and for supporting the furtherance of its invasion of China.⁵⁸

50 Zhu and Zhang, "All China Federation of Supply and Marketing Co-operative", p. 32.

51 Zhu and Zhang, "All China Federation of Supply and Marketing Co-operative", p. 32.

52 Zhang, "A Historical Account of the Anyuan Road Coal-Miners' Consumer Co-operative", p. 63.

53 Ge and Li, "The Narration of the Chinese Rural Co-operatives", p. 99.

54 Wang, "Agricultural Co-operatives in Northern China", pp. 78, 79; Fu, "Japanese Invaders Used Co-operatives", pp. 59, 62.

55 Wang, "Agricultural Co-operatives in Northern China", p. 88.

56 Wang, "Agricultural Co-operatives in Northern China", pp. 77–88; Fu, "Japanese Invaders Used Co-operatives", pp. 59–62. But, Zhou pointed out that while the original objective of the establishment of the China Co-operative was for material control, its local branches might in reality also have been used as a tool to exercise power and control by local powers and authorities that had close ties with the Japanese military. See Zhou, "A Study on the China Co-operative", pp. 56, 58.

57 Zhou, "A Study on the China Co-operative", p. 56.

58 Wang, "Agricultural Co-operatives in Northern China", pp. 77–88; Fu, "Japanese Invaders Used Co-operatives", p. 60.

Before the Era of Economic Reform, 1949–1978

In the early years after the establishment of the PRC, co-operative operations continued to play a significant role in the construction of the country's economy. Co-operative businesses received full endorsement from Mao, the first Chair of the PRC. The concept of a co-operative was particularly pertinent to Mao's socialist ideology in ruling the country. He believed that if there was only state-owned economy but no co-operative economy, it would be impossible to collectivize the private economy, to transform democratic society into a future socialist society and to consolidate the right of the proletariat class to leadership in the state.⁵⁹ In his report for the second plenary session of the Seventh CPC Central Committee in March 1949, which was held not long before the founding of the PRC, Mao called for the formation of supervisory bodies at the central, provincial, city, county and district level to lead the development of production co-operatives, consumer co-operatives and credit co-operatives.⁶⁰ In response to Mao's call, a designated bureau within the Administrative Council of the Central People's Government was set up for the supervision of co-operative businesses.⁶¹ The Chinese provisional constitution,⁶² which was adopted by the CPC two days before the founding of the PRC, also stipulated that government encouragement, support and preferential treatment should be given to the development of co-operative businesses.⁶³

On 27 July 1950 the draft for the Law of Co-operatives in the PRC was debated at the first national conference for co-operative workers.⁶⁴ The draft (1950)

59 Chen, "A Historical Investigation", p. 30.

60 Ge and Li, "The Narration of the Chinese Rural Co-operatives", p. 26.

61 Lin, "The Path of Chinese Co-operative Economy", p. 65.

62 On 29 September 1949, at the First Plenary Session of the Chinese People's Political Consultative Conference, the Communist party had adopted the *Common Program of the Chinese People's Political Consultative Conference* which served the purpose of a provisional constitution. Sourced from Mo, "The Constitutional Law of the People's Republic of China", p. 140.

63 Article 29 describes co-operative economy as an economy of semi-socialist nature, and an important component of the entire economy of the people. People's Governments should support its development, and give it preferential treatment. Article 38 which is specific on co-operatives provides that the broad masses of working people shall be encouraged and supported under the voluntary principles to develop co-operation undertakings; supply and marketing co-operatives, consumer co-operatives, credit co-operatives, primary production co-operatives and transport co-operatives shall be organized in towns and villages; formation of consumer co-operatives shall be given first priority in factories, organizations and schools.

64 Guo, "Chinese Co-operative Business Should Be Revived", p. 43.

provided for four types of co-operatives: consumer co-operatives, farmer co-operatives (supply and marketing co-operatives and agricultural production co-operatives), handicraft co-operatives and other special co-operatives. Each type of co-operative would cover workers from different production sectors. Accordingly, consumer co-operatives comprised workers or employees in urban areas; supply and marketing co-operatives included farmers, and handicraft co-operatives covered individual craftsmen. Later, the co-operative economy received constitutional recognition when it was written into the first Constitution of the PRC in 1954.⁶⁵ With such strong and favorable support, the number of co-operative operations in China increased by over 50 percent within a year (1949–50).⁶⁶

Agricultural production co-operatives also developed in rural areas, beginning with the evolution of farmers' mutual-aid groups into preliminary co-operatives and then the evolution of the latter into advanced co-operatives.⁶⁷ After the establishment of the PRC, the government conducted land reform. This led to the emergence of mutual-aid groups among many farmers due to their lack of capital, large farming tools and so forth. Lack of resources created a dire need for co-operation among farmers.⁶⁸ With the government's strong promotion and stimulation, these mutual-aid groups expanded and developed into preliminary co-operatives between 1950 and 1955, which then evolved into advanced co-operatives on a larger scale between 1956 and 1957.⁶⁹

Consumer co-operatives had also flourished in the urban areas, but were closely monitored by the government.⁷⁰ According to statistics from the end of 1953, there were 1868 consumer co-operatives in China with over 10,000 retail

65 The Constitution of the People's Republic of China, adopted at the First Session of the First National People's Congress on 20 September 1954. Article 7 states that the co-operative sector of the economy is either socialist, when collectively owned by the masses of working people, or semi-socialist, when in part collectively owned by the masses of working people. Partial collective ownership by the masses of working people is a transitional form by means of which individual peasants, individual handicraftsmen and other individual working people organize themselves in their advance towards collective ownership by the masses of working people. The state protects the property of the co-operatives, and encourages, guides and helps the development of the co-operative sector of the economy. It regards the development of co-operation in production as the chief means of the transformation of individual farming and individual handicrafts.

66 Lin, "The Path of Chinese Co-operative Economy", p. 65.

67 Zhou, "China's Experience with Agricultural Cooperatives", pp. 2–4.

68 Zhou, "China's Experience with Agricultural Cooperatives", p. 2.

69 Zhou, "China's Experience with Agricultural Cooperatives", pp. 3–5.

70 Naughton, *The Chinese Economy*, p. 67.

shops and over 10 million members.⁷¹ The draft (1950) had provided for the establishment of the United Headquarters for Chinese Co-operatives to lead and guide the various types of co-operatives.⁷² However, in 1954 the Charter of the United Headquarters for Chinese Co-operatives was amended and the organization was renamed the All China Federation of Supply and Marketing Co-operative (ACFSMC) at the First National Congress for China's Co-operatives.⁷³ In 1953, consumer co-operatives in urban areas were replaced by state-owned retailers and the following year they were placed under the jurisdiction of the commercial sector of the state.⁷⁴ According to some scholars this marked the end of the urban consumer co-operative in the Chinese economic system.⁷⁵

Then there came the political and economic interlude known as the Great Leap Forward (1958–61). As mentioned above, the co-operative economy was recognized in the 1954 Constitution of the PRC. Unfortunately, from 1958 this Constitution was disregarded: ignored in theory and not observed in practice.⁷⁶ Basically, the Great Leap Forward was Mao's campaign to accelerate the collectivization policy towards his ultimate goal of transforming the Chinese system into socialism. The private sector, including co-operative operations, would not be tolerated and became the main target for elimination. As the name has suggested, the Great Leap Forward campaign rapidly pushed the operation of state projects on a large scale. One prominent feature of the campaign was the setting up of people's communes to replace around 740,000 co-operatives in rural areas.⁷⁷ Supply and marketing co-operatives at county-level or above were merged with state-run commercial entities for the first time and those at the basic level were transferred to people's communes.⁷⁸ In 1958, following the government's policy, the advanced agricultural production co-operatives (see above) were merged and converted into people's communes and this collective system continued to exist until towards the end of 1982.⁷⁹ The hierarchical

71 Zhang, "The Status and Functions of Consumer Co-operatives", p. 17.

72 Article 20.

73 China Co-op, "History of All China Federation of Supply and Marketing Co-operatives", 24 March 2011. Retrieved from <http://www.acfsmc.cn/html/2011/03/24/237.html>; accessed 1 October 2011 (in Chinese).

74 Guo, "Chinese Co-operative Business should be Revived", p. 43; Meng et al., "Examination of the Development of Consumer Co-operative", p. 32.

75 Meng et al., "Examination of the Development of Consumer Co-operative", p. 32.

76 Tay, "The Struggle for Law in China", p. 573.

77 Xinhuanet, "Rural Communes Movement". Retrieved from http://news.xinhuanet.com/ziliao/2003-01/20/content_698143.htm; accessed 21 November 2011 (in Chinese).

78 Chen, "The History of Co-operatives in China", p. 15.

79 Zhou, "China's Experience with Agricultural Cooperatives", pp. 5–6.

structure of a commune had three levels: the lowest level being the production teams, the intermediate level being brigades in charge of the management of the production area, and top level being the communes which had supervisory power, and the central commune administration with responsibility for setting targets for production.⁸⁰

A commune is different from a co-operative in many ways. Firstly, unlike a co-operative which is a commercial entity, a commune was a hybrid unit bearing political, economic and social functions.⁸¹ Secondly, people joined a co-operative of their own accord, but association with a commune is not voluntary. People belonging to a household unit would automatically be placed under a commune and there was no mechanism for withdrawal of membership.⁸² Thirdly, a traditional co-operative usually has the privilege of autonomy, but a commune did not enjoy this. This is due to the hierarchical structure of a commune under which the lowest level production team could hardly exercise their independence in practice.⁸³ As Jiang Yun-Long comments, communization was a movement towards collective and public ownership.⁸⁴ Therefore, the commune was a distorted form of co-operative and it should be called collective ownership instead. Being government agents, communes could mobilize millions of farmers to move to urban areas to achieve state industrialization goals. About 10 million people moved from the rural areas to the cities.⁸⁵ Not surprisingly, this diversion of manpower from farms to factories led to a serious decline in the agricultural output.⁸⁶ Natural disasters such as flood and drought further exacerbated a food shortage. It is worth noting that a rationing system was already in place in China and had been since 1953.⁸⁷ The system had rationed many commodities (such as cloth) and food (including grain, edible oil and pork)⁸⁸ and people's communes were primarily responsible for distributing daily necessities to their members. Under such circumstances of scarcity in supply and strict control in distribution, except for the black market for coupons and actual commodities,⁸⁹ there was no room for a free market

80 See the discussions in Yueh, *The Economy of China*, p. 15; Dhawan, *Great Leap Forward*, p. 87.

81 Wu, "From Commune, to Household Responsibility System", p. 104.

82 Xinhua News Agency, "Farmers' Specialised Co-operative is Different", p. 42.

83 Su, "Rethinking about the Dissolution of Agricultural Communes", p. 52.

84 Jiang, "Review and Comment", p. 40.

85 Ho, *Developing the Economy*, p. 25.

86 From 17.5 per cent in 1959 to 9.1 per cent in 1960: Ho, *Developing the Economy*, pp. 25–6.

87 Donnithorne, *China's Economic System*, p. 310.

88 Donnithorne, *China's Economic System*, p. 310.

89 Donnithorne, *China's Economic System*, p. 311.

to exist, let alone the fact that in the countryside it was banned by the government.⁹⁰ The people were basically users rather than consumers. There was thus no place for consumer co-operatives.

It took two years for the PRC government to recognize the extensive and disastrous impacts stemming from the Great Leap Forward and the People's Commune Movement.⁹¹ In response, a number of actions were taken which included the repatriation of workers to rural areas, re-focusing on agricultural activities, re-opening rural markets and reintroducing incentive bonuses.⁹² Above all, towards the end of 1961, ACFSMC was allowed to separate from the state-owned sector and to restore itself to its pre-1954 position.⁹³ Furthermore, due to the difficulties suffered by the people in the last three years of the Great Leap Forward, in 1962 the State Council had issued a directive concerning the organization of urban consumer co-operatives.⁹⁴ Although the directive was positive for the resurrection of consumer co-operatives, its implementation would be difficult, if not impossible, in the planned economy and the political environment of the time.⁹⁵ For example, although the supply and marketing co-operative in Han Dan city set up five consumer co-operatives according to the directive, they only survived for three years.⁹⁶

In any event, all the economic adjustments in the aftermath of the Great Leap Forward were upset by Mao's third political movement, the Cultural Revolution (1966–76). During the Cultural Revolution, economic activities were disrupted, with no exception to co-operative operations. Once again, ACFSMC was merged with the Administrative Bureau of Commerce and Trade to form a new ministry of commerce.⁹⁷ Such amalgamation had severely dismantled the governance structure of ACFSMC.⁹⁸ Although a second restoration of ACFSMC occurred in 1975, it was more of appearance than substance. A new name – the PRC Federation of Supply and Marketing Co-operatives – was given to

90 Naughton, *The Chinese Economy*, p. 69.

91 For a detailed discussion of the social and economic impacts brought by the Great Leap Forward, see Dhawan, *Great Leap Forward*.

92 Naughton, *The Chinese Economy*, pp. 72–3.

93 Zhu and Zhang, "All China Federation of Supply and Marketing Co-operative", p. 33.

94 CPC Central Committee and State Council, Directive on a Vigorous Development of Self-operated Business by the Supply and Marketing Co-operatives and Organisation of Urban Consumer Co-operatives, 18 May 1962. Retrieved from http://news.xinhuanet.com/ziliao/2005-01/25/content_2505653.htm; accessed 29 January 2012 (in Chinese).

95 Wang, "Discussing the Restoration and Development", p. 87.

96 Chen et al., "A Few Questions", pp. 42–3.

97 Zhu and Zhang, "All China Federation", p. 34.

98 Zhu and Zhang, "All China Federation", p. 34.

ACFSMC, which confirmed its nature as a governmental organ and therefore owned by the whole people.⁹⁹ A third merger occurred at the early stage of economic reform (discussed below). In addition, the disregarded 1954 constitution was replaced by a “leftist” constitution in 1975, which recognized mainly two kinds of production ownership: “socialist ownership by the whole people” and “socialist collective ownership by working people” (Article 5).

Whilst co-operatives had once been recognized as having a significant role in the country’s economy during the early years of the PRC, subsequent political and economic developments had rendered them obsolete. There was no room for them in the political and economic climate.

Early Economic Reform 1978–1991

After Mao’s death in 1976 and the downfall of the Gang of Four soon afterwards, China concentrated on economic reform.¹⁰⁰ Deng rose to power. He realized the radical approach of a collective economy had suppressed demand and led to disincentives in production.¹⁰¹ Accordingly, Deng advocated a decentralization policy and introduced a number of reform measures for both rural and urban areas.

Rural economic reform began in the agricultural sector in the late 1970s. Such reform can be characterized by “de-communization or de-collectivization”.¹⁰² Initiated by 20 agricultural households in Anhui Province in December 1978, a new management system for production, namely the household contract responsibility system, spread to other parts of the province and was officially endorsed in 1980.¹⁰³ Under the new system, an individual household would take up responsibility for decisions in production which used to be the task of a collective unit while it could contract for land and equipment from a collective

99 Zhu and Zhang, “All China Federation”, p. 34; Fu, “The Historical Lesson”, p. 45.

100 The “Gang of Four” refers to Jiang Qing, Wang Hongwen, Yao Wenyuan and Zhang Chunqiao who were radical members of the Chinese Communist Party and were held responsible for the Cultural Revolution.

101 As discussed above, under the collective system, basic necessities such as foods and oil were distributed through a rationing system. Production was carried out according to the government plan; produce was sold at a price decided by government; and yield was equally distributed according to labor input and made no reference to other contributions such as special skill and knowledge. For the problem of disincentives, see Jiang, “Review and Comment”, p. 42.

102 Hassard et al., *China’s State Enterprises Reform*, p. 53.

103 Hassard et al., *China’s State Enterprises Reform*, p. 55.

unit. In return, yield would be paid to the government and collective unit in accordance to specific contractual terms, with the surplus (if any) to be kept or sold by the individual household in a free market. Such reforms proved to be a great success in boosting production, raising household income and paving the way for the renaissance of co-operative operations. This new household responsibility system ultimately became the "major form of agricultural production".¹⁰⁴ The system applied to almost all rural households by 1984.¹⁰⁵ The household responsibility system raised efficiency and produced a labor surplus in the agricultural sector, which, nonetheless, facilitated the development of town and village enterprises (TVE).¹⁰⁶

TVE played a role in industrialization in the rural areas.¹⁰⁷ They were supposed to be "collectively owned or mainly owned and controlled by rural residents".¹⁰⁸ They may contain elements of the principles of co-operatives.¹⁰⁹ However, in reality, they were directly controlled by local government leaders and, as Clegg comments, "essentially run by local governments".¹¹⁰ However, they are not within the state economic plan.¹¹¹ Such exclusion is advantageous to TVEs seeking opportunities for non-farming businesses. They engaged in the production of consumer goods,¹¹² helping to relieve commodity shortages. At the same time, agricultural income was raised by the household responsibility system and became the capital source for the growth of TVE.¹¹³ Furthermore, the extra labor supply from the agricultural sector strengthened the development of the TVE.¹¹⁴ They expanded rapidly in the 1980s and early 1990s. Many western economists regarded the private-firm-like practices of TVE as the reason for its success.¹¹⁵ Although this comment is debatable, an undeniable fact is that TVE was conducive in cultivating a market environment in the Chinese economic system which is the prerequisite for consumer co-operative businesses.¹¹⁶

104 Chen, "The Establishment and Development", p. 117.

105 Hassard et al., *China's State Enterprises Reform*, p. 55.

106 Yueh, *The Economy of China*, p. 49; Hassard et al., *China's State Enterprises Reform*, p. 55.

107 Yueh, *The Economy of China*, pp. 48–9.

108 Yueh, *The Economy of China*, p. 49.

109 Clegg, "Rural Cooperatives in China", p. 223.

110 Yueh, *The Economy of China*, 49; Clegg, "Rural Cooperatives in China", p. 223.

111 Naughton, *The Chinese Economy*, p. 87.

112 Mood, "The Impact and Prospects of Rural Enterprise", p. 124.

113 Yueh, *The Economy of China*, pp. 49–50.

114 Yueh, *The Economy of China*, p. 49.

115 Weitzman and Xu, "Chinese Township-Village Enterprise", p. 131.

116 For discussion of TVE mode, see Weitzman and Xu, "Chinese Township-Village Enterprise".

When the people's communes system was closed down around the end of 1984,¹¹⁷ the supply and marketing co-operatives at the basic level, which had earlier been incorporated with communes, were set free. However, in 1982, the ACFSMC was merged again, for the third time, with the state's commerce organ, during the process of streamlining the governmental structure.¹¹⁸ Needless to say, such bureaucratic management was not helpful to ACFSMC in executing its co-operative function. The operation of ACFSMC under state control had lasted for thirteen years. ACFSMC was finally returned to its original status in 1995.¹¹⁹

Turning to the urban area, due to the previous central planning system, the state-owned enterprises (SOE) dominated the economy of the country.¹²⁰ Deng's decentralization policy in 1979 allowed SOE to have more autonomy in management but they were accountable for their own profit and loss.¹²¹ With reference to the success in rural areas, in 1984 a similar contract responsibility system was introduced to SOEs which were able to keep a share of their revenue after meeting the obligation to pay the government for a contracted amount of profits.¹²² This was the first phase of SOE reform since the late 1970s. The primary objective of the responsibility system was to enhance the productivity and efficiency of SOEs. A collateral consequence of the responsibility system was the separation of control and ownership of the property of the SOE.¹²³ Such separation was advantageous to the later privatization process of SOE in China and the return to conventional co-operatives. By 1992, the contract responsibility system had been adopted by 95 percent of the SOEs.¹²⁴

117 Chen, "The Establishment and Development", p. 118.

118 Pan et al., "Historical Experience", p. 4; Zhu, "The Characteristic and Reform of Supply and Marketing Co-operative", p. 15; Fu, "The Historical Lesson", p. 45.

119 Pan et al., "Historical Experience", p. 4.

120 Yueh, *The Economy of China*, p. 53.

121 Examples of legal and normative documents for such purpose include the Regulations on the Expansion of Autonomous Management for State-owned Industrial Enterprises (issued by the State Council in July 1979), the Interim Regulations on the Contract Management Responsibility System for the Industrial Enterprises Owned by the Whole People (issued by the State Council in February 1988), and the Law of the People's Republic of China on Industrial Enterprises Owned by the Whole People (promulgated by the Seventh National People's Congress in April 1988).

122 For discussion of the contract management responsibility system, see Choe and Yin, "Contract Management Responsibility System", p. 102.

123 Yueh, *Enterprising China*, p. 105.

124 Hassard et al., *China's State Enterprises Reform*, p. 56.

Deng's policy of decentralizing state control also provided opportunities for the return of the non-state sectors, both the individually- and collectively-owned sectors. The latter included co-operative businesses, collective enterprises, stores, factories and establishments for service provision which Tang and Ma jointly called 'urban collectives'.¹²⁵ The impetus behind the re-development of the non-state sector was the severe unemployment in urban areas.¹²⁶ This partly stemmed from the change of employment policy which allowed young workers to come back from rural districts to the cities.¹²⁷ In addition, the reform in the agricultural sector, as discussed above, had led to a surplus labor force.¹²⁸ Although an influx of migrants caused the numbers of unemployed persons to increase, they did create a demand for services.¹²⁹ This was positive for city development in the future. In response to this circumstance, local governments were compelled to permit the re-establishment of urban collectives and creation of small co-operatives by unemployed people in order to meet the new demand for jobs and daily necessities in the cities. Consequently, urban collectives took up the production role of light industrial goods and regenerated the status of consumers in the urban areas. Although these economic units were not under the scope of central planning, the majority of them (including co-operatives) were essentially under the supervision of local governments.¹³⁰ Notwithstanding the fact that the structure of urban collectives was far from being a true co-operative at that time, they contributed to later privatization of enterprises and gave support to the renewal of consumer co-operatives in urban districts. However, due to the political, social and economic obligations that SOE had to serve, the Chinese government gave SOE priority support.¹³¹ This preferential treatment not only led to the decline of urban collectives but was a setback in cultivating a market environment for co-operative businesses.

China's economic reform since 1978 also brought the revival of the private economy, which almost became extinct during the Cultural Revolution.¹³² First, individual economy was permitted.¹³³ It received constitutional recognition

125 Tang and Ma, "Evolution of Urban Collective Enterprises", p. 615.

126 Tang and Ma, "Evolution of Urban Collective Enterprises", p. 634.

127 Tang and Ma, "Evolution of Urban Collective Enterprises", p. 633.

128 Yueh, *The Economy of China*, p. 49; Hassard et al., *China's State Enterprises Reform*, p. 55.

129 Tang and Ma, "Evolution of Urban Collective Enterprises", p. 634.

130 Lee, *Chinese Firms and the State in Transition*, p. 103.

131 Naughton, *The Chinese Economy*, p. 300; Yueh, *The Economy of China*, p. 53; and Yueh, *Enterprising China*, p. 308.

132 Long, "The Market Economy", p. 376.

133 Long, "The Market Economy", pp. 376-7.

when the new Constitution of the PRC was adopted in 1982.¹³⁴ Its Article 11 recognized the “individual economy of urban and rural working people” as a “complement to the socialist public economy”. The private sector grew during this period. It received recognition by the CPC and gradual endorsement in legal and normative documents. In October 1984, the CPC adopted a Decision on Reform of the Economic System, which recognized individual economy as “the necessary and useful supplement to the socialist economy”.¹³⁵ In April 1988, the Constitution of the PRC was amended. The private sector of the economy was legitimized and recognized as “a complement to the socialist public economy” (Article 11). In June, the Provisional Regulations of the People’s Republic of China on Private Enterprises were promulgated.¹³⁶ By the same year, there were already more than 90,000 private enterprises in China.¹³⁷

The greater autonomy accorded to SOEs under the process of decentralization and their “soft budget constraints” led to inflation, however.¹³⁸ The situation reached an alarming level in the late 1980s and consumer co-operatives were considered an appropriate countermeasure.¹³⁹ In March 1988, the Beijing municipal government sought State Council’s approval for the establishment of an urban consumer co-operative, and subsequently the Temple of Heaven Consumer Co-operative was established in April.¹⁴⁰ Consumer co-operatives were revived and established in large cities such as Shanghai and Tianjin.¹⁴¹

At the same time, the non-state sector developed rapidly. Statistical data has shown that in 1978, the state owned sector contributed 78.3 percent of employment and 77.6 percent of the industrial output, whereas the non-state sector contributed a mere 21.7 percent in employment and 22.4 percent in industrial output.¹⁴² After fourteen years of economic reform under Deng, in 1992 the state-owned and non-state sectors’ contribution to employment and industrial output had presented a reverse pattern, with the state-owned sector in a

134 This constitution replaces the 1978 constitution, which was the successor to the 1975 constitution. The 1982 constitution, subject to amendments, is still effective. For detailed discussions about the changes in the constitution of China, see Chan, “The Communist Party”, pp. 40–57.

135 Zhang, “China’s ‘Dual Track’ Legislation”, p. 143.

136 It was promulgated by the State Council on 25/6 1988.

137 Chen, “The Establishment and Development”, p. 120 (note 49).

138 Ryota Kojima, Shinya Nakamura and Shinsuke Ohyama, “Inflation Dynamics in China.” Bank of Japan, p. 8. Retrieved from http://www.boj.or.jp/en/research/wps_rev/wps_2005/data/wp05e09.pdf; accessed 28 August 2012.

139 Meng et al., “Examination of the Development”, p. 32.

140 Meng et al., “Examination of the Development”, p. 32.

141 Meng et al., “Examination of the Development”, p. 32.

142 Hassard et al., *China’s State Enterprises Reform*, p. 60.

declining trend (employment 63.2 percent and industrial output 48.1 percent) and the non-state sector showing upward growth (employment 36.8 percent and industrial output 50 percent).¹⁴³ The decline and growth of these two sectors signaled the phase-out of a total command economy in China which should be conducive for the return of consumer co-operatives. However, there was still no significant progress in the development of consumer co-operatives at that time. Sadly, as Wang commented, this was the second rise and fall of the consumer co-operatives since the founding of the PRC.¹⁴⁴ The lack of authorities' directives is considered as a contributory reason.¹⁴⁵ In China where the government and the CPC play a dominant role in the operation of the society and its economy, governmental policy and support are needed for a substantial and actual development of co-operative businesses.

Socialist Market Economy and Expansion of the Private Sector, 1992 to Present

Despite the introduction and implementation of the contract responsibility system, the SOE reform did not progress satisfactorily.¹⁴⁶ It was estimated that by early 1990s, two thirds of the SOE were suffering losses.¹⁴⁷ This had a serious impact on the banking system because continual support was accorded to SOEs and this aggravated the non-performing loan problem.¹⁴⁸ As a result, a new mechanism for SOE reform was needed. This, as discussed below, was corporatization. However, due to the then persistent socialist theories of public ownership, an ideological breakthrough was needed.¹⁴⁹

Deng understood and appreciated the benefits of market concepts for his economic reform plan. During his tour to southern China in 1992, he made remarks advocating the compatibility of a market economy (generally perceived

143 Hassard et al., *China's State Enterprises Reform*, p. 60.

144 Wang, "Discussing the Restoration", p. 87.

145 Wang, "Discussing the Restoration", p. 87.

146 Hassard et al., *China's State Enterprises Reform*, p. 57.

147 Yueh, *The Economy of China*, p. 56.

148 Yueh, *The Economy of China*, p. 56; Ohashi and Marukawa, *The Renaissance of Chinese Enterprises*, p. 63.

149 See the discussions on the "marketization" and "ownership" bottlenecks that impeded the progress of market economy legislation and the breakthrough as a result of Deng Xiaoping's famous speech in his southern tour in 1992 in Long, "The Market Economy", pp. 351-2.

as a capitalist phenomenon) with the socialist system.¹⁵⁰ The doctrine of a socialist market economy was then adopted by the CPC at the first plenary session of the party's fourteenth national congress in 1992 and further endorsed at the third plenary session of the fourteenth CPC Central Committee in November 1993.¹⁵¹ In the same year, the Chinese constitution was amended to replace "planned economy" by "socialist market economy" and "state enterprises" by "state-owned enterprises". As a result of this so-called "breakthrough in political ideology",¹⁵² China entered into a new phase of economic structure, called socialist market economy. A constitutional basis was also laid down for the adoption of the Company Law in December 1993, which has a focus on SOE reform (see below). A notable feature of the socialist market system was the tolerance of competition, which was a non-existent element under a planned economy. Competition forced rural and urban sectors to undergo further reform for survival and accelerated the pace of expansion of the private sector. Competition also existed between consumers and other market players as they have different interests in the market place. Unfortunately, consumers are, comparatively, in a weaker bargaining position. Thus, there was an increasing need for co-operation as a measure to safeguard consumers' interests.

In the rural areas, although ACFSMC was officially restored in 1995,¹⁵³ the residue from previous amalgamations had taken a toll on the development of supply and marketing co-operatives at all levels. The major impediment was the organizational structure of a supply and marketing co-operative that resulted from a crossbreed of the co-operative and state-owned. These mergers had undermined some fundamental co-operative values such as member participation, member control and autonomy.¹⁵⁴ From 1995 onward, ACFSMC operated with great losses and entered into a period of recession until 2000.¹⁵⁵ Against the dim picture of ACFSMC, a successful case for the supply and marketing co-operative did exist at the provincial level. In 1998, a supply and marketing co-operative in Beijing had, through its consumer co-operative, taken over and commenced operating a large supermarket that was formerly operated by the government.¹⁵⁶ Although the sample size is small, this example has

150 See discussions in Chan, "The Communist Party", p. 51.

151 Mo, "The Constitutional Law", p. 145; The 21st Century China Research Institute, ed., *China Information Handbook 2009 Edition*. Tokyo: Shoshosha 2009, p. 246 (in Japanese).

152 Hassard et al., *China's State Enterprises Reform*, p. 94.

153 Pan et al., "Historical Experience", p. 4.

154 See the list of co-operative principles in Davies and Burt, "Consumer Co-operatives and Retail Internationalisation", p. 158.

155 Yu et al., "Contribution of Supply and Marketing Co-operatives", pp. 18–9.

156 Prakash, "Forms of Farmers' Economic Organisations".

two significant implications. Firstly, it confirms the fact that a market environment is an essential element for the development of consumer co-operatives. Secondly, it confirms the feasibility of setting up consumer co-operatives under a supply and marketing co-operative regime, as some authors have advocated.¹⁵⁷ It has been pointed out that the advantage of having a supply and marketing co-operative to develop consumer co-operatives is that the former has a well-established institutional structure and a ready network in supply and purchase.¹⁵⁸

In the urban areas, the mechanism of SOE reform moved from enterprise management reform to corporatization from 1992.¹⁵⁹ Normative documents to this effect were adopted.¹⁶⁰ Soon, in December 1993, the Company Law was promulgated, with a particular focus on SOE reform.¹⁶¹ SOEs were to be converted into limited liability and joint stock limited companies under the Company Law. In 1994, Labor Law was adopted to further facilitate SOE reform, that is, to remove their inefficiency.¹⁶² This law provides a mechanism for firms to lay off employees.¹⁶³ In the process of SOE reform, the number of workers laid off from the SOE, known as “off-post” workers,¹⁶⁴ had increased. At the same time, the inflationary situation in the country was serious.¹⁶⁵ To meet the off-post workers’ needs, consumer co-operatives were established.¹⁶⁶ It is clear from the normative documents that these establishments had the objective of creating re-employment for the off-post SOE workers and resolution of the difficulties they faced in living due to the lay-off. In 1993, the State Council issued the Notice of The State Council’s Approval of The State Planning Commission’s

157 Zhang, “Brief Discussion”, p. 14; Su, “Some Thoughts on the Development”, p. 10.

158 Zhang, “Brief Discussion”, p. 14.

159 Long, “The Market Economy”, pp. 374–6.

160 Long, “The Market Economy”, p. 376.

161 See discussions in Chan, “Company Law in China”, p. 240.

162 See discussions in Chan, “Labour Law Reform”, pp. 207–8.

163 Article 27 which concerned redundancy (NB this provision has now been superseded by the provision in the Labour Contract Law of the People’s Republic of China, which was adopted in 2007 and became effective on 1 January 2008).

164 Basically, these SOE employees were laid off but officially still kept on the record as “off-post” and part of the SOE concerned. They did not go to work and was entitled to a small income support but were not paid wages. This status could only last for three years at the most, however. They were supposed to seek re-employment elsewhere. For details, see e.g. Yueh, *The Economy of China*, p. 70.

165 “Chinese Inflation—Sweet and Sour Pork: Are Rising Prices in China Driven by the Supply of Meat or Money?” *The Economist*, 13 March 2008. Retrieved from <http://economist.com/node/10854975>; accessed 31 January 2012. Wang, “Discussing the Restoration”, p. 87.

166 Meng et al., “Examination of the Development”, p. 32.

Basic Thoughts on the Development Plan of China's Tertiary Industry. In relation to residents' service industry, this document provides for the establishment and improvement of consumer co-operatives in places with suitable conditions. Layoffs began to increase in 1995.¹⁶⁷ On 23 October 1996, the General Office of the CPC Central Committee and the General Office of the State Council jointly issued the Notice Concerning Further Resolving the Problem of Living Difficulties of Some Enterprise Employees. Its Part 5 provides that, to implement the re-employment of off-post SOE employees and solve their difficulties in living, employee consumer co-operatives shall be established. Just in the one year between the end of 1995 and the end of 1996, the number of consumer co-operatives increased from 994 to over 6000 and the number of members increased from 800,000 to over 5 million.¹⁶⁸ This was considered as the third rise of the consumer co-operatives after the founding of the PRC.¹⁶⁹

However, SOE still reported losses.¹⁷⁰ In 1997, a new policy was announced at the 15th CPC Congress, called "grasping the large and releasing the small".¹⁷¹ Basically, it means only the "large and most strategically significant" SOEs would be kept while the small and medium SOEs could "close, merge or go bankrupt" as determined by market forces.¹⁷² A consequence of this restructuring was large scale lay-offs and a large number of "off-post" SOE workers.¹⁷³ Statistical data show an increase in the number of off-post employees from 1,580,000 in 1994 to 9,110,000 in 2000.¹⁷⁴ Normative documents were issued by local authorities to promote, support and/or facilitate the development of consumer co-operatives. Examples include the Provisions on Several Issues about the Development of Employee Consumer Co-operatives issued by various authorities in the Zhejiang province in April 1997,¹⁷⁵ the Opinion of the Yunnan Federation of Trade Unions, Yunnan Labor and Social Security Bureau and Yunnan Trade Bureau on Issues Concerning Further Developing Employee Consumer Co-operatives (which was approved by the Yunnan Provincial

167 Yueh, *The Economy of China*, p. 57.

168 Meng et al., "Examination of the Development", p. 32.

169 Wang, "Discussing the Restoration", p. 87.

170 Hassard et al., *China's State Enterprises Reform*, p. 58.

171 Hassard et al., *China's State Enterprises Reform*, pp. 58 and 156.

172 Hassard et al., *China's State Enterprises Reform*, p. 156.

173 Hassard et al., *China's State Enterprises Reform*, pp. 156–8; Hu, *Economic and Social Transformation in China*, pp. 190, 206.

174 Yueh, *The Economy of China*, p. 71.

175 *Zhe Zong Gong Zi* [1997] No.30. It was jointly issued by several authorities in Zhejiang province such as the Zhejiang Federation of Trade Unions, Zhejiang Labour Bureau and the Zhejiang Provincial Office of the State Administration of Taxation.

People's Government and issued by the latter's General Office in April 1999), and the Notice Concerning Further Strengthening the Management of Employee Consumer Co-operatives at Various Levels issued by various authorities in Hunan province in 1999.¹⁷⁶ While there is acknowledgment, explicit or implicit, of the function of employee consumer co-operatives in easing the employees' financial burden of living, these normative documents have also revealed another designated task of the consumer co-operatives, which is the facilitation of re-employment. Thus, it can be argued that promotion of consumer co-operatives was closely connected with the re-employment of off-post SOE workers. In other words it is a vehicle for SOE reform.

Another phenomenon in the economic development in this period was the growth of the private sector. From 1995 to 1997, the number of private enterprises increased from 655,000 to 961,000.¹⁷⁷ The ratio that the non-state sector contributed to the country's industrial output increased from 50 percent to 74.5 percent between 1992 and 1997 while the proportion contributed by the state-owned sector dropped from 48.1 percent to 25.5 percent in the same period.¹⁷⁸ In 1999, the Constitution of the PRC was amended again. This time, the amendments included the raising of the status of the private sector. As discussed above, the Constitution of the PRC was amended in 1988 to recognize the private sector of the economy as "a *complement* to the socialist public economy" (emphasis added). As a result of the 1999 amendments, it became "an *important component*" (emphasis added) of the socialist market economy.¹⁷⁹ In addition, the "grasping the large and releasing the small" policy discussed above also facilitated the growth of the private sector. The majority of small and medium SOEs were allowed to convert into private enterprises.¹⁸⁰ As a result of this and other factors, such as entry to the WTO, China saw an even greater expansion of the private sector. While the number of SOEs dropped from 61,301 to 35,597 between 1999 and 2004,¹⁸¹ the same period saw a surge in the number of private enterprises from 1,509,000 to 3,651,000.¹⁸² With the progress of the SOE reform and the expansion of the private sector which can

176 *Xiang Gong* [1999] No.7. They include the Hunan Provincial Office of the State Administration of Taxation, the Hunan Federation of Trade Unions and Hunan Administration for Industry and Commerce.

177 Shi and Chen, "The Changes and Characteristics", p. 29.

178 Hassard et al., *China's State Enterprises Reform*, p. 60.

179 Changes were made to Article 11 of the Constitution of the People's Republic of China.

180 Hassard et al., *China's State Enterprises Reform*, p. 60.

181 Yueh, *The Economy of China*, p. 62.

182 Shi and Chen, "The Changes and Characteristics", p. 29.

provide employment opportunities, the need for consumer co-operatives to tackle the unemployment of off-post workers might gradually decline.

In fact, as compared with the above-mentioned figure of over 6000 consumer co-operatives in China at the end of 1996, there were only 48 legally operated basic-level consumer cooperatives in Beijing in 2006.¹⁸³ Among these, 15 were employee consumer co-operatives of higher educational institutions.¹⁸⁴ There were 79 higher educational institutions in Beijing,¹⁸⁵ so less than 20 percent of them have employee consumer co-operatives. Another sign of the seemingly sluggish development of consumer co-operatives in recent years is the fact that the first community consumer co-operative in Yunnan province was only established in June 2013.¹⁸⁶ This is in stark contrast to the situation of farmers' specialized co-operatives (FSC). According to the information from the webpage of the ACFSMC, Ningbo city alone, let alone a province, already had 1935 FSC as at the end of 2012.¹⁸⁷ Statistical data released by the State Administration for Industry and Commerce show that, as of the end of March 2013, there were over 730,000 FSC in China.¹⁸⁸ It is beyond the scope of this chapter to analyze in detail the reasons for the differences in the development of these two kinds of co-operatives. However, one obvious difference is that a piece of national legislation on FSC was adopted in 2006,¹⁸⁹ which is the only piece of national law in the PRC on co-operatives. This signifies the government's policy in promoting this kind of co-operative. Growth of FSC was once stagnant,¹⁹⁰ but the government has pursued systematic promotion since 2004.¹⁹¹ For example, prior to the enactment of the national law, a province had adopted

183 Zhao and Wang, "A Study on Consumer Cooperatives' Operation", pp. 19–20.

184 Zhao and Wang, "A Study on Consumer Cooperatives' Operation", pp. 19–20.

185 Ministry of Commerce, "Doing Business in Beijing". Retrieved from <http://english.mofcom.gov.cn/aroundchina/Beijing.shtml>; accessed 14 February 2014.

186 Rao and Ma, "The First Community Consumer Cooperative", All China Federation of Supply and Marketing Cooperatives, 5 July 2013. Retrieved from <http://www.chinacoop.gov.cn/HTML/2013/07/05/86760.html>; accessed 18 August 2013 (in Chinese).

187 Sun Ji-Jing, Weng Jie and Kang Zhuang-yan, "There Were 1 935 Farmers' Specialised Cooperatives in Ningbo City of Zhejiang Province with 43 100 Members", All China Federation of Supply and Marketing Cooperatives, 18 June 2013. Retrieved from <http://www.chinacoop.gov.cn/HTML/2013/06/18/86088.html>; accessed 18 August 2013 (in Chinese).

188 State Administration for Industry and Commerce, "The Overall Situation of the Development of the Main Market Parties in China". Retrieved from <http://www.saic.gov.cn/zwgk/tjzl/zhtj/bgt/201304/P020130415525704075794.pdf>; accessed 18 August 2013 (in Chinese).

189 The Law of the PRC on Farmers' Specialized Cooperatives was adopted and promulgated on 31 October 2006 and took effect on 1 July 2007.

190 Fu, "The Current Situation", p. 102.

191 Jia et al., "Marketing of Farmer Professional Cooperatives", p. 667.

a local regulation on FSC.¹⁹² The government's and the CPC's emphasis on rural and agricultural issues is clear, as shown in the numerous normative and policy documents.¹⁹³ At the mid-year working meeting of the ACFSMC, held on 29 July 2013, its director also emphasized the need in planning the work of ACFSMC from the approach of promoting the modernization of the agricultural sector.¹⁹⁴ The significant impact of government's policy on Chinese co-operative development is demonstrated by a recent case in which members of a successful rural co-operative shared RMB 13.1 million of bonuses.¹⁹⁵

Conclusion

This chapter has explored the development of consumer co-operatives in China in the last century. The western concept of co-operatives was introduced into China as early as the late Qing Dynasty but the concept was not well-received, due to a lack of understanding and support from the general public. The oppression from the Beiyang government led to the failure of the early consumer co-operatives. Until both the Nationalist and the Communist Parties promoted them, co-operatives did not experience substantial growth.

192 The Zhejiang Provincial Regulation on Farmers' Specialized Cooperatives was adopted and promulgated by the Standing Committee of the Zhejiang Provincial People's Congress on 11 November 2004 and became effective on 1 January 2005.

193 Examples include the Twelfth Five Year Plan for National Economic and Social Development adopted at the fourth session of the 11th National People's Congress in March 2011, Certain Opinions Concerning Expediting the Development of Modern Agriculture to Further Strengthen the Vitality of Rural Development jointly issued by the Central Committee of the CPC and the State Council on 31 December 2012, the Outline on Rural Poverty Alleviation and Development in China (2011–2020), *Zhongfa* [2011] No.10, jointly issued by the Central Committee of the CPC and the State Council on 27 May 2011, and Certain Opinions on Improving the Overall Planning for Urban and Rural Development and Further Solidifying the Foundation for Agricultural and Rural Development, jointly issued by the Central Committee of the CPC and the State Council on 31 December 2009.

194 Mi Ya-Nuo, "The 2013 Mid-Year Working Meeting of the All China Federation of Supply and Marketing Cooperatives was Held in Beijing". All China Federation of Supply and Marketing Cooperatives, 29 July 2013. Retrieved from <http://www.chinacoop.gov.cn/HTML/2013/07/29/87392.html>; accessed 18 August 2013 (in Chinese).

195 Tom Phillips, "The Great Money Wall of China," *Sydney Morning Herald*, 17 January 2014. Retrieved from <http://www.smh.com.au/world/the-great-money-wall-of-china-20140117-hv8tw.html>; accessed 17 January 2014.

However, such endorsement was attached to a political agenda, due to the civil wars between the two parties. During the early years after the founding of the PRC, co-operative development continued to receive governmental support because they were considered a useful tool in facilitating the transition of the country's economy to a collectivization-socialist model. However, in 1954, consumer co-operatives in the urban areas were placed under the jurisdiction of the state commercial sector. Very soon afterwards, China saw a series of leftist political movements, which not only had halted the development of co-operatives but also changed their way of management. The functions of consumer co-operatives were generally taken over by the state-owned retailers and later agricultural co-operatives were converted into communes in rural areas. In fact, during the Cultural Revolution, the private sector was almost non-existent.

China embarked on economic restructuring from 1978. At the beginning of the reform, the state-owned sector maintained its dominant position in the urban economy. However, in order to cope with the influx of job-seeking people, local governments had allowed establishment of urban collectives and small co-operatives by the unemployed. Yet, urban collectives and small co-operatives were still subjected to the supervision of local government. In addition, urban collectives also faced unfair competition from the state-owned sector which enjoyed preferential treatment from governments. Nevertheless, the inefficiency of the state-owned sector had left the Chinese government with no choice but to push into a reform program. Unfortunately the results of this were far from satisfactory.

In 1992, the CPC adopted the doctrine of socialist market economy, which officially replaced the planned economy and the country's constitution was correspondingly amended in 1993. This constitutional amendment provided a solid basis for the next stage of SOE reform to be executed, which focused on corporatization. To enhance the process of corporatization, the Labor Law was also passed to permit redundancy of workers employed by SOE. In 1997, a more drastic measure was adopted. The measure was metaphorically described as "grasping the large and releasing the small" which meant providing business rescue for the big-sized SOEs and letting small-sized SOEs go bankrupt. As a result, there were massive lay-offs. Establishing consumer co-operatives became a practical way to handle massive unemployment as they created jobs for the former SOE employees. At the same time, consumer co-operatives also performed their social function in providing channels for acquisition of daily necessities at non-exploitative prices. The valuable contribution of consumer co-operatives in re-employing off-post SOE employees and in alleviating low-income workers' financial difficulties were clear benefits that the Chinese

government could not neglect. Thus, further co-operative establishments had occurred after the mid-1990s because of governmental support and promotion.

With the positive progress of SOE reform, the application of a socialist market economy and China's entry into WTO, the private sector had also expanded rapidly and substantially. Probably due to the lack of strong promotion from the government and/or the CPC, the growth of consumer co-operatives has been stagnant in recent years. On the other hand, the Twelfth Five Year Plan had a focus on rural development. The attention placed by the CPC and the government on the rural and agricultural sector has facilitated, and will likely continue to support, the expansion in FSCs.

Lamentably, the successful development and expansion of the private sector was accompanied by rampant labor abuse and wider income gaps.¹⁹⁶ The global financial crisis has also signaled the risk of a Chinese economic model which depends heavily on investment and export of low-end industrial products for its growth.¹⁹⁷ The Chinese government was fully aware of the situation and had commenced a new stage of economic reform which included upgrading the industries towards the high-end sectors and expanding the consumption sector in the country.¹⁹⁸ Foreign investment policies have been changed too and will be modified further.¹⁹⁹ Labor law reform was launched.²⁰⁰ In addition to tackling the issue of labor abuse, the labor law reform also aimed to facilitate the economic restructuring: the upgrading of the industrial sector and raising workers' income to facilitate the growth of consumption.²⁰¹ Both the Twelfth and the Thirteenth Five Year Plans have an ultimate goal to comprehensively construct a moderately prosperous society.²⁰²

All these changes suggest that the consumer co-operative is going to ride on another challenging economic wave. It will be of great interest to observe whether these changes in the economic landscape would positively or negatively impact on the future development of Chinese consumer co-operatives;

196 See discussions in Chan, "China's Labour Laws in Transition", pp. 164–8.

197 See discussions in: Chan, "Foreign Investment Policies", p. 397 and Chan, "The Global Financial Crisis and Labor Law in China", p. 35.

198 See discussions in Chan "Labour Law Reform", pp. 234–5.

199 See discussions in Chan "Foreign Investment Policies", pp. 395–6 and 398–9.

200 See discussions in Chan "Labour Law Reform", pp. 205–37.

201 See discussions in Chan "Labour Law Reform", pp. 233–6.

202 The State Council. *Outline of the 12th Five Year Plan*, Chapter 1. Retrieved from http://www.gov.cn/2011h/content_1825838_2.htm; accessed 17 March 2011 (in Chinese). The State Council, *Outline of the 13th Five Year Plan*. Retrieved from http://www.gov.cn/xinwen/2016-03/17/content_5054992.htm; accessed 21 May 2016 (in Chinese).

and how the adaptive characteristic of Chinese consumer co-operatives would enable them to survive from any adversity. Lastly, the previous development of consumer co-operatives in China, as illustrated from the above discussion, can be characterized by the significant role played by the government. Their success or decline is heavily path-dependent on the socio-economic policies of the Chinese government.

SECTION 3

Challenges to Business



Challenges to Business: Introduction to Section 3

Greg Patmore

While consumer co-operatives are built upon strong principles such as democracy and collectivism, like all businesses they have to survive commercially. They have to deal with the same issues as other enterprises such as capital formation, marketing, supply chain management and labor relations. While the consumer co-operative movement has been seen by its critics as less dynamic than its non-co-operative rivals, it has shown initiative in areas such as supply chain management, where the activities of the English Co-operative Wholesale Society (cws) stand out as an example, and the early adoption of self-service and introduction of supermarkets compared to its rivals.¹

Patmore and Balnave provide a general overview of the challenges faced by co-operative managers from a historical perspective. Consumer co-operatives not only have to attract customers to their stores but also have to gain their commitment to become active members and investors. In recent times, with the rise of non-co-operative retail chain stores, they have had to shift their focus from ideological appeals and the dividend to competing on price, by discounting for example. They have had to highlight the traditional concern of the consumer co-operative movement with the quality of food and groceries. There is also a perennial problem with raising capital to fund expansion and meet the challenge of non-co-operative enterprises. Shareholders' investments are not enough and consumer co-operatives have therefore sought other sources of funding, including loans from conventional commercial banks in countries where there is no co-operative banking sector. There are tensions with employees. Some consumer co-operatives allege that trade unions take advantage of their sympathetic attitudes towards organized labor to put pressure on them to increase wages before targeting their retail rivals. There are also concerns that employees, as members of their consumer co-operatives, will use their influence to ensure very favorable wages and conditions relative to their non-co-operative retail rivals. Traditionally there have been concerns about the quality and training of consumer co-operative managers, particularly if they have risen through the ranks of the co-operative. Consumer co-operatives can fail because of poor management practices, such as the failure to control credit, problems with wholesale suppliers and corruption.

¹ On the English cws see Ch. 22.

The chapters that follow this review of management highlight countries where consumer co-operatives failed to consolidate their position despite high initial hopes. The Rochdale model had a major impact on nineteenth century developments.² The UK movement developed effective wholesale societies and formed links with the Labour Party through the Co-operative Party in 1927. British immigrants played a role in bringing co-operative ideas to Argentina, Australia, Canada, New Zealand and the US. Other immigrant groups, such as the Finns in the US and the French in Argentina, built consumer co-operatives on the foundations of socialism. The Argentinian law regulating co-operatives enacted in 1926 was built on Rochdale principles.

Like other consumer co-operatives the origins of all these movements lay in local communities, but compared to the UK the national movements were never able to consolidate in Argentina, Australia, Canada, New Zealand and the US. From the outset these consumer co-operatives faced difficulties establishing and sustaining an effective national co-operative movement with a focus on political activity and wholesaling. There were particular difficulties in countries such as Argentina, Australia, Canada and the US with vast distances between locations. Further, in Australia, Canada and the US, with federal political systems, the co-operative legislation was focused at a state or provincial level rather than a national level.

The consumer co-operative movements in these countries also had difficulties in forming close relations with other significant groups such as employers, farmers and trade unions. In Australia, Canada, New Zealand and the United States agricultural co-operatives opened their own stores to service their members and dominated the co-operative movement. This could have serious consequences for consumer co-operatives, such as in Australia, where there were political tensions between the farmer's co-operatives and the Rochdale consumer co-operatives that weakened efforts to construct a viable national organization. Rivalries in the Co-operative League of the USA between farmers' and consumer co-operatives led to the decline of consumer co-operative influence in the US co-operative movement. While significant relationships developed between unions and co-operatives, such as in the case of the Unión General de Trabajadores in Argentina, the unions in Australia, Canada, New Zealand and the United States increasingly preferred to focus on "bread and butter" issues such as wages and conditions rather than consumer co-operatives as a means of reducing prices. In Australia the compulsory arbitration tribunals'

2 For further discussion of the Rochdale model see Ch. 3.

efforts to link wages to prices muted labor movement support for consumer co-operatives.³

While the co-operative movement allied itself with the Labour Party in the UK, the other co-operative movements had varying relationships with political parties. The Canadian Progressive movement, which arose out of the Agrarian militancy that followed the First World War, was sympathetic to the development of co-operatives, but this did not translate into supportive national programs. As Ian MacPherson notes there were also signs of support for Canadian co-operatives from the leftwing Co-operative Commonwealth Federation (CCF) and the more rightwing Social Credit government, but in the case of the CCF this generally was overshadowed by support for government led rather than co-operative led initiatives favored by many in the party's leadership. While there was a lukewarm relationship between consumer co-operatives and the New Zealand Labour Party, the post-war Labour Government announced in 1946 that private retailers would not be allowed to operate in state housing areas where 75 percent of the residents voted to establish a consumer co-operative. In the United States consumer co-operatives found the Democratic administrations of Franklin Delano Roosevelt and Jimmy Carter sympathetic, with the latter supporting the establishment of a federally funded Co-operative Bank to provide cheap finance to co-operatives. In Australia the co-operative movement generally found greater support from the rural Country Party (later the National Party), which drew support from farmers, rather than the Labor Party.

Women were also marginalized in the co-operative movement. While the male leadership of these movements generally recognized the purchasing power of women, they were not encouraged to play key roles in the management of co-operatives. In Australia and Canada the women's guilds became a major source of criticism of the male leadership of their respective co-operative movements. In the United States attempts to form a National Women's Co-operative Guild were unsuccessful. The women's guilds in the UK did play an important role in raising consumer awareness on issues such as fair trade.⁴

All the movements examined this section faced major difficulties in the postwar period. Some of them initially did very well. In the UK consumer co-operatives led the way in the introduction of self-service supermarkets.⁵ Recent research focusing on the European experience has explained the decline in consumer co-operatives in the post-war period in terms of the failure

3 For example see Patmore, "Industrial Conciliation and Arbitration", p. 41.

4 See Ch. 3, pp. 73–75.

5 Shaw and Alexander, "British Co-operative Societies as Retail Innovators", pp. 62–78.

of consumer co-operatives to adapt to the rise of supermarkets, chain stores and consumer movements which focused on consumer protection legislation rather than co-operatives as means of meeting consumer aspirations. Where co-operatives did merge to gain economies of scale and standardization they faced problems of a growing distance between members and boards of directors and a decline in the significance of democratic processes.⁶ The countries dealt with in this section were generally unable to meet these challenges as were other countries discussed in this volume, particularly Austria, Germany and France.⁷

While there has been a decline in the broader co-operative movements in these countries, there are strong indications of continued interest in consumer co-operatives and hope for the future. As Corrado Secchi highlights the UK movement was also able to recover from its decline through rationalization in 1990s, although it is unclear what impact the recent scandals involving the Co-operative Bank will have on the future of the movement. A major example of revival can be seen in the US where there has been a growth of food co-operatives focusing on organic and local foods, and the formation of a National Co-operative Grocers' Association in 1999. As Ian MacPherson noted there are about 70 health or organic food stores in Canada, which have developed strong links with local communities and have encouraged local farmers to form co-operatives. While there has been a growth of food co-operatives in Australia, a smaller number of older Rochdale co-operatives have survived without a co-operative wholesaler through becoming a franchisee for the non-co-operative IGA brand and also focusing on developing strong community ties. Finally, as Mirta Vuotto, Griselda Verbeke and María Eugenia Castelao Caruana highlight, the Argentinian movement has undergone an expansion since 2003 by being more innovative and flexible than its competitors.

6 Battilani, "How to Beat Competition", pp. 110–2; Ekberg, "Confronting Three Revolutions", pp. 1004–21.

7 See Chs. 5, 10 and 11.

Managing Consumer Co-operatives: A Historical Perspective

Greg Patmore and Nikola Balnave

One of the important questions that arises with all co-operatives, including consumer co-operatives, is whether they face similar or different management issues to capitalist businesses. Their democratic principles and generally open membership place greater limits on what managers can do compared to a private firm. Their collective principles and community orientation may also change their practices in dealing with consumers and workers, who may also be members.

The variation in practices adopted presents a problem with discussing the management of consumer co-operatives. Even where consumer co-operatives claim to have adopted Rochdale principles, those principles are not necessarily strictly followed. For example, the principle of cash only transactions has been breached in favor of credit for reasons such as the seasonal variations of rural income and the impact of unfavorable economic conditions upon household income. Another problem is that management practices can be influenced by differing legal requirements and whether the law views co-operatives as merely an extension of existing company law or as a distinct form of business with its own principles and practices. German consumer co-operatives were modeled on the basis of a joint stock company with a separate supervisory board and management board.¹ While the Japanese Consumer Co-operative Law of 1948 prohibited consumer co-operatives from trading with non-members and restricted advertising,² Australian co-operatives can trade with non-members, but there are tax advantages if 90 percent of trade is with members.

Another issue is the traditional lack of interest in the field of business history in consumer co-operatives as a business model. The Harvard scholar Alfred Chandler, who had profound influence on the development of business history, was primarily concerned with the rise of large-scale modern capitalist corporations in the United States, where consumer co-operatives did not play

1 Prinz, "Structure and Scope", p. 20. See also Ch. 10.

2 Kurimoto, "The Institutional Change", p. 57. See also Ch. 26.

a major role compared to European countries.³ The Harvard *Business History Review*, the main US business history journal, has published no research articles specifically dealing with consumer co-operatives. By contrast there has been a growing interest in consumer co-operatives in its British counterpart, *Business History*, which culminated in a special issue in 2012 to mark the United Nations International Year of Co-operatives. This reflects the significant role played by the UK consumer co-operative movement both at home and abroad in spreading the Rochdale model of consumer co-operation.

This chapter will focus primarily on the issues faced by individual consumer co-operatives, recognizing that they could be an independent local entity or part of a co-operative that operates in several locations. They can also be part of a larger wholesale co-operative, with varying degrees of autonomy. The chapter will look at the management issues relating to the formation of consumer co-operatives. It will then explore the issues surrounding recruiting and sustaining membership, finance, sales and marketing, wholesale and labor relations. It will conclude with an examination of management issues that surround the demise of consumer co-operatives.

Formation and Expansion

The traditional way consumer co-operatives are formed is by individuals getting together and forming a co-operative. They generally have to raise their own capital and initially provide their own labor on a voluntary basis to get the co-operative started. They can start on a small scale with a buyers' club, where members contribute collectively to the purchase of particular items and then distribute according to their contribution to the club. There may be no fixed store under this arrangement, but there may be some money set aside to provide the capital for the purchase of an existing store or the building of a new store.⁴

Individuals have obtained assistance from other organizations to start co-operatives. Unions have at varying times encouraged members to form co-operatives. Historically, this involvement has at times breached the principle of open membership. The Knights of Labor in the US, for instance, insisted that only their members could both own and trade with the co-operative. The English Co-operative Wholesale Society (CWS) took an interest in starting co-operatives with the People's Co-operative Society, which was launched

3 Chandler, *Strategy and Structure*; Chandler, *The Visible Hand*.

4 Neptune, *California's Uncommon Markets*, pp. 9–11.



ILLUSTRATION 16.1 *KF's Albin Johansson presenting his 40th annual financial report in 1957*
ARBETARRÖRELSSENS ARKIV OCH BIBLIOTEK, A-BILD.

for London in 1894 and was based on local branches. By 1895 there were five working branches and the CWS guaranteed competent management and the protection of members shares in the Society. Yet while it grew to 12 branches in 1897, it only grew to 3385 members, compared to 20,000 or more members in the larger provincial consumer co-operative societies. Due to internal dissension the People's Society passed into liquidation in 1899.⁵

Governments can also encourage the formation of consumer co-operatives. In New Zealand (NZ), following the Second World War, the Labour Government encouraged the formation of consumer co-operatives in new state housing estates such as Taita and Naenae in the Hutt Valley. In December 1946 the Government announced that if 75 percent of the residents in state housing districts voted to establish a consumer co-operative, then privately owned traders would be prohibited from setting up competing businesses. However, there were conditions for the consumer co-operatives. The Orakei Consumers Co-operative, near Auckland, had to have 500 fully paid members, preference

5 Parker, *The First 125 Years*, pp. 17–8; Purvis, "Crossing urban deserts", p. 237.

to returned soldiers in employment and be registered under the provisions of the 1908 Industrial and Provident Societies Act.⁶

A less common way in which consumer co-operatives have been formed is where an existing owner of a retail business offers to mutualize. One notable example of this is the Nuriootpa Co-operative in the Barossa Valley of South Australia where a local retailer decided, following the death of his male heir during the Second World War, to allow the community to take over his store. The town had a long history of community projects, including a community hotel run by a trust. There were a small group of individuals who had a sufficiently large amount of capital to make the project viable and co-operative membership was open to all members of the community. The existing goodwill, inventories, store staff and management were transferred over to the store removing many of the issues involved with starting up a new retailing business.⁷

Once established, co-operative stores may expand through the recruitment of members in new locations, or through the purchase of existing stores. The Berkeley Co-operative in the US initially adopted a policy of expansion in the 1950s that it was willing to open a store in any community provided that the community had a growth potential of 5000 families, had 500 families willing to invest \$50,000 in shares, were willing to recruit a further 500 families with \$50,000 in the first year and was within 25 miles of the co-operative's oldest shopping center. Unfortunately this co-operative also expanded by taking over other private stores such as the five Sid chain stores in 1962 and the three Mayfair chain stores in Oakland in 1974. These purchases included their debts and customers, who were not members and not necessarily loyal to the co-operative ideal. These decisions were viewed as contributing to the Co-operative's ultimate demise.⁸

Wholesales

While many co-operatives have had to develop relationships with private sector wholesalers to survive, there were early examples of opposition from such wholesalers and manufacturers to supplying co-operatives. There were also concerns about consumer co-operatives bidding against each other in a

6 Balnave and Patmore, "Practical Utopians", pp. 105–6. See also Ch. 18.

7 Balnave and Patmore, "The Politics of Consumption", p. 152.

8 Curl, *For All the People*, pp. 195–203; Voorhis, *American Co-operatives*, p. 164. See also Ch. 20.

competitive market. In the early years of the movement in Britain the purchasing of goods for sale was a major concern to co-operative management committees, and managers were subject to greater scrutiny than in other retailers.⁹ As Gurney notes “wholesaling was vital to co-operative success as it reduced costs and helped solve the problem of boycotting; with a strong wholesale organization, co-operators could buy their supplies directly from the manufacturer, thereby cutting out the capitalistic middleman.”¹⁰ The survival of consumer co-operatives since the Second World War has rested partially on their ability to develop integrated systems of wholesaling to match the economies of the larger capitalist retail chains.¹¹

To meet these issues in Great Britain during the nineteenth century the CWS began trading in 1864 and the Scottish Co-operative Wholesale Society began trading in 1868. According to Johnston Birchall the wholesale societies grew in three main ways. First they became importers of cheap foods from abroad such as Indian tea and Danish bacon and they processed these foods either in Britain or in the country of origin. They became owners of plantations and processing facilities abroad and even became ship-owners to control all stages of the manufacture, distribution and transportation of food.¹² Secondly they became the manufacturers of basic products that were in strong demand by working-class people such as boots, biscuits and jams. Thirdly they took over other productive facilities set up by consumer co-operative societies and even ailing worker co-operatives, such as those set up in Britain during the brief boom of the 1870s. The CWS also became an exporter to consumer co-operatives in countries such as Australia and NZ. The Nordisk Andelsforbund (NAF) performed a similar international wholesaling role for the Scandinavian co-operatives.¹³

One of the important developments associated with the rise of these wholesale bodies was the creation of a common co-operative label. In Italy the Union Co-operative Milanese (Milan Co-operative Union), which packaged panettone in its own name in 1896, and the Allenza Co-operativa Torinese (Turin Co-operative Alliance), which had commercialized a range of its own private labels by 1899 are examples of local marketing with the co-operative brand.

9 Purvis, “Stocking the Store”, pp. 55–78.

10 Gurney, *Co-operative Culture*, p. 94.

11 Ekberg, “Confronting Three Revolutions”, pp. 1007, 1015.

12 See Ch. 22.

13 Birchall, *Co-op*, pp. 81–7; Birchall, *The International Co-operative Movement*, pp. 59–60. See also Ch. 6.

World War II saw the development of the co-operative brand at the national level in Italy.¹⁴

Where co-operative wholesaling did not exist, co-operatives relied upon friendly wholesalers. In more recent years in Australia, consumer co-operatives have become franchisees of major non-co-operative chains to draw upon their buying power and the benefits of economies of scale. The Barossa Community Store in Nuriootpa as of 31 January 2009 was a franchisee for ten different business entities including Foodland IGA supermarkets, Mitre 10 hardware and Beta Electrical. The problem for these co-operatives is that they generally do not market a distinctive co-operative brand.¹⁵

Recruiting and Sustaining Membership

While there may be sufficient members to form the consumer co-operative, they may not provide sufficient capital through membership funds to expand the co-operative and there may not be sufficient members to keep down costs through a high level of sales turnover. Consumer co-operatives have to recruit members through a broad range of strategies that include word of mouth and advertising the benefits of co-operative membership through a variety of forms of media. One issue that arises in historical literature is whether the best message for recruiting is based on the quality and value of the products or the broader ideological appeal of co-operatives. Rochdale co-operatives in rural Australia appear to have generally focused on competitive prices, quality items and friendly service to attract members.¹⁶ Writing in the US in the early 1960s, Jerry Voorhis, the Executive Director of the Co-operative League of the US, noted that the appeal of the co-operatives “was often a conventional one – straight product advertising – and not often an exposition of how and why co-operatives are a different kind of business, one that *has* to listen to consumers’ needs and wishes because those same consumers own it.”¹⁷

The dividend was initially viewed as major attraction for members of consumer co-operatives. “Dividend days” were looked forward to by members because they provided additional cash for a range of goods and services including the payment of medical bills, school fees for children, the purchase of backyard poultry and even seaside holidays. There were problems for co-operatives

14 Battilani, “How to Beat Competition”, pp. 120–1. See also Ch. 23.

15 Balnave and Patmore, “The Politics of Consumption”, p. 155.

16 Balnave and Patmore, “Marketing Community and Democracy”.

17 Voorhis, *American Co-operatives*, p. 176.

in managing dividends, as they had to develop a system to record them. As co-operatives grew these could be difficult to manage. There were a variety of systems used to record purchases for the distribution of dividends. Some systems allowed a member to receive a metal token or voucher at each purchase. They were retained by the member and presented to the co-operative on a regular basis. Other systems required members to retain their receipt of purchase. Those members who did not keep accurate records would find themselves missing out on the full extent of their dividend. For employees, this approach meant that they had to calculate the dividends from the member provided receipts in a very short period prior to issuing of the dividend. More recent methods require the member to do little as the co-operative keeps records of the member's purchases and calculates the dividend automatically. This has been an area where consumer co-operatives have benefitted from computer technology with members being able to swipe a membership card, which records their transactions and calculates their dividends. An unexplained and considerable drop in the dividend also caused issues for co-operatives, as this could be viewed by members as the first sign of financial difficulties and lead to a withdrawal of capital. Historically, management has tried to maintain a dividend at a fairly constant level to maintain confidence and provide clear explanations for any dramatic shifts in dividend policy.¹⁸

While the cash gains made through regular dividends were important initially in attracting and maintaining members, they lost their appeal particularly in the post-war period when large capitalist retail supermarkets could offer immediate specials or discounts at the point of sale. There were also major problems providing high dividends based on members' purchases for co-operatives running supermarkets, which relied on high turnover of sales with very low profit margins in order to remain competitive. In the UK there was recognition that the political principles of co-operation were not sufficient to maintain interest in the co-operative, with a 1950 internal survey finding that only 3 percent of customers gave political principles as the main reason for shopping at co-operatives.¹⁹ The UK co-operatives by the early 1950s combined high dividends with the savings arising from the adoption of self-service to maintain a competitive edge. However, as other retail stores adopted self-service, there were downward pressures on the level of dividends due to competition. Co-operative stores also

18 Carr-Saunders et al., *Consumers' Co-operation in Great Britain*, pp. 112–4; Webb and Webb, *The Consumers' Co-operative Movement*, pp. 12–3.

19 Shaw and Alexander, "British Co-operative Societies as Retail Innovators", pp. 62–78; 74.

found it necessary to offer gimmicks to attract members and patronage such as a free quarter pound of tea to each customer.²⁰

Finance and Capitalization

Consumer co-operatives initially drew their capital primarily from the shares of members. Some early co-operatives in the US based their capital on one-off subscriptions when members joined in order to finance expansion, but this was insufficient for capital needs and they failed. Many early English consumer co-operatives failed because they refused to pay interest on share capital and discouraged members from purchasing a larger number of shares. Another issue that arose was the minimum cost of shares, which if they were too high, could act as a deterrent for new members. To overcome the problem of a high minimum share cost, some consumer co-operatives permitted new members to pay a smaller amount and then allowed their dividends on purchases to accumulate to the full amount. There were also concerns that share capital could be withdrawn, which could arise on a large scale if there was a crisis of confidence in the co-operative, and further threaten solvency. Co-operatives have required shareholders to give reasonable notice if large amounts of shares are to be withdrawn and in extreme cases freeze withdrawals, as was the case with the collapsing Newcastle and Suburban Co-operative in Australia in October 1979. As working class members found more attractive investments, such as building societies and National Savings in the UK in the 1950s, capital could be lost as members cashed in their shares. At the Royal Arsenal Co-operative Society (RACS) in the UK, this led to the situation where the members' withdrawal of share capital exceeded members' deposits either through contributions or the transfer of dividends and interest to their share accounts.²¹

Consumer co-operatives therefore found it necessary to attract individuals to purchase large amounts of shares, even though it meant these individuals still had the same vote as shareholders with limited amounts of capital. As a result, consumer co-operatives had to provide competitive returns on capital compared to other financial institutions such as banks. There were limits on the numbers of shares that an individual could have due to concerns that large

20 Shaw and Alexander, "British Co-operative Societies as Retail Innovators", pp. 74–5. See also Chapter 21.

21 Carr-Saunders et al., *Consumers' Co-operation in Great Britain*, pp. 129–30; Hampton, *Retail Co-operatives*, pp. 42–3; Leikin, *The Practical Utopians*, pp. 3–4; Rhodes, *An Arsenal for Labour*, p. 184.

shareholders could exercise undue influence over the co-operative because of the possibility of the withdrawal of their capital and abrogation of democratic principles.²²

From the earliest days it was recognized that shares were not enough to provide capital for the co-operative. The British Industrial and Provident Societies Act of 1852 allowed for individuals with then maximum shareholding of £100 to invest up to a further £400 in loan capital. Even in regard to loan capital there was a limited liability in British co-operatives and the principle followed that it was better to have many small investors rather than a small number of large investors to ensure that no one could dominate the co-operative society. For these loan capital investors the consumer co-operatives provided internal bonds, debentures and certificates of indebtedness at attractive interest rates. Some of these investors, which could even include private sector shopkeepers, could invest in the co-operative even if they were not members as they considered it a convenient institution into which to place their money.²³

Consumer co-operatives could generate their own capital through their business activities. Again the retention of capital had to be balanced against the level of dividends and the payment of interest on shares and other member investments. This could be a controversial issue at members' general meetings and required the co-operative management to convince members of the need to invest in the upgrading and expansion of co-operative services. Co-operatives could also encourage members to invest their dividend based on patronage back into the co-operative in the form of additional shares and interest bearing securities. This surplus capital becomes collective capital, which individual members have no claim on and reduces the co-operatives' exposure to fluctuations in share capital.²⁴

Consumer co-operatives then face the issue of where to invest these surpluses. They could be with other sections of the co-operative movement such as co-operative banks and credit unions, or with other financial institutions. Some co-operatives invested their money with wholesale co-operatives to assist the development of the wholesale co-operative and provide a return on their investment. The CWS in England from 1871 for example had a banking department, later known as the Loan and Deposit Department, which received deposits from co-operative societies with surplus funds, and made advances

22 Birchall, *Co-op*, p. 57.

23 Birchall, *Co-op*, p. 57; Carr-Saunders et al., *Consumers' Co-operation in Great Britain*, p. 131; Voorhis, *American Co-operatives*, p. 129.

24 Carr-Saunders et al., *Consumers' Co-operation in Great Britain*, p. 131; Voorhis, *American Co-operatives*, pp. 130–1.

to co-operative societies who needed short-term capital for expansion. In Sweden the Kooperativa Förbundet (KF), the co-operative union and wholesale society, established a fund system to help it expand and overcome supply boycotts. Co-operative societies deposited their savings with interest in the special funds, which in the short term created stability for the KF and allowed the KF from the 1920s onwards to build or buy industries to supply co-operative members with goods. The investment of co-operative funds in wholesale societies or co-operative central bodies was not without risk. When the Australian Association of Co-operatives (AAC) collapsed in 1993 due to internal problems associated with its internal banking services to members, a number of Australian co-operatives lost funds. The AAC had made some bad loans to a struggling consumer co-operative at Singleton in New South Wales, which also went into liquidation. It was estimated in the 1930s that 70 percent of the outside investments of co-operative retail societies in Britain were placed in co-operative societies, mainly in the wholesale societies.²⁵

Another approach is for the smaller co-operatives to merge into larger co-operatives in order to have sufficient capital to manage the modern supermarkets and hypermarkets. Patrizia Battilani argues that this process transformed the Italian consumer co-operatives during the 1950s and 1960s and explains the greater success of consumer co-operatives in Italy compared to other European countries. There were however problems with these mergers as the larger size of the co-operatives distanced members from the general management and reduced the importance of members and the boards of directors who represented them.²⁶

Sales and Marketing

The co-operatives continually have to generate sales and market the co-operative to survive. While co-operatives may on paper have a large membership there is no guarantee that members will shop there. The growth of large scale retail chains, with economies of scale in warehousing, purchasing and marketing, has posed a major problem for co-operatives. In the case of small co-operatives in specific localities advertising is generally restricted to store pamphlets and great reliance is placed on word of mouth. By the 1930s there

25 Aléx, "From Alternative to Trademark", pp. 95–103: 99–100; Balnave and Patmore, "Practical Utopians", p. 104; Carr-Saunders, Sargent Florence & Peers, *Consumers' Co-operation in Great Britain*, p. 132; Cole, *A Century of Co-operation*, pp. 163–5.

26 Battilani, "How to Beat Competition", pp. 110–2. See also Ch. 23.

were in the UK propaganda meetings, particularly successful in rural villages, that brought together co-operative education and sales to promote the consumer co-operative through talks by co-operative officials, variety performances, fashion shows, advertising films and social evenings. Where consumer co-operatives are in highly competitive situations such as large cities, they may produce their own newsletters, such as the defunct Berkeley Co-operative's *Co-op News* and the current Ithaca GreenStar Co-operative Market's *GreenLeaf* in the US, and more recently websites to promote the co-operative message and their products, as well as advertise in local newspapers. At a national level, wholesalers such as the CWS in England have run newspaper, radio and television campaigns.²⁷

In addition to advertising there have been a number of strategies to ensure that co-operative members continue to trade at the co-operative. Many co-operatives returned dividends in the form of a token, which could only be used at the co-operative for purchases such as milk and bread. Tokens could also be purchased in advance to minimize the need for credit at a later time. Where dividends have fallen out of fashion, concessions have been given to members in the form of price cuts, member-only specials and competitions offering prizes.²⁸

While price competition may have become more important than the ideological message of obtaining members and sales, co-operatives in many countries saw an advantage in marketing themselves in terms of consumer health protection and the environment. An early Rochdale principle from 1860 related to the sale of pure and unadulterated food, which was concerned with wholesome and untainted food that sold according to full weight and measure so that members would not be short changed.²⁹ The KF in Sweden, for example, as early as 1911 published articles in its newspaper *Kooperatören* on nutrition and broadened the discussion in the 1920s to include product information and taste. There was a greater emphasis on labeling, organic food, recyclable packaging and local produce in the 1960s and the 1970s. This can be seen particularly with the Berkeley Co-operative in California which employed home economists to advise members of nutritional issues. The second wave of co-operatives in the US, which were a by-product of the protest movements of the late 1960s and the 1970s, have built their reputations around organic and local products. In Italy the 1979 Congress of Association of Consumer Co-operatives came out in support of a focus on consumer health and the environment with

27 Carr-Saunders et al., *Consumers' Co-operation in Great Britain*, pp. 123–6.

28 Carr-Saunders et al., *Consumers' Co-operation in Great Britain*, p. 121.

29 Birchall, *Co-op*, pp. 59–61. See also Chs. 14, 23, 26.

Co-operative label products focusing on nutritional health, controlling the use of additives and the elimination of food colorants.³⁰

One factor that several scholars have recently explored to explain the continued appeal of surviving consumer co-operatives is their link to the community, particularly in rural areas. As Nicole Robertson has noted for the UK from 1914 to 1960, “for some of its members, the role of a co-operative society within a community extended beyond the realms of grocery shopping.”³¹ They become enmeshed in the cultural and social environment of the community by, for example, sponsoring local sporting groups financially and through other forms of assistance.³²

In Australia a small number of Rochdale consumer co-operatives have managed to survive in rural locations such as Denmark in Western Australia, Junee in New South Wales and Nuriootpa in South Australia by emphasizing “localism”, which is a sense of place. The consumer co-operatives become a core institution in the local community promoting employment and retaining profits with the community. The Junee Co-operative and its leadership have played an active role in the community, and formed networks with local businesses and the Chamber of Commerce. Over the years the Co-operative has encouraged residents to “shop local” rather than at other regional centers. The Junee Co-operative’s strategy for maintaining local shopping in recent years has involved either the stocking of additional lines if other businesses closed and or taking over other failing businesses. This has contributed to the survival of the Junee Co-operative, but also to the preservation of local job opportunities and to the sustainability of Junee as a viable rural community.³³

Labor Relations and Management

There have been claims made over the years that consumer co-operatives were better employers than their capitalist competitors and enjoyed good relationships with the trade union movement. Generally co-operatives encouraged workers to join unions, with the English CWS insisting from 1919 that employees become trade unionists. It was estimated that 94 percent of the members of the National Union of Distributive and Allied Workers (NUDAW) in the UK

30 Aléx, “Swedish Consumer Cooperation”, pp. 258–9; Battilani, “How to Beat Competition”, p. 121; Black, “A Home Economist’s Point of View”.

31 Robertson, *The Co-operative Movement and Communities*, p. 213.

32 Robertson, “Collective Strength and Mutual Aid”, p. 935.

33 Balnave and Patmore, “Localism and Rochdale Co-operation”, pp. 63–5.

in 1931 were co-operative employees. The consumer co-operatives also led the way on industrial issues such as shop employee working hours in the UK.³⁴ In the USA at Racine, Wisconsin, the voluntary organizing committee in 1934 for a new co-operative included unionists and union members, who purchased over half the initial shares in the co-operative. The Racine Consumers' Co-operative was incorporated on 24 October 1934 and it began operations as a petrol station on 1 February 1935. The Co-operative had a benefit for the unions in that it was a closed union shop and union wage rates were observed. The Co-operative also provided assistance during industrial disputes through donations of petrol and food.³⁵

While there were positive advantages from the relationship between consumer co-operatives and unions, there were also tensions. In the 1920s in the US there were complaints that unions did not reciprocate co-operative support by enthusiastically encouraging members to shop at the co-operative. There were concerns in the UK that unions unfairly put pressure on the co-operatives, which were viewed as sympathetic, to leverage increases in wages and conditions for their capitalist retail competitors. The NUDAW claimed in the late 1930s that while the wages and conditions of UK consumer co-operatives were generally superior to the private sector, they were not superior to the standards of the best employers nor were they as much as the co-operative movement could afford to pay. Finally, there have been continued concerns that employees as members would use their voting power at members' meetings to override disciplinary decisions against employees, increase wages and place further competitive pressures on the co-operative. These fears led some consumer co-operatives to place limits on the employees' rights as shareholders by, for example, not allowing them to stand for election to the management committee or board of directors. Some consumer co-operatives, on the other hand, have allowed for direct employee representation, whereby employees directly elect their own members of the committee or board.³⁶

There were issues of concern for trade unions in the operations of consumer co-operatives. There has been a widespread use of voluntary labor, particularly during the start-up of co-operatives, where there are insufficient funds to pay staff. The Royal Arsenal Co-operative Society (RACS) in the UK from its

34 Carr-Saunders et al., *Consumers' Co-operation in Great Britain*, pp. 350–6; Warbasse, *What is Co-operation?* pp. 75–81.

35 *American Federationist*, August 1937, pp. 851–7.

36 Carr-Saunders et al., *Consumers' Co-operation in Great Britain*, pp. 88–91, 355; Warbasse, *What is Co-operation?* pp. 135–7.

formation in 1868 until 1878 relied upon the voluntary efforts of its management committee to run the store, assisted by Mrs. McLeod, who voluntarily cleaned the store after each day. Her death and the growth of the society led to the appointment of its first full-time member of staff. During the revival of consumer co-operatives in the Bay Area of California in the late 1930s, Pacific Co-operative Services could not initially afford to pay union rates at its depots, with the payments being increased towards parity as business increased. Some contemporary US consumer co-operatives obtain volunteer labor from members by offering discounts on purchases. There are also cases of consumer co-operatives that have a limited or no union presence in the workplace such as in rural areas of Australia. These co-operatives have in place extensive welfare provisions and emphasize that workers have a voice in the organization through their membership of the co-operative.³⁷

One crucial issue particularly for co-operatives is the quality and commitment of management. There are longstanding concerns within the co-operative movement about the training of co-operative managers and the commitment of managers to the co-operative ideology particularly if they were recruited from the private sector. The report of the Co-operative Independent Commission (CIC) in the UK in 1958 found a major problem with the management of co-operatives, which it rated as varying from deplorable to excellent. UK co-operatives recruited their staff almost exclusively from school-leavers, who were expected to work their way up the ranks of the local society and learn the business without any specialized training. Co-operative managers earned less than their private sector counterparts. There were also divergent practices in regard to the relationship between the board of directors and the co-operative managers. At one extreme there were boards of directors, who interfered in the micromanagement of the stores. They failed to engage in long-term planning and demoralized store managers. At the other extreme, boards acted as “consumer’s vigilance committees”, giving the managers a great deal of autonomy and only blaming them when things went wrong. Management training became a major priority for the co-operative movement in the post-war period in order to remain solvent and competitive with the growing retail chains.³⁸

37 Balnave and Patmore, “Localism and Rochdale Co-operation”, pp. 62–3; Letter from Robert Neptune to W.J. Campbell, 20 February 1937. Co-operative League of the USA, Box 111, File – “Local and Regional Co-operatives. Associated Co-operatives”. Truman Presidential Library and Archives, Independence, Missouri, USA; Rhodes, *An Arsenal for Labour*, p. 6.

38 Birchall, *Co-op*, pp. 146–50; Cole, *The British Co-operative Movement*, pp. 150–4.

These tensions were highlighted in the Nadakobe co-operative in Japan during the 1970s, where membership increased dramatically in 1973 as the Organization of Petroleum Export Countries (OPEC) oil embargo created shortages of goods in Japan and new members saw the co-operative as a dependable means of ensuring their supplies of necessities. The existing managers, who had followed the traditional path of rising through the organization, did not have sufficient skills to cope with this growth in membership and growing demands by co-operative employees for a voice in the expanding co-operative. There was a strike and in 1978 all the existing directors that held their positions before the war were replaced. New university educated managers, with experience in university co-operatives, were recruited. They undertook a more aggressive marketing campaign against competitors, placing an emphasis on developing co-operative branded products with a reputation for quality and competitive prices. They also took a more collaborative approach to labor relations, with new co-operative training and educational programs that provided co-operative employees with more opportunities for promotion.³⁹

Management Related Reasons for the Demise of Consumer Co-operatives

As early as 1854, the English pioneers of the Rochdale consumer co-operatives recognized that they could fail and would have to be wound up. They established a principle that in the event of the consumer co-operative winding up then the net assets would be disposed without profit. Every shareholder would get back what they held in their share accounts and the rest of the assets would be distributed to other co-operatives or to a charity. This would protect the co-operative from individuals who wanted to break the co-operative up and strip it of its assets.⁴⁰

As the early pioneers envisaged, consumer co-operatives did fail for a variety of reasons. One major problem arose where societies allowed some degree of credit for members, despite the initial concerns of the Rochdale movement. In 1935 for example the average indebtedness of members was 17 shillings per member in Britain. Credit can take a variety of forms including credit on regular deliveries of bread and milk. This was mitigated to some degree by the issuing of tokens, which overcame the problem of having cash readily available when deliveries were made. Other forms of credit transactions in the UK by the

39 Grubel, "The Consumer Co-op in Japan", pp. 312–3.

40 Birchall, *Co-op*, p. 63.

mid-1930s included club trading and hire purchase. Of more concern was irregularly extended credit on an open account. This may arise out of a desire to keep custom in a competitive environment or provide assistance to members facing unemployment, industrial disputes or poor harvests in rural areas. As Nicole Robertson notes in the UK the management boards of co-operatives recognized "that co-operative societies were key institutions providing financial support to their members, especially during periods of financial difficulties."⁴¹ Where this form of credit becomes problematic, the co-operatives charge interest on the outstanding balances, deduct the debt from dividend and interest payments, suspend purchases and even take legal action. The rise of the credit card to some degree has alleviated these pressures for the management of consumer co-operatives, by shifting the responsibility back to the individual and the financial institution that provides the credit card.⁴²

Survival became difficult for co-operatives particularly since the 1960s as the consumer co-operative movement declined in a number of countries such as Australia, Germany and the United States. Espen Ekberg has noted that survival of consumer co-ops since the Second World War has rested on their ability to confront three challenges facing them. Firstly, they have had to adapt their store formats to match the growth of supermarket and hypermarket retailing. Secondly, they have had to develop integrated systems of integrated wholesaling to match the economies of the larger retail chains. Thirdly, they have to re-evaluate and restate their ideology to remain attractive to increasingly affluent consumers. Self-governance may no longer be a sufficient message to retain consumer loyalty in the face of competition, which may anyway offer membership programs with relatively significant financial benefits without the need for consumer participation in governance.⁴³

The collapse of the Berkeley Co-operative in the US highlights many of these problems. There was the Co-operative's expansion policy after 1962. Prior to 1962 the co-operative would only expand on the basis of purchase using accumulated funds. Subsequent purchases of the Sids and Mayfair chain stores included their debts and customers, who were not co-operative members and not necessarily loyal to the co-operative ideal. There were bitter political divisions in the co-operative. Issues such as product boycotts divided the board. There were clashes between those who saw the co-operative as a business and those who saw it as a platform for political issues. There was a rule that allowed

41 Robertson, "Collective Strength and Mutual Aid", p. 932.

42 Balnave and Patmore, "Marketing Community and Democracy", pp. 73–4; Carr-Saunders et al., *Consumers' Co-operation in Great Britain*, pp. 120–3.

43 Ekberg, "Confronting Three Revolutions", pp. 1007, 1015. See also Ch. 27.

runners up to fill vacant positions. In a factionalized environment this meant that the defeated faction could obtain positions on the board if a vacancy occurred. When conservatives gained control they alienated liberal shoppers and vice versa. There was also the issue of turnover of co-operative management. In 1971, with the departure of a manager with 24 years' experience, there continued changes in senior management, which exacerbated poor decision-making and planning. There was a collapse in the relationship with the traditional wholesaler, Associated Co-operatives. The lack of cash flow led the wholesaler to request cash on all deliveries to the co-operative in December 1986. The co-operative then obtained supplies from a new non-co-operative wholesaler based in Los Angeles. There was criticism of the quality of goods provided by Associated Co-operatives: the produce was not as fresh as it was stored too long between purchase and delivery.⁴⁴

Conclusion

While the management of consumer co-operatives shares many of the same problems with the managers of capitalist retailers, they do face a number of unique challenges. Despite their democratic principles and generally open membership, they have flourished in some parts of the world even though they place greater limits on what managers could do compared to a private firm. Even in countries such as Australia, where the consumer co-operative movement has collapsed, they survive and prosper in a small number of rural communities by emphasizing their links with the local community. They remain an alternative business model for modern retailing, which in many countries is dominated by a small number of large capitalist retailers. Their collective principles and community orientation may also change their practices in dealing with consumers and workers, who may also be members.

Consumer co-operatives not only have to attract customers to the store, but establish a commitment by consumers to joining the co-operative and investing in it. Over time the appeal of the dividend and the promise of democracy have not been enough to sustain interest and patronage, as capitalist competitors provide on-the-spot specials and discounts. While there has been a focus on pure and unadulterated food since the earliest days of the consumer co-operative movement, a growing dimension of the consumer co-operatives'

44 Brand, "Can the Co-op Be Saved?"; Curl, *For All the People*, pp. 195–203; Fullerton, *What Happened to the Berkeley Co-op?*

appeal in recent years has been a focus on organic, local and environmentally friendly products.

Capitalization, labor relations and the quality of management have remained ongoing issues for consumer co-operatives. Shareholdings are not sufficient for investment and can be a volatile form of capital if members lose confidence. Co-operatives have looked at other ways to raise capital such as debentures, but are generally wary of allowing a small group to control a large amount of the co-operative's capital. The preference is to expand collective capital through investments, which have been targeted towards other sections of the co-operative movement, but still have risk. Many consumer co-operatives have found it necessary to merge into larger co-operatives in order to increase the level of capitalization and benefit from economies of scale. While consumer co-operatives have generally had good relationships with employees and the labor movement, there are tensions. There are ongoing fears about employees using their membership rights to influence the labor policies of consumer co-operatives. There are also concerns about inadequately trained managers coming up through the ranks, who may not be able to adjust to rapid changes in the business environment.

While there are broader economic, political and demographic reasons for why consumer co-operatives fail, local factors can significantly contribute to their demise. These include the failure to control credit, poor growth strategies, internal political divisions and problems with wholesale suppliers. These problems are exacerbated by the failure to sustain a stable management structure, both in the terms of the tenure of key managers and the relationship between management, the board of directors/committee of a management and the membership.

Patterns, Limitations and Associations: The Consumer Co-operative Movement in Canada, 1828 to the Present

Ian MacPherson

The consumer co-operative movement is – and for close to a century has been – a central part of the Canadian co-operative movement. It has included – and it includes – some of the most powerful groupings within the Canadian co-operative movement that strongly support the importance and possibilities of action across the co-operative sector. It has consistently been the most important advocate for the coherent and effective collaboration of all kinds of co-operatives in their own interests and for those of the broader movement – as well as for the benefit of Canada as a whole.

This chapter is not an exercise in “whig history” celebrating the inevitable progression of co-operatives or the inevitability of the march (as some in other days would have dreamed) towards a Co-operative Commonwealth. The history of the Canadian movement is far too uneven and includes far too many setbacks for that kind of approach, though certainly the consumer movement has generally become stronger as the years have passed. The road, however, has not always gone upward and, most tellingly, it has not always gone straight.

This chapter attempts to describe the contours of the consumer movement as it has developed in Canada over time. It discusses a long and complex history, one that in the space available can only be suggested, not considered in depth. It hopes, though to offer insights and conclusions that will be useful in comparing the history of consumer co-operation in other countries. It also hopes to help create a fuller understanding of the impact of the global consumer co-operative movement, yesterday, today, and tomorrow.

* Ian MacPherson unfortunately passed away before the completion of the chapter. While the chapter does not contain references, it provides an excellent overview of the history of the Canadian co-operative movement and is included in the book to honor his contribution to the international co-operative movement and to this project, with the kind permission of Ian's family. A short bibliography of Ian's earlier work on the Canadian co-operative movement is included at the end in lieu of references.

These are interesting and important tasks. On one level, they build upon recent enquiries by historians in several countries into the changing patterns of consumption over time, particularly in the industrialized and industrializing parts of the globe. On another level, given the increased importance of food production, processing and consumption industries in a world of diminishing resources, an international enquiry into the traditions and practices of consumer co-operation could be particularly timely. It could help in thinking about how to design a more dependable, responsible and ethical basis for supplying and consuming food and other consumer goods around the world. This is not a new idea in consumer co-operative circles. It echoes concerns, ideas, and ambitions that have been evident since the later nineteenth century and, despite the tendency of many consumer co-operatives to become “more like the competition” in recent decades, they can still be found within the international movement.

The Faltering Formative Period, 1828–1914

The Canadian consumer co-operative movement has a long and, in its early years at least, a chequered history. As early as 1828, an anonymous ten page announcement from a recently arrived British immigrant called upon the people of York to organize a consumer co-operative similar to the ones being developed at that time in the United Kingdom. There is no record of anything resulting from this appeal, but it is noteworthy that, even before the Equitable Pioneers had started their store in Rochdale in 1844, people in the North American colonies were discussing the possibilities of creating consumer co-operatives.

From the 1840s to the 1880s, there were many discussions about consumer co-operatives in British North America (after 1867, Canada), and there seem to have been stores – the record is not entirely conclusive – in Halifax, Toronto, Winnipeg, and Victoria. The first store to become well established and to survive for a significant period of time was located in Albion Mines, Nova Scotia. In 1889, the town changed its name to Stellarton, and it is under that name that the co-operative is remembered. Supported by generations working on the rich seam of coal that literally ran beneath the town – the Foord seam, reputed to be the thickest in the world – it survived until the early years of the twentieth century.

There were many efforts to start consumer co-operatives in the course of the later nineteenth century. Enthusiasts from the Holy and Noble Knights of Labor, a briefly powerful union organization in the United States and Canada during the 1870s and 1880s, promoted consumer co-operatives in several

Canadian centers, though its main co-operative interest was in worker co-operatives. In a similar way the National Grange of the Patrons of Husbandry, though primarily concerned with farm issues of supply and marketing, also stimulated considerable interest in consumption generally, notably through its women's organizations and its programs for general rural advancement. As a result, buying clubs were developed in rural districts where the Grange was strong. Some of them went on to contribute to the development of rural co-operative stores.

Mining communities, however, were the strongest early centers for the development of co-operative stores: in that sense, Stellarton stands at the beginning of a common trend within the history of the early consumer movement in Canada. There were three strong regions for stores among miners: the coal mining districts of Nova Scotia, mostly on Cape Breton Island; the silver-gold-nickel-copper mines of Northern Ontario; and the Alberta/British Columbia coal, silver and gold mines in Rocky Mountain communities. One other mining region, in the coal mining districts of Vancouver Island, also showed occasional support.

This early interest was rooted to a large extent in ethnicity and class. The most prominent participants in nearly all the co-operatives in mining communities prior to 1914 were British immigrants. They brought with them some of the co-operative enthusiasms of the British working class in that period, when a quarter of the British population purchased its consumer goods through co-operative stores and when one of the most reliable ways in which working-class families could save money was through the "divi" they received for buying at the "co-op". British immigrants were represented in disproportionately higher percentages than other immigrant groups in the leadership of many early Canadian co-operatives, most of which included a much broader cross section of nationalities in their memberships than the listing of board members would suggest.

Finns, Swedes, Ukrainians, and Italians were among the most common immigrants found within many local co-operatives. They were particularly evident in northern Ontario and on the British Columbian coast. By 1910 there were between fifteen and twenty co-operative stores in mining and fishing communities across Canada. One – in Sointula on Malcolm Island, on the British Columbia coast, developed by Finns escaping the drudgery of the Dunsuir mines on Vancouver Island in 1909 – still survives, its Finnish heritage still proudly and prominently in evidence.

One must conclude, however, that, while ethnicity was important in the early stages of development for some co-operatives, it did not remain a serious factor for long with very few exceptions, Sointula being among the best

known. Similarly, one can only conclude that, while trade unionism was useful in developing early networks, it did not serve as a strong and permanent basis for the development of consumer co-operatives in Canada. Generally, the Canadian trades union movement gravitated towards “bread and butter unionism” as the twentieth century progressed, a development that focused attention on workplace issues of wages, hours of work, and fringe benefits. It was a conceptualization that differed markedly from the broad approach of the Knights of Labor. The problem of how best to unite with “sister” movements emerged early in the history of the Canadian movement and would never be satisfactorily resolved.

By the turn of the twentieth century, another and more powerful source for the development of consumer co-operatives – the pressures of the settlement process – was increasingly important, particularly in the regions of western Canada (the Prairies and British Columbia). Over two million immigrants came to those regions between 1895 and 1914. About half went to the cities and larger towns, where most settled in working-class ghettos, while some gravitated to more prosperous middle-class neighborhoods. Most of the comparatively few co-operatives that emerged in the western cities prior to 1914 were tied to the limited locations where immigrants settled and found work.

The more substantial developments, however, were in rural areas. The settlement process depended to a significant extent upon collaboration among settlers: for example, the early development of roads, the creation of schools, the establishment of churches, and the construction of houses and barns through building “bees”. Most people involved in rural settlement went through an arduous process because they typically had few savings, such banks as existed were rarely friendly, and the sale of cash crops usually yielded limited results during the early years of farm development. Amid these shortages and pressures, many settlers were angered by the high cost of consumer goods and farm supplies. That anger fuelled tensions with owners of grocery stores and farm supply outlets in the emerging small communities, over 4,000 of which were formed in western Canada between 1895 and 1914. One outcome of the tensions that emerged was that settlers turned, as in so much else, to the collaborative approaches used to develop frontier lands to help defray the costs of consumer goods and farm supplies.

Typically, their first step was to organize buying clubs, particularly for the securing of consumer goods – from food supplies to clothes to the purchase of carloads of coal for the winter months. They were often begun by rural women stirred into action by women’s organizations and by the agrarian press of the time, itself often a strong proponent of co-operative stores, particularly on the Prairies. Some of these buying clubs, in time, were converted into co-operative

stores. An estimated forty such co-operative stores had been created in western rural areas prior to 1914, though few lasted for long.

Similar practices could also be found in settled rural areas, notably in Ontario at the turn of the century, a little later in Québec, where rural societies were also coming under increased pressures. The farming people of southern central Canada were facing the opposite of the issues confronting settlers forming new rural communities in the west. They were concerned with problems stemming from rural depopulation (particularly the out-migration of youth and families "heading west"), the gradual decline of services in many rural hamlets, the inability of rural education to meet relevant needs and the growing celebration of urban life in popular culture. In 1914 rural Ontarians formed the United Farmers of Ontario, followed shortly thereafter by the United Farm Women of Ontario and the United Farmers Co-operative. The latter two organizations, in particular, addressed general consumption interests in addition to concerns about marketing rural products and the high costs of farm supplies.

In other words, in its early years, consumer co-operation in Canada was not a neatly separate kind of business as it seemed to be in countries where it was much more tightly associated with working-class culture and the advent of widespread urbanization and industrial society.

The consumer co-operatives created by 1914, whether among working classes by ethnic or politicized new Canadians or amid the varying pressures in the countryside, were highly localized in their motivations and understandings. These decentralized beginnings were in sharp contrast with the way in which the *caisses populaires* movement developed in Francophone Canada or, even more strikingly, with how most of the burgeoning agricultural co-operatives were being organized at the same time. The result was that the consumer movement went through much longer formative and stabilizing periods, meaning that its cumulative impact was not felt within Canadian society until well into the twentieth century. Even then, because of the ways in which it developed, the impact was more regional than national.

Moreover, as the above suggests, one can argue that the agricultural co-operatives, through their farm supply activities (which could embrace the more profitable consumer items), actually held back the development of consumer co-operatives, whether intentionally or not. A number of agricultural co-operatives, in fact, organized types of stores to serve rural memberships, creating a blurred picture of consumer co-operative development, particularly in Ontario and Québec and, to a lesser extent, in other provinces as well, such as Alberta.

This overlap demonstrates the imprecision that can occur by reading into the past the kind of institutional and sectorial divisions that came to be so

ingrained as the movement developed around the world. In the end, such divisions can be arbitrary, caused by the accidents of history, the predilections of leaders, the interests of associated movements, the emergence of strong institutional loyalties, and the simplistic ways in which historians have tended to interpret the movement's past.

Beginning in 1906, some co-operative leaders, notably Alphonse Desjardins, tried to convince the federal government of the need for national legislation for the incorporation and development of all kinds of co-operatives. Desjardins used his position as a reporter for Hansard in the Dominion House of Commons to lead a campaign for this legislation. He was joined by some prominent Québec politicians and, in time, some leaders from the emerging co-operative movements – agricultural and consumer – in English-speaking Canada. They soon ran into opposition, most prominently from the Canadian Retail Merchants Association, which was well aware of the strength and competition to “the private trade” provided by consumer co-operatives in the United Kingdom. Despite some five further attempts to have national enabling legislation passed between 1906 and 1920, the Canadian parliament chose to leave the encouragement and regulation of co-operatives to the provinces, a set of decisions that profoundly affected how the co-operative movement, including the consumer movement, would develop.

As it turned out, the only serious and sustained effort to bring consumer co-operatives together, to develop training and educational programs for them and to think strategically about their development during the early twentieth century came from the Co-operative Union of Canada (CUC), organized in 1909. Its two most prominent early leaders, George Keen, its general secretary from the beginning until 1943, and Samuel Carter, its president until 1921, were both British immigrants who sought to replicate in many respects the British experience with consumer co-operation. Keen was the founding President of the Brantford co-operative in Ontario and Carter, a successful businessman and mayor of Guelph, another nearby small city in Ontario, was president of its consumer co-operative.

Keen played a monumental role in building the consumer movement during his time as general secretary. Though his familiarity with co-operatives while he lived in England was only incidental, he made a detailed study of the British movement after he became involved with the movement in Canada. He subscribed to the British co-operative periodicals and he purchased the main volumes on co-operation written by British co-operative leaders and writers. Many of these, their margins containing his comments written in a very neat and careful script, survive in the library of the Canadian Co-operative Association (the successor organization of the CUC) and the National Archives. He

corresponded with many of the main British leaders of the day. During his time as general secretary, he edited, largely wrote, published, and distributed a monthly journal, *The Canadian Co-operator*, which was devoted primarily to the furtherance of the consumer movement.

Keen did make a determined effort to understand the flourishing marketing and farm supply co-operative movement that became such an important dimension of the Canadian countryside, but it never became as important a form of co-operation for him, nor for many others from the "Old Country" who became active in the stores that emerged. Similarly, he played an important role in trying to expand the work on co-operative banking undertaken by Alphonse Desjardins into English-speaking areas, in the process contributing significantly to the development of what became known as credit unions in English Canada. He published reports on co-operative housing and worker co-operatives. He genuinely tried to be supportive of all kinds of formal co-operative behavior.

Keen's heart, however, rested with consumer co-operation. He looked upon it as a "great social religion", one that held equal place for him with his deep devotion to Roman Catholicism. He championed the "consumer theory of co-operation", which suggested that the organization of intelligent consumption through co-operative forms would be the best way to organize much of the economy, to promote the democratic way of live, and to reward people appropriately for their multiple contributions and not just for their speculative investments. His devotion to this cause was remarkable, leading him to contribute years of work, most of it unpaid or underpaid. Though he never developed a large band of followers, his dedication contributed significantly to the emergence of networks of consumer co-operative enthusiasts in several provinces. Many of them, in turn, though not necessarily subscribing to Keen's grand vision, became crucially important in contributing to the next stages of consumer co-operative development. Largely because of him, the movement in 1914 had developed many essentially local initiatives, born of ethnicity, class, and settlement pressures, but leavened by a heady dose of idealism and some understanding of the movement's international dimensions.

The Struggle for Stability, 1914–1945

The advent of the First World War ushered in three decades of turmoil, uneven economic growth, and tragedy for many Canadians. Over 67,000 Canadians died in the century's first great conflict in Europe, with nearly 200,000 being wounded and another untold number carrying psychological damage for the

rest of their lives. The period after the war witnessed a serious economic depression, which lifted briefly before the Great Depression began in 1929. Then came the Second World War, in which 45,000 were killed, some 50,000 wounded and another unknown number beset by continuing psychological problems. As a result of the associated turmoil, it was a period of intense political debate, a time when third party movements became powerful forces in the federal political process and regional loyalties detracted from national consensus.

It was also a time when many people investigated co-operation as a way of responding to the growing economic and social dislocation of the times, though in the battle of ideologies that rose and fell throughout the period, the co-operative option, less strident and less well formulated than most of the others, did not ultimately fare well. All too often, the co-operative responses to the challenges of the day were perceived as being too gentle, slow, and modest, though often enough their more successful projects were co-opted by other more aggressive ideologies, from Marxism and anarchism to agrarianism, liberalism and even conservatism. For many Canadians, however, they were promising and useful responses in a world beset by unsustainable competition and costly, demeaning, and debilitating struggles for dominance and control.

The varying interest in co-operatives taken by political parties during the inter-war years affected significantly their development. Agrarian militancy swept much of Canada after the First World War. Nationally it produced the Progressive movement, which revolutionized the national political system in the elections of 1921 and 1925. The Progressives were certainly very sympathetic to the development of co-operatives but that sympathy did not translate into major national programs for the movement's expansion. More significantly, the farmers' movement affected provincial governments. In Ontario and in the Prairie provinces, the farmers formed the governments at different times and under different names. In each case, they passed useful enabling legislation that made it easier to organize co-operatives, including consumer co-operatives.

In the 1930s, the formation of the leftwing Co-operative Commonwealth Federation (CCF) and the more rightwing Social Credit government signaled significant if different support for co-operative organizations. In 1935 Social Credit formed the government of Alberta and it was, in the early years of its time in power supportive of co-operatives, including their own version of co-operative stores. In 1944 the CCF formed the government in Saskatchewan and it was the most supportive provincial government in Canada for co-operative development, including co-operative stores. It formed a special department to encourage co-operatives of all kinds, though it might be argued its support

for voluntary, community-based approaches to economic and social development generally, such as that provided by co-operatives, generally lost out to government-led initiatives favored by many in the party's leadership.

Amid all these changes, the consumer movement made progress, albeit unevenly. During the First World War it gained a lot of respect, partly for the ways in which the relatively few and small co-operatives in Canada responded, but even more so for the roles played by the large movements in Europe during the conflict. "Profiteering" was one of the great domestic issues of the time, its occurrence, real and imagined, a common source of scandal and public anger. It led groupings of consumers in several Canadian cities to embrace co-operative techniques, mostly informal buying clubs but also including the legal formation of consumer co-operatives. They sought to protect their purchasing power, minimally by providing a transparent way in which to understand what were the legitimate increases in the costs of goods that were purchased. About twenty stores emerged, many of them in larger communities. As the war dragged on their development meant that the Co-operative Union of Canada, after several years of struggling to survive, was able to achieve some stability in 1918–19. As a result, George Keen became a paid employee, allowing him to devote more time to the development of the movement.

One of the tasks Keen undertook when he became a full-time employee of the CUC was the more systematic analysis of why consumer co-operatives succeeded or failed. Using monthly statistics submitted by the stores and drawing on what he saw in regular visits to many of them (made possible by a travel pass donated by a sympathetic railway company), Keen identified a number of classic causes for the failure of consumer co-operatives. They included: poor record keeping; inconsistent and often insufficient mark-ups on the goods that were handled; a common tendency by store leaders facing serious difficulties to follow "a policy of drift" rather than face issues that should not be ignored; inadequate training for boards and managers; insufficient education of members in the importance of co-operative loyalty; a common reluctance to work effectively with other co-operatives; the attacks of opponents and competitors; the opposition of wholesalers; and a failure to engage women in the development of the stores. He had ample opportunity to assess such weaknesses and to test his theories because in the depression that swept much of Canada in the early 1920s many of the co-operatives formed during the First World War failed.

Some pockets of permanence did survive, however. One of them was in eastern Nova Scotia, where, among a dozen strong co-operative societies could be found the British Canadian Co-operative in Sydney Mines. It was then the

largest consumer co-operative in North America and a replica in architecture, organization, and outlook of some of the larger British co-operatives. Other significant concentrations of stores could be found in western Canada, the largest grouping being in the ethnic diversity and rural struggles of Saskatchewan, but other clusters could be found in Manitoba, Alberta, and British Columbia as well. By the later 1920s, each of these concentrations had developed significant and experienced leaders. They were ready, albeit with varying degrees of experience and specialization, to undertake the formation of co-operative wholesales. This was a vitally important step in creating stable movements, a truism that had been well demonstrated in the history of the European movements. Consequently, though they varied considerably in structure and success, wholesales were formed in the later 1920s in Atlantic Canada, Saskatchewan, Manitoba, Alberta, and Québec, followed by wholesales in British Columbia in the 1930s. As in the case of the United Farmers Co-operative in Ontario, the wholesales in Québec and Atlantic Canada had mixed parentage, owing as much or more to the interests and support of farm co-operators than urban consumers. In the other provinces, as was the norm in the development of wholesales in most other countries, the wholesales overwhelmingly met the needs of local co-operative stores.

The importance of the development of wholesales cannot be overestimated in understanding the kind of stability the movement achieved, even during the adversities of the 1930s and the restrictions associated with the Second World War. Wholesales provided direct economic benefits through the economies of scale in purchasing power that they offered. They provided opportunities for the exchange of information, a vitally important need during the early development of consumer co-operatives. Even as they struggled for stability themselves, they provided training opportunities for the elected leaders, managers and staff of local co-operatives. They attempted, as demand developed, to enter into the special ordering of processed consumer goods, and in a few instances to undertake production of consumer goods individually or in collaboration with others. They sometimes undertook direct purchasing from farmer groups, co-operative or otherwise. Given good financial results, they developed modest funding arrangements for their member co-operatives. They became effective lobbyists of governments, particularly at the provincial level. As their staffs grew and they accumulated experience, they became sources of managerial advice for their member co-operatives.

The Great Depression (1929–1939) provided the seedbed for much co-operative activity in Canada, including the formation of new consumer co-operatives. In retrospect, it assumes the proportions (ironically enough) of something like a kind of “golden age” for co-operative development. Its

impact, though, was not limited to the years the Depression actually lasted but extended through the two decades that followed. Memories of it stirred many co-operators who matured during it, especially for the creation of a national co-operative financial system and expanded agricultural co-operatives, but also for the expansion of the consumer movement as well.

In the prairie region, the economic collapse of the Great Depression was made worse by the cruel coincidence of drought. The pictures of sand dunes blowing across what had been wheat farms, of people packing all they owned onto the back of trucks so they could migrate to other allegedly more prosperous places, of the unemployed riding the rails, and of the riots of "the On to Ottawa trek" by the army of the unemployed in 1935 are still seared into the national consciousness. They remain easily summoned pictures of the potential costs of economic collapse, uncontrolled greed, and the unfair distribution of the nation's wealth.

There were many examples of co-operative responses to the difficulties of the Depression era. One that profoundly affected the development of consumer co-operation in western Canada occurred when a number of farmers in southern Saskatchewan used the networks provided by their consumer co-operatives to address an important supply issue they were facing, namely the frequent shortages and rapidly rising costs of petroleum products for tractors and automobiles. They replicated earlier efforts by farmers in Ohio and created a co-operative to purchase and ultimately to refine petroleum. What helped make their project initially possible was that their needs were relatively simple to meet, but they quickly became more complicated leading to the development of a refinery that ultimately made co-operatives important participants in the petroleum industry of western Canada.

Another development initially associated primarily with the Depression era was the increasing association with adult education. In Europe that kind of association could readily be found, for example, in the educational activities of the British movement in the nineteenth century, the impact of the folk high schools directly and indirectly on the Danish and other movements, and the creation of the Co-operative College in the United Kingdom in 1919. The commitment to "education" ran deep in the writings of George Keen and it was echoed in the work of many co-operators from other lands active in local co-operatives in Canada. It could also be found within many of the enclaves of co-operative activism starting in the 1930s, for example, among some Mennonite co-operators in southern Manitoba and the organizers of the wheat pools, particularly in Saskatchewan.

Equally, the growing adult education circles within universities and colleges were increasingly interested in co-operatives. The adult education movement

started to expand significantly in the early years of the twentieth century, and examples of its support for co-operatives can be found in several Canadian universities prior to and after the First World War. Adult education became so important because the inadequacies of the Canadian educational system had become obvious to many during the war: the challenges of mobilizing large numbers of functionally illiterate people had been daunting. Similarly, in the 1920s as governments and local leaders ought to mobilize people within the pockets of poverty (some of them, as in parts of Atlantic Canada, quite large), it was readily apparent that more adults would have to become educated if significant economic progress was to be achieved. More would have to be better educated if co-operatives were to be established and to prosper.

One of the most important centers for the linking of adult education with co-operative development was at St Francis Xavier University in Antigonish, Nova Scotia. Eastern Nova Scotia was facing many serious problems: rural areas generally were suffering from rural out migration and general social and economic decline; the coal mining districts of Cape Breton Island were dealing with the near collapse of the coal market and radical political groups, especially Marxists, were gaining increasing influence. This last was a development that concerned many of the Roman Catholic leaders in the region. Even the fisheries, which had provided relatively secure (if often low) incomes for fishing communities for generations, were not what they had been. It was fertile ground for the development of co-operatives of many different types.

In 1929, following a Royal Commission investigating the Atlantic fisheries, several faculty members at St Francis Xavier, many of them priests and nuns, became involved in the newly created extension department, organized originally to foster co-operatives in fishing communities. The approach they adopted was to organize meetings by people in communities so that they could identify and reflect on the social and economic issues that most concerned them. Then the university, through study clubs, would help them address those issues, most commonly through the creation of co-operatives. Generally, the Antigonish leaders most commonly advocated the formation of credit unions because they could be the source for funding other kinds of co-operatives. They also frequently supported the development of consumer co-operatives because they knew that a common problem in many of the small communities of Atlantic Canada was the high cost of consumer goods. The result was the formation of over 50 consumer co-operatives in Atlantic Canada between 1929 and 1950, an expansion that put the regional movement on a relatively stable basis. They joined an already strong agricultural movement, a burgeoning credit union movement, a struggling fishing movement, and a small co-operative housing movement that had developed in some of the mining communities.

The Antigonish movement, as the initiative at St Francis Xavier became known, spread across much of English Canada. It joined with emerging extension departments in other universities, for example, British Columbia, Alberta, Saskatchewan, Toronto and Laval, in fostering community development generally, including in many instances the organization of consumer co-operatives. Despite this widespread interest, however, the Antigonish movement remained the main center for co-operative activism in the 1930s and 1940s. It possessed a remarkable group of committed, idealistic yet remarkably practical men and women within and without the academy, several of them, in fact, coming from the emerging co-operatives themselves. They prepared workshops and pamphlets, helped people form local co-operatives, and assisted movements outside the Atlantic region. They provided intellectual depth based in part on Catholic social action thought that served the movement well, though in retrospect, perhaps it could have been more systematically organized and even more forcefully presented.

During the Second World War, the consumer movement, which for the most part stood alone and independent in western Canada, was involved with differing sets of relationships with producer co-operatives in Ontario, Québec and Atlantic Canada. As in the First World War, part of this growth can be explained by widespread revulsion among Canadians over wartime profiteering by manufacturers and retailers. Many citizens joined co-operatives because of their greater transparency in operations and because their surpluses were largely returned to members in proportion to their purchases rather than being given to speculators. The resultant growth strained facilities at the local co-operative level and at the wholesale level, particularly because of wartime government restrictions on construction and expansion. Most construction during the war was devoted to the development of factories to supply the military needs on the war fronts. Facing this limitation, many consumer co-operatives – at the primary and secondary levels – allocated some of their surpluses each year to reserves, to be used for expansion when the restrictions on construction were lifted. Those funds contributed significantly to the growth that occurred once the war was over.

Building in Different Directions, 1945–1980

In general, Canada responded well to the shift from a wartime to a peacetime economy following the conclusion of the Second World War. Assertive and engaged governments, their actions sanctioned by the dominant economic theories of the time, became involved in directing economic development.

Governments developed extensive programs to smooth the transition of men and women from the armed forces into the economy. Pent-up demand from the scarcities of the war period fed the consumer binge that would become a hallmark of North American society for most of the decades that followed. Housing construction and manufacturing industries boomed.

The consumer co-operative movement was a part of that widespread social and economic transformation. Stores in western Canada grew larger and several new societies were created. In 1955, the leadership of the wholesales in Saskatchewan and Manitoba, two particularly entrepreneurial and ambitious groups of co-operators, negotiated a merger of the two organizations, and Federated Co-operatives was formed. Seven years later, the Alberta wholesale joined Federated, followed by the British Columbia wholesale in 1970.

By the 1960s, there were over 400 consumer co-operatives on the prairies and in British Columbia. This growth created considerable demand for the training of elected leaders, members, managers and staff. As their numbers grew, co-operative leaders, most of them from consumer co-operatives, were responsible for the creation and development of what became the Co-operative College of Canada in Saskatoon. It was particularly effective in training directors and, initially, some staff from local co-operatives. It never did receive, however, the financial resources necessary to become a strong research institution, a necessary capacity for the development of information and resources necessary to meet the movement's changing needs. Moreover, it sought to train and educate people from all kinds of co-operatives, a valuable and important role, but one that made it difficult to meet the specific needs of particular kinds of co-operatives, not least consumer co-operatives. It was also challenged to help provide the skill sets of board members of larger co-operatives, people whose needs were different and more complicated than those of directors from small co-operatives. Finally, as movements grew, larger co-operatives, including consumer co-operatives, and second tier organizations, such as Federated Co-operatives, developed their own training organizations for staffs and boards. The college found it difficult to question or ultimately to compete with these initiatives and with the training personnel that appeared across the movement. This was even more difficult when the college undertook to provide services for co-operatives across the country, an intimidating and complex task, given the size and regional complexities of Canada. The college was a noble experiment that lasted until 1986, when it was amalgamated with the Co-operative Union of Canada to form the Canadian Co-operative Association.

During the 1960s and 1970s, the co-operative wholesales across the country were generally prospering and growing, leading to dreams of creating even

greater strength through economies of scale and the increased manufacturing and production of consumer goods. They expanded their head offices and warehousing operations to house the employees who were undertaking more work for the local co-operatives as well as building the wholesale operations; purchased small coal mines and a flour mill; expanded hardware operations; developed feed plants; significantly expanded the oil refinery that had been begun in the 1930s; and expanded Interprovincial Co-operatives (which had been created in 1940 but had languished amid wartime restrictions) to process co-operative label food and farm supply products.

In Atlantic Canada, there were determined efforts to draw together what had become a very diverse and complicated movement, scattered around the region in industrial centers, the countryside, mining communities, and fishing villages. For historical and geographic reasons as well as the way in which the region had developed economically, Atlantic Canada was deeply divided by local loyalties, unevenly distributed financial resources, religious tensions, and linguistic differences. A few leaders, most notably W H McEwen, a transplanted Albertan and manager of the regional wholesale from 1932 to 1961, dreamed of bringing together all of these co-operative outposts into a single, strong organization. In 1944, the wholesale for which he worked, Canadian Livestock Services which provided wholesaling services for a few consumer co-operatives as well as agricultural co-operatives, changed its name to Maritime Co-operative Services (MCS) in an effort to attract more support from consumer co-operatives. That decision followed a period when groupings of consumer co-operatives in Cape Breton and other Nova Scotian regions had started to form their own small wholesales, each serving a small number of co-operative stores. McEwen's gesture, however, did not quickly garner the increased support he had hoped for and for several years MCS remained largely focused on serving farmer co-operatives for both marketing and farm supplies, a business that thrived meeting wartime food needs and, for a while, the expansion of the post-war consumer demand.

Similarly in Québec, Coop Fédérée remained essentially preoccupied with serving the needs of rural people. During the 1940s and 1950s, the province's agricultural industries expanded, many of them with the support of orderly marketing policies followed by both the provincial and federal governments. The dairy industry developed particularly rapidly under marketing board auspices that proved to be very supportive of co-operative development, and the livestock, poultry, and vegetables industries generally prospered as well. This kind of expansion, challenging because of the general difficulties confronting agriculture, the range of commodities involved, and the complexities of the political issues involved meant that Coop Fédérée remained solidly focused on

rural production issues; its modest traditional efforts to engage in consumer activities were not expanded.

A similar pattern can be discerned within the United Farmers' Co-operative in Ontario. It primarily served agricultural co-operatives and farm families, but began to serve urban people near their depots with some consumer and gardening goods. In 1948, it became the United Co-operatives of Ontario and began to explore the possibility of expanding its services further into some of the urban areas and small towns of Ontario. Bridging urban and rural Canada, however, was a major challenge, no less in Ontario than for the wholesale operating in the regions to the East of it. Like them, it had great difficulty expanding outside of its rural base.

One very important development within the Canadian consumer co-operative movement in this period, however, was the growth of co-operatives in the Canadian north, especially in the Arctic region among Inuit. This development began in 1959 with the opening of the first northern co-operatives. While the northern co-operatives became best known in southern Canada for the art – notably sculpture and prints – that they collected, adjudicated and sold, they very quickly played important roles as stores in over seventy communities in the northern regions by the mid-1970s. They offered serious competition to consumer and supply companies in the north, notably the Hudson Bay Company and Frères, helping to keep as low as possible the costs of living in the region. The stores were also centers for economic activity. They were the conduits for the sale of most Inuit art, managed hotels, provided repair services for vehicles, organized tourist activities, operated restaurants, and housed government services (such as post offices and social service personnel). They became vital centers for much of the economic and social life of the northern communities. They also became one of the best examples in Canada (and elsewhere) of how indigenous peoples could effectively use the co-operative model. In the early 1970s, the Arctic co-operatives formed their own central institutions for training and business reasons, one to meet the needs of co-operatives in northern Québec (La Fédération des coopératives du Nouveau-Québec), two others to meet the needs of people in the other northern regions. In 1981, the latter two organizations came together to form Arctic Co-operatives, which provided many services for the Arctic co-operatives outside Québec, including serving as a wholesaler for consumer goods.

Another impressive feature of the consumer movement in the 1960s and 1970s was the way in which local co-operatives and the wholesales supported a wide variety of social programs. Almost invariably, they supported educational activities of various kinds: the funding of scholarships, youth camps, a few (but not enough) courses within universities, and, on occasion, weekend seminars.

They joined with other co-operatives and other businesses in meeting needs of the elderly and of people with special physical or mental needs. Many of them became strong supporters of food banks, an increasingly permanent fixture in many communities across Canada. Several consumer co-operative leaders participated in overseas development work through the Co-operative Union of Canada/Canadian Co-operative Association. Co-op Atlantic was particularly attuned to international development issues, both through participating in development projects and in integrating business relationships with developing co-operatives overseas into its business activities. These kinds of activities became ingrained in the culture of consumer co-operatives in the 1960s and 1970s and they continue to the present day.

Overall, however, and despite the successes that were evident in the south and the north, by the 1960s the Canadian consumer movement, paralleling experiences of movements in other countries, was beginning to confront a rapid set of changes within the consumer industries. The challenges could be found on both sides of the business – from the supply chain that brought food, fresh and processed, as well as other consumer goods, to the stores and from the ways in which grocery stores were being revolutionized. The truth was that, despite the successes of the regional co-operative wholesales, they could provide the retail societies with only a portion of their requirements. Local co-operatives and the wholesales themselves were still largely dependent upon other larger wholesalers and other food processors in the private trade for most of the consumer goods – canned and packaged, fresh and processed – they needed. Increasingly, though the large suppliers in the private trade were growing rapidly in size but declining quickly in numbers because of mergers, acquisitions and failures in a highly competitive industry. The supply system was also becoming increasingly more international in scope, while the emerging chain stores, with their enormous purchasing power, were becoming ever more dominant, at least in the urban centers of Canada. Together, the wholesalers and the chains of the private trade reached out through contract farming to rural areas, sometimes even to large corporate farms that they owned; they expanded their sources of supply far beyond Canadian borders, reaching in to the agricultural heartlands of Florida and California, and ultimately into Mexico and South America. Moreover, they developed associated transportation companies to control the supply and distribution of food and other consumer goods, a practice that significantly affected the prices customers paid, particularly for food. The industry could be organized so that profits from the retail trade would remain low but the profits from shipping would grow substantially, a pattern that worked against co-operative stores. Cheap food was becoming more and more a memory for a growing number of Canadians.

The days when one could eat well and spend no more than 25 per cent of one's income on food applied to a decreasing number of Canadian families. It was the beginnings of a process that would reach alarming proportions over the following sixty years.

On the local retail front, chain stores featuring large supermarkets owned by for-profit companies became intimidating competitors for small family-run and most co-operative stores by the 1950s. These new kind of stores were characterized by self-service, large premises (they were often the key "anchors" in new shopping centers), a widening diversity of products (providing previously unheard of – and arguably unnecessary – levels of choice), extensive advertising, and the rapid turnover of commodities. Family-operated stores disappeared at a rapid rate in the face of this competition, except for those serving niche markets in small neighborhoods or communities. Similarly, several co-operative stores in smaller and mid-sized communities, particularly in Atlantic Canada, disappeared as improved roads made it possible for people to travel longer distances to "do their shopping", that is to go to the supermarkets on excursions that quickly became a fad.

A few co-operatives in the larger urban centers of the western regions sought to keep pace with the marketing revolution brought about by the advent of supermarkets, but only a few were able to do so effectively. The basic challenge confronted by co-operative stores in the bigger and growing centers was that, once engaged, supermarket development was relentless and expensive. It required a steady accumulation of financial resources through allocations to reserves that local co-operatives, always under pressure to maximize their dividends, could not readily make. Nor was it easy for the wholesales to help in such development though they tried. They had their own needs for financing, they typically found it difficult to develop the capacity to advise local co-operative leaders well on expansion, and they found the politics of deciding which co-operatives should be helped always challenging.

The great exception to this pattern of urban decline and limitations was the Calgary co-operative. It was started in 1955 when a group of local co-operators decided to purchase a relatively unsuccessful store that had operated in the city for some twenty years by the United Farmers of Alberta, a province-wide farm supply and petroleum co-operative. The change of ownership was immediately beneficial and the store grew rapidly. Within a few years it was embracing steady expansion, and within a dozen years it was serving half the city's population. It has been able to sustain that percentage ever since for a number of reasons. Perhaps the main one has been that, through inexpensive acquisition of land early in its history, it has been able to perpetuate expansion, reaching out to the new subdivisions and responding to the movement of people

within the city and its environs. It blended its store operations with associated and financially rewarding gas bars and convenience stores. It developed strong community programs, provided additional services (such as pharmacies and tourist services) and it encouraged the involvement of many volunteers in the stores, people engaged in community projects and willing to donate time to further the store's social impact.

Despite the success of Calgary's conventional co-operative – and other, less remarkable, successes in some larger centers – a number of Canadian co-operators, unhappy with the impact of North American consumerism during the 1960s, sought to use co-operatives as ways to rebel against the increasingly dominant vogue of indulgent and wasteful consumerism. One of them was Ralph Staples, who served as President of the CUC from 1945 to 1949 and again from 1953 to 1967. Staples was a man of very high and unbending principles: “a piece of granite found among the hard rocks of the Old Ontario countryside” as one person described him. He believed, as early as the 1960s, that the consumerism of the modern era, based so much on greed and ostentation, carried within it the seeds of its own destruction and he became convinced that it would ultimately prove to be unsustainable. He therefore developed a new approach to consumer co-operation, one that sold goods at very close to cost to members who funded the store's operations by paying a weekly or monthly service. He argued for stores with “no frills”, retail outlets where members did much of the work (the bagging, pricing, and carrying of what they purchased), there was no advertising, and there was a limited selection of goods. It was virtually the opposite of the trends that were common in the mainstream grocery businesses at the time. These ideas led to the formation of a dozen “service fee” co-operative stores in British Columbia, mostly on Vancouver Island during the late 1960s and early 1970s. The idea found even more receptive audiences in Atlantic Canada, where, at their height in the early 1980s there were over sixty such stores in the region.

In the same time frame, co-operative enthusiasts in Québec developed another set of stores under the name *Coop prix*. This brought together a number of existing co-operatives, old and new, and purchased a number of privately owned stores in hopes of developing the kind of purchasing power to lower the rising cost of living, particularly in Montréal. It made a vibrant beginning but was badly affected by the rising interest rates and by some dubious purchases of existing stores from the private trade. Rather sadly, the bright beginnings of *Coop prix* faded as financing and managerial problems accumulated and the project was reduced quickly to the pursuit of much smaller goals as several co-operatives encountered difficulty and a dozen were forced to close. In Québec, as elsewhere – and throughout consumer cooperative history in

Canada – the movement had great difficulty in establishing a strong and resilient base in the major urban centers.

Yet another attempt in the 1970s to redefine how the co-operative model could be utilized to meet evolving consumer needs – and meet some of the most pressing needs of the time – was the relatively widespread development of organic food stores, most of them co-operatively owned. To some extent, they can be seen as the extension northward of a powerful movement in the United States. The people involved in this movement were protesting against many aspects of the agro-food industry in North America and indeed around the world: the widespread use of chemicals in the production of crops and the “improvement” of livestock and poultry; the ignoring of local agricultural production and family farms; the exploitation of farm workers; and the hierarchical ways in which many stores (including, in their view, most conventional co-operatives) were managed. Many involved with the new stores were ardent advocates of democratic management practices.

In Canada, the largest concentration of co-operative organic food stores was in British Columbia, where by the mid-1980s there were over 80 such stores scattered around the province. They organized their own wholesales, the largest of which was ironically labeled The Fed Up Co-op Wholesale, a not-so-subtle satirical jab at Federated Co-operatives. These stores attracted a significant number of activists who became particularly adept at developing worker co-operatives and most of the organic food co-operatives were organized as worker not consumer co-operatives, or based on some form of joint governance between consumers and workers. They also relied on considerable volunteer labor from their members, who typically, as a condition of membership, contributed one or two days each month to working in the store. Many of the stores flourished in a number of urban neighborhoods and in smaller communities, though nearly all of them had disappeared within fifteen years, apparently in large part because members tired of the efforts they had to make to ensure their survival.

By 1980, therefore, there were substantial conventional co-operative movements, particularly in western and Atlantic Canada, with over 500 stores, mostly in smaller cities towns, and rural hamlets. There were restless efforts to define new ways to develop consumer co-operatives through new forms of co-operative organizations – coop prix and service fee, for example – and through highly localized efforts to create organic food co-operatives operated on different managerial principles. In several parts of the country, the relationships with agro-food industries were challenging but filled with promise. The contours of the movement were not as clear as commonly perceived then or subsequently – but arguably that could become a great advantage if developed imaginatively.

Adjusting, Repositioning, 1980–2010

In common with many other countries Canada suffered from wildly fluctuating interest rates during the 1980s. The instability these created seriously affected the economic performance and expansion plans of consumer co-operatives. At the same time, the trend towards concentration with the agro-food industries increasingly limited their capacity to maneuver in the marketplace. The competition within the cities increased markedly as chain stores increased their share of the market and margins within the retail side of the business narrowed. In Atlantic Canada the consumer field became particularly crowded as existing chains expanded and new ones appeared. Co-op Atlantic was confronted with some difficult decisions over co-operatives that were increasingly unable to withstand the competition. Several stores were forced to close and converted into a chain store system (ValuFoods) while a series of convenience stores (Rite Stop) was opened.

In Ontario, increased financing costs and some poorly timed expansion in the 1980s led to financial crises for the United Co-operatives of Ontario, culminating in its virtual bankruptcy in the 1990s. In 1994 Growmark, an American co-operative operating in nearby American states purchased its assets and added nearly 40 co-operatives in Ontario to its extensive co-operative network. It was the first integrated transnational co-operative business linking the American and Canadian movements, though there had previously been joint ventures in the energy and fertilizer fields. The Ontario co-operatives that joined Growmark have subsequently developed a significant business with urban consumers, providing them with a range of gardening, hardware and agronomy advice. Given the recent expansion of agriculture in urban neighborhoods and in communities close to cities, this expanded service – both in traditional agricultural products and in consumer goods – is a more significant development than might immediately be recognized.

In western Canada, the co-operative system benefited immensely, particularly from 1990 onward, by its involvement in the highly lucrative petroleum business. Federated Co-operatives expanded the capacity of its own refinery and negotiated reciprocal arrangements for supply with some of the major international refining companies operating in western Canada. That meant that it could efficiently supply its member co-operatives all across western Canada with the petroleum products they wanted. Then it collaborated with the local co-operatives in developing attractive, easily recognized and standardized gas bars across the western regions, many of them with attractive and profitable convenience stores. As a consequence, several co-operatives developed very significant petroleum businesses in their local markets.

In recent years, as within the Co-op Atlantic system, co-operatives in the territories served by Federated Co-operatives have declined in number through mergers and amalgamations. Doing so offers savings in administrative costs and sometimes in the “costs of democracy” that flow from the ways in which independent co-operatives operate. This process is also related to the fact that the co-operatives of western Canada are strongest in smaller communities where population decline and reduced markets make it difficult to sustain stores. Amalgamations can help, at the very least, to extend the life of small co-operatives that might otherwise have to close. As always, co-operatives are buffeted by social and economic changes beyond their control.

The traditions of searching for different ways in which consumer co-operatives can respond to the major changes of our times continues in other ways. There are still about 70 health or organic food co-operatives in Canada. In recent years, co-operatives have played important roles in encouraging the production and consumption of local foods through farmers’ markets and coalitions, the featuring of local produce in the stores, the encouragement of local farm co-operatives, and the fostering of local connections. Many consumer co-operatives, particularly in Atlantic Canada, have consistently supported the development of Fair Trade networks – in Canada and with groups in other countries. There still remains a strong desire in the Canadian consumer co-operative to use collective purchasing power to effect significant change.

Another important dimension that gathered some momentum during the 1980s and continues to the present day was the appearance of more women in prominent positions. This issue had been simmering since the 1930s. Keen and others had observed the lack of engagement of women in the movement at that time and had promoted the expansion of their roles. They encouraged, but with limited success, more women to run for boards. They attributed their failure, accurately or not, to the reluctance of women, especially in working-class communities, to assume strong public roles. They hoped to develop women’s guilds along the lines of the guilds in the United Kingdom, seeing them as ways to promote the movement but also as ways to raise key consumer issues. A few years after their initial efforts, in the 1930s, several strong and resilient women nurtured in the women’s movements of the prairies started to assert themselves and women’s guilds became important in some co-operatives. Like their British counterpart, they challenged the movement about its basic directions and they helped build support for local stores. Though the guilds started to decline during the 1970s, shortly afterward, more women started to run for office in local co-operatives and on the wholesale level as well. It was the beginnings of an increased activism that continues to the present day, though the

impact of women is still far less than it ought to be. The leadership of much of the consumer movement remains essentially a man's world.

The history of the co-operative consumer movement, therefore, has a long and somewhat tortuous history. It has been rooted in several of the fundamental issues and trends that help characterize Canada's national history. It has deep regional roots and has always had to wrestle with challenges of consensus and structure within the regions and, even more, on a national level. It has had a mixed but powerful set of relationships with other kinds of co-operatives.

In short, throughout its history – and continuing into the 21st century – it has always existed within an uncertain set of boundaries. On one hand, it might be said that it is defined by sets of institutions that essentially define it by creating effective stores with an array of supporting organizations. On the other, it includes groups of restless people seeking to reach beyond the comfort zone of effectively operated stores, important as they might be. They (and not without support in some of the institutions they sometimes criticize) continue the historic quest of the movement: the search for a powerful consumer theory of co-operation, one that restlessly searches for better and fairer ways to produce, process, and sell consumer goods.

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Rochdale Consumer Co-operatives in Australia and New Zealand

Nikola Balnave and Greg Patmore

Rochdale consumer co-operatives have historically played an integral role in the lives of many people in Australia and New Zealand (hereafter NZ). This chapter explores the ebbs and flows of the Rochdale movement in these neighboring countries, analyzing the comparable waves of interest in consumer co-operatives before the Second World War, and the decline of the movements in the postwar period. In doing so, it aims to address a number of key issues surrounding the emergence and development of the Rochdale consumer co-operative movements in Australia and NZ, their organization, activities and internal and external relationships, and the challenges faced by individual co-operatives and the broader national movements.

While there were local variations on the Rochdale principles, the Australian and NZ movements strongly identified with the Rochdale model of consumer co-operatives, celebrating for example the centenary of the Rochdale Pioneers in 1944.¹ Immigrants from the British Isles, whether convict or free labor, dominated European settlement in both countries prior to the Second World War, and as Erik Eklund notes, retail co-operatives “were strong in Australia in areas which experienced large scale immigration from the co-operative strongholds of Lancashire, Yorkshire and Durham.”² The strong identification of UK immigrants with the Rochdale model led to the term Rochdale being used as a shorthand way to describe consumer co-operatives in Australia and NZ.

Researching the history of the Rochdale movement in Australia and NZ is not without its challenges. The limited amount of academic research on Rochdale consumer co-operatives in these countries poses one problem. Australian labor historians have traditionally been concerned with the politics of production rather than consumption. While there has been one major study of Rochdale consumer co-operatives in Australia, it deals with New South Wales

1 *The Co-operative News* (hereafter *CN*), 1 July 1944, pp. 4–6; 1 December 1944, p. 20. This newspaper is an Australian publication and not to be confused with the UK publication of the same name.

2 Eklund, “Retail Co-operatives as a Transnational Phenomenon”, p. 129.

(NSW) and does not focus on the local level.³ In NZ, labor historians have largely ignored Rochdale consumer co-operatives, with major secondary studies coming mainly from economists and accountants.⁴ In both countries significant primary sources relating to the co-operative movement have not survived, such as the records relating to the main co-operative wholesaler in Australia.

There are also problems involved with finding basic statistics on Rochdale consumer co-operatives at both the local and national level. The official data in NSW do not list the details concerning local co-operatives after 1952. Currently the NSW Registrar of Co-operatives only retains the annual reports of co-operatives for seven years. Similar shortcomings are evident in the NZ official data. Further problems arise from lumping Rochdale consumer co-operatives with other co-operatives in aggregate data. In Australia, the states have had legislative responsibility for co-operatives, which means that the legislative and political context for the Rochdale co-operatives varied and there are no available national series of data on consumer co-operatives. Some early co-operative legislation did not protect the use of the term co-operative, while other states required co-operatives to register under company or friendly society legislation. In NZ the legislation was based on the 1852 UK Industrial and Provident Societies Act. As the following article highlights, attempts to form permanent national associations for the Rochdale consumer co-operatives were unsuccessful in both countries.⁵

In order to overcome the problems relating to the academic study of Rochdale consumer co-operatives in Australia and NZ, this chapter draws from general sources such as co-operative newspapers, but also from the authors' local Australian historical case studies. The chapter begins with a brief overview of the Rochdale movement in Australia and NZ. It then examines the challenges faced by the movements including internal and external politics, and problems with wholesaling. This is followed with a discussion of the challenges faced by individual co-operatives in the decades following the end of the Second World War. While the majority of Rochdale co-operatives were ultimately unable to survive the challenges placed before them, the chapter highlights examples of thriving co-operatives in rural areas of Australia and presents reasons for their success in the face of adversity.

3 Lewis, *A Middle Way*.

4 Coy and Ng, *The Collapse of the Manawatu Consumers' Co-op*; Poole, *Co-operative Retailing in New Zealand*.

5 Balnave and Patmore, "Practical Utopians", pp. 97–8; Christchurch Working Men's Co-operative Society, *Rules*; Horace Plunkett Foundation, *A Survey of Co-operative Legislation*, pp. 10–7.

Overview of the Rochdale Movement in Australia and New Zealand

The earliest known Australian Rochdale consumer co-operative was formed in Brisbane barely 15 years after the establishment of the Rochdale movement in England. It was registered in Brisbane in August 1859 under the NSW Friendly Societies Act, before the separation of Queensland from NSW. One of the major reasons for its formation was the desire to avoid the practice by Brisbane shopkeepers of providing credit. Instead the co-operative encouraged members to pay with cash and thus avoid bad debts. While the avoidance of credit was one of the Rochdale principles because of the strong aversion to debt and the recognition that earlier forms of consumer co-operatives had failed because of credit, many Australian and NZ consumer co-operatives subsequently found it difficult to sustain this principle due to competition from private retailers that offered credit and the needs of members with seasonal incomes, such as farmers and casual workers.⁶ In NZ, settlers employed by the New Zealand Company on road construction established the first consumer co-operative at Riwaka in the Nelson area in 1844. William Fox, the company's local agent and a later premier of NZ, suggested the idea and offered to provide two months wages in advance to provide capital for the store if it was run on co-operative principles.⁷

Over the following decades there were waves of interest in Rochdale consumer co-operatives in both countries. Despite the economic long boom that followed the Australian gold rushes, Rochdale consumer co-operatives peaked in the 1860s against the background of concerns over unemployment and urban poverty. Concerns about living standards and disillusionment with the existing political system led to a second wave of interest in the late 1880s and early 1890s. Over 50 societies were registered in NSW between 1886 and 1900. Many were short-lived, and when the first official statistics were collected in 1895, only 19 societies out of 62 still existed. There was a lull in registrations from 1895 until 1905 as the economy faced depression and drought. In the following decade, against a background of economic prosperity and rising prices, 55 new societies were registered in NSW. However, by the end of 1914 only 45 remained, four of which were in liquidation. While there was little activity during the First World War, the postwar boom and its aftermath provided the conditions for a renewed interest in consumer co-operatives, particularly given people's concerns over rising prices and declining living standards. There were 31 registrations

6 Balnave and Patmore, "Rochdale consumer co-operatives in Australia", p. 987; Birchall, *Co-op*, p. 59.

7 Balnave and Patmore, "Practical Utopians", pp. 99–100.

in NSW alone in the three years following the war's end, and during the next three years, the registrations totaled 22 in that state. In 1923 there were 152 consumer co-operatives in Australia with a membership of 110,000.⁸

In NZ, the first surge of interest in consumer co-operatives occurred in the years 1889–94. Eight “old British co-operators” at the Addington railway workshops formed the Christchurch Workingmen’s Co-operative Society in June 1889, drawing their rules from the Kinning Park and Torquay co-operatives in the UK, in order to combat high prices for “the necessaries of life”. Many co-operatives established in this period were short lived. Of the 20 registered at this juncture, only five were still in existence at the turn of the century, and only one at the outbreak of the war in 1914. A postwar boom in co-operative formation reached its peak in 1921. However, commercial competitors, such as chain stores, undercut the NZ co-operatives through price competition and many co-operatives went into liquidation.⁹

While the Depression of the 1930s initially weakened the Rochdale co-operatives in both countries, they grew in the recovery that followed. Gary Lewis has calculated that while the membership of Rochdale co-operatives in NSW fell by more than half from 60,000 in 1929 to 24,000 in 1933, their numbers began to grow in NSW from 1935. Likewise, it was during the later years of the 1930s Depression in NZ that the consumer co-operative movement began to flourish. The Foxton co-operative, for example, was formed in 1934 by the local unemployed who were endeavoring to make their dole money go further by buying at wholesale prices. In 1933 the National Dairy Association of New Zealand (NDA), the agent for the English Co-operative Wholesale Society (CWS), produced the first issue of *The Co-operator* (later *The New Zealand Co-operator*), and sponsored a conference attended by potential co-operators, resulting in the establishment of the New Zealand Co-operative Alliance (NZCA). The main objective of the Alliance was to advance the co-operative movement in NZ, and it was initially successful in achieving this objective. In early 1934 there were six consumer co-operatives in NZ, with overall membership totaling 1500. The movement grew to number 15 co-operatives and 2250 members in 1935, and 21 co-operatives and 5206 members in 1936. By August 1937, the movement had 26 co-operatives and 8000 members.¹⁰

Rochdale co-operatives could be found in mining districts, metropolitan areas and rural regions of Australia and NZ. British immigrant miners to Australia played an important role in bringing the Rochdale principles to

8 Balnave and Patmore, “Practical Utopians”, pp. 99–100.

9 Balnave and Patmore, “Practical Utopians”, pp. 99–100.

10 Balnave and Patmore, “Practical Utopians”, pp. 99–100; Lewis, *A Middle Way*, p. 133.

coalmining districts, in which retail co-operatives became a common feature. In 1929, there were 40 consumer co-operatives operating in NSW, more than a third of which were on the coalfields. The Hunter Valley, the Illawarra, and the Lithgow Valley had some of the largest and most prosperous societies in the state. Wonthaggi in Victoria and Collie in Western Australia (WA) were also dominant societies.¹¹ Similarly, in NZ, consumer co-operatives became a common feature of the coalmining districts of the west coast such as Westport, which established a society in 1890. One of the earliest and most enduring consumer co-operatives was established in the west coast coalmining district of Runanga in 1906, which played a key role in the launch of the national movement in NZ in the 1930s.¹²

Beyond NZ mining districts, there were co-operatives established in industrial towns such as Petone, and in metropolitan areas. The Wellington Co-operative was established in 1914, and prospered until the onset of the post-war recession in 1921, ultimately going in to liquidation in 1923. The Canterbury Industrial Co-operative Society in Christchurch grew from 322 members in December 1918 to 844 members in July 1926.¹³

Co-operatives in metropolitan areas of Australia included the Adelaide Co-operative, one of Australia's longest surviving Rochdale co-operatives. The Co-operative opened for business with ten members in 1868 and at the turn of the century it employed 127 staff, was providing a delivery service to all its customers within ten miles of the center of Adelaide and shipping orders to all parts of the state. By 1924 the Co-operative had grown to 9556 members with eleven departments, including grocery, bakery, men's clothing, motor repairs and a refreshment room. At nearby Port Adelaide a Rochdale co-operative began in 1896. The Balmain Co-operative in Sydney is another key example. This co-operative was established in 1902 and had 14,000 members by 1921, but was hit by closures of the local industries during the 1930s Depression. Membership declined and it fell into debt. The co-operative went into voluntary liquidation in 1936. While it was surrounded by coalmining districts, the Newcastle and Suburban Co-operative served the needs of a growing metropolis and became the largest Rochdale consumer co-operative in Australia with a peak membership of 95,000 in 1978. Its first store opened in August 1898.¹⁴

Rochdale co-operatives also became a feature of rural areas of Australia, particularly in fruit growing or poultry breeding districts or in towns at

11 Balnave and Patmore, "Practical Utopians", p. 100.

12 Balnave and Patmore, "Practical Utopians", p. 100.

13 Balnave and Patmore, "Practical Utopians", p. 100.

14 Balnave and Patmore, "Rochdale Consumer Co-operatives in Australia", pp. 988–9.

important railway junctions such as Junee in the Riverina region of NSW. Apart from the Junee Co-operative (founded in 1923), other co-operatives in this region included Griffith (established 1919) and Coolamon (1921). The Denmark Co-operative in south west WA commenced operations in 1920. Like many WA rural Rochdales, the Denmark Co-operative remained small, with only 110 members in 1935. The co-operative at Nuriootpa in the Barossa Valley of South Australia (SA) was established in 1944 when the owner of the main store in the town decided to sell his store to the community following the death of his son in the Second World War. While most rural consumer co-operatives tended to be based in one locality, the Eudunda Farmers' Co-operative, which was formed in SA in 1896, operated 44 stores by 1943 with 38,104 members in multiple locations throughout the state. The Eudunda Co-operative even had a floating store ship in 1924, the *Pyap*. The Eudunda was conservative compared to other Rochdale consumer co-operatives and criticized the east coast Australian Rochdales for being too political and "class conscious."¹⁵

Some Rochdales organized women's guilds. The first women's co-operative guild in NZ was formed at Ranunga in 1928 after an earlier failed attempt in 1924, and a national organization was established in August 1936. The NZCA provided support and the guild secretary was a part time position. Women played a key role in the formation of the Manawatu Co-operative in 1935, and established a women's guild with such an extensive and successful educational and social program that the co-operative established the only men's guild in NZ. Many of the co-operatives in coalmining and metropolitan areas in Australia formed women's guilds with the aim of educating women in co-operative principles and promoting the co-operative movement. The Australian women's guilds formed a national organization in 1936, with all guilds affiliating to it by 1945 and members in NSW, SA and Victoria. There is, however, no evidence of co-operatives in rural areas forming women's guilds.¹⁶

Both Australian and NZ Rochdale consumer co-operatives moved to form their own wholesale societies prior to the First World War. In Australia, the NSW Co-operative Wholesale Society (NSWCWS) was founded in 1912 by four Hunter Valley consumer co-operatives. As in the UK, Australian Rochdale consumer co-operatives faced serious challenges including price cutting by competitors, and the refusal of supply by some wholesalers concerned with maintaining relationships with existing businesses. The NSWCWS was

15 Balnave and Patmore, "Rochdale Consumer Co-operatives in Australia", p. 989.

16 Balnave and Patmore, "Practical Utopians", pp. 101–2; Entwisle, *The Jubilee Co-operative Handbook of NSW*, pp. 60–2; International Co-operative Women's Guild, *Report of the Committee*, p. 31.

established to avoid such issues but was faced with boycotts by flour millers and oil companies in the years prior to the First World War. Manufacturers, importers and the agents of overseas companies refused to include the NSWCCWS on their wholesale list. Nevertheless, over the following years, the NSWCCWS attracted an increasing number of societies as affiliates and launched the *Co-operative News*, the main journal for the co-operative movement, in 1923. A slump in membership occurred in the decade 1924–34, but from 1935, the number of affiliates noticeably increased. In 1934, 15 societies were affiliated to the NSWCCWS, growing to 37 by 1945.¹⁷

In NZ, merchant boycotts were a perennial problem. The Christchurch Workingmen's Co-operative faced a merchant boycott when it was formed in 1889 but overcame the challenge with the support of the New Zealand Farmers' Co-operative Association. A conference of consumer co-operatives in Wellington in December 1920 led to the formation of the Co-operative Union and Wholesale Society (CUWS). However, the lack of support from affiliated societies undermined the financial viability of the CUWS, which went into liquidation in 1924. During the 1930s, the refusal of supply by wholesalers in NZ was partially overcome by buying through the NDA, which established a merchandise department to service co-operative stores in 1933. There was also a push for the NZCA to establish a New Zealand Co-operative Wholesale Society (NZCWS), which began trading in October 1937 but faced many obstacles. Some manufacturers refused to supply it, allegedly due to concerns about its viability; and it was not supported by many consumer co-operatives and thus lacked capital. The NZCWS operated for less than a year, and when it collapsed in June 1938, so too did the Alliance. The last issue of *The New Zealand Co-operator* was printed in March 1938. The collapse of the Alliance and the NZCWS had a dramatic effect on the NZ consumer co-operative movement with many local co-operatives closing and the New Zealand Co-operative Women's Guild in 1938 becoming a voluntary organization.¹⁸

Rochdale consumer co-operatives in both countries generally failed to exploit the potential of the economic buoyancy of the postwar era, as did a number of other consumer co-operative movements.¹⁹ By 1949 the NSWCCWS had 110 affiliates, including a number in Victoria.²⁰ However, the body went into permanent decline after 1957, ceased publication of the *Co-operative News* in 1959 and ultimately closed down operations in 1979. The co-operative

17 Balnave and Patmore, "Practical Utopians", p. 101.

18 Balnave and Patmore, "Practical Utopians", p. 101.

19 Ekberg, "Confronting Three Revolutions".

20 *CN*, 1 April 1950, p. 18.

women's guilds in Australia also folded. The most spectacular collapse of an Australian Rochdale consumer co-operative was the Newcastle and Suburban Co-operative. After reaching a peak membership of 95,000 in 1978, there were rumors of impending insolvency which led to a run on capital in 1979 as 9000 members left. Despite a freeze on capital withdrawals the co-operative closed in 1981. A subsequent investigation of the collapse found there were problems such as overstaffing and inadequate accounting practices.²¹

The postwar years witnessed some promising developments in NZ. In January 1945, the Manuwatu Co-operative convened a meeting of consumer co-operatives in Palmerston North, which set up the Co-operative Information Service (CIS) to advise new co-operatives on registration, organization and trading. The initial success of the CIS encouraged 22 consumer co-operatives to form the New Zealand Federation of Co-operatives (NZFC) at a conference at Palmerston North in May 1946. As will be noted later, there was also an expansion of consumer co-operatives in housing estates encouraged by the then Labour government. The NZFC launched the publication *Common Wealth*, grew to 30 affiliates by March 1948 and initiated a policy of grouping co-operatives together into a number of central offices with branch shops. There were, however, only six new co-operatives registered between 1950 and 1957 of which only one survived until the late 1960s. The conservative National government (1949–57) also introduced taxation reforms that weakened the financial viability of consumer co-operatives.²²

The NZFC failed to survive and the co-operative women's organizations also collapsed. The Manawatu Women's Co-operative Guild was wound up in 1958 and the sole surviving guild – that at Taita – voted in February 1961 to disband the New Zealand National Co-operative Women's Guild. The Manawatu Co-operative, which had 34,000 members in June 1981, went into receivership in February 1988. Faced with increased competition and rising costs, it discontinued its grocery delivery service in April 1976 and withdrew from the food business in November 1984. This affected other departments and turnover went into decline. The co-operative covered these losses by selling off property and borrowing to invest in property development. However, rising interest rates eroded returns, while the sharemarket crash of October 1987 thwarted plans for financial restructuring, and the Manawatu Co-operative folded soon afterwards.²³

21 Lewis, *A Middle Way*, pp. 218–9; Webber and Hoskins, *What's in Store?* p. 29.

22 Balnave and Patmore, "Practical Utopians", pp. 102–3.

23 Balnave and Patmore, "Practical Utopians", pp. 102–4.



ILLUSTRATION 18.1

*Alfalfa house community food co-op,
Sydney*

PHOTO: GREG PATMORE.

While the Rochdale movement generally collapsed in Australia and NZ, Rochdale consumer co-operatives survive and indeed thrive at several rural Australian locations including Junee in the Riverina region of NSW, Denmark in WA, and Nuriootpa in SA. In the 2010–11 financial year the Nuriootpa Co-operative's total turnover increased to A\$59.2 million. It employed over 300 staff and had 14,400 members. The Co-operative also boosted the retail profile of the Barossa Valley through the provision of 27 leasehold tenancies in its own mall and other properties. Along with these older co-operatives in Australia there have developed a small number of local food co-operatives, which focus on local and organic food, in recent years. A notable example is Alfalfa House in Sydney, which is a member-based co-operative with a one off joining fee, that provides discounts for members who volunteer their labor in the store.²⁴

The following sections of this chapter examine the challenges faced by the Rochdale movement in Australia and NZ, and by individual consumer

24 Battilani, Balnave and Patmore, "Consumer Co-operatives", p. 65; The Community Co-operative Store (Nuriootpa) Ltd., *Annual Reports 2009*, pp. 3–4, 29; *2010–2011*, pp. 2, 9.

co-operatives, particularly in the years after the Second World War. In doing so, it seeks to explain why the Rochdale movements in Australia and NZ failed to consolidate and ultimately collapsed, and to explore the factors that have contributed to the survival of a few Rochdales in rural areas of Australia.

Internal and External Politics

There were major divisions within the Rochdale movements in Australia and NZ. In Australia, there were divisions between those who believed in the need for a central organization such as the NSW CWS (federalists) and those who preferred autonomous local consumer co-operatives with far looser links with other consumer co-operatives (individualists).²⁵ At a state level in Australia, there was interest in forming peak co-operative organizations, however these were generally short lived. There was a Co-operative Union in SA in 1924 that held its AGM at the Eudunda Farmers' Co-operative offices in Adelaide. Guided by Rochdale principles, its objectives included education, advisory services and the defense of co-operative interests. Its members included Rochdale consumer co-operatives, a co-operative bakery and the South Australian Fruit Growers' Co-operative Society. The most successful example of a state peak body was the Co-operative Federation of Western Australia (CFWA), which was formed in October 1919 at the instigation of the Westralian Farmers' Co-operative Limited. It was dominated by farmers' co-operatives, but did include Rochdale consumer co-operatives.²⁶

Towards the end of the Second World War there was some interest in forming a peak Australian organization of co-operatives. While there had been at least three previous Australian co-operative congresses organized they had not led to any permanent outcome. In December 1943 a Commonwealth Consumers' Co-operative Conference, with representatives of producer and consumer co-operatives from six states, met at the Albert Hall in Canberra. Those present saw the Australian co-operative movement as having a vital role in postwar reconstruction, even suggesting that co-operative principles should form the

25 Lewis, *A Middle Way*, pp. xviii, 178–9.

26 Letter from Western Australian Registrar of Friendly Societies to W. Balmford, 25/9 1940. State Records Office of Western Australia, Perth, AN 141/5, File 1939/85; Lewis, *A Middle Way*, p. 178; Lewis, *The Democracy Principle*, pp. 99–102; *The Register* (Adelaide, Australia), 2 February 1924, p. 14; *The West Australian*, 20 February 1932, p. 13.

basis of that reconstruction.²⁷ The conference passed a number of resolutions including the establishment of a permanent secretariat in Canberra known as the Co-operative Federation of Australia (CFA) and state co-operative federations. While as Lewis argues, many of the hopes emerging from this conference were not fulfilled following the end of the war, the conference represents a high point for the Rochdale consumer co-operative movement in Australia.²⁸

Despite the hopes of forming a strong national co-operative organization, state and local concerns dominated the Australian co-operative movement. The CFA remained weak and fluctuated in its level of activity, becoming moribund in 1986, with the Co-operative Federation of NSW (CFNSW) forming its own Australian Association of Co-operatives (AAC). The AAC finally collapsed in 1993 due to financial problems associated with its internal banking services to members, with a number of co-operatives losing funds. The CFNSW was reformed in the wake of the collapse of the AAC, but restricted its activities to lobbying governmental agencies and providing advice on legal and financial matters. It joined with other state co-operative associations in 1993 to form a national body, now known as Co-operatives Australia, which performs a similar role at a national level. These peak bodies represent a broader range of co-operatives than just consumer co-operatives. In the wake of the UN International Year of Co-operatives 2012, a new organization called the Business Council of Co-operatives and Mutuals was launched in July 2013 to represent the whole sector, including consumer co-operatives.²⁹

There were also tensions within the Rochdale co-operative movement along gender lines. In NSW, the Women's Co-operative Guilds went beyond the supportive role expected by the NSW CWS with some guilds frequently challenging the male-dominated CWS by criticizing their leadership and organizing conferences to promote alternative paths for the Rochdale movement.³⁰ Rita Stockbridge, the secretary of the New Zealand Co-operative Women's Guilds, complained that there were "many instances of women being overlooked by the male members of our Co-operative Societies".³¹

27 Commonwealth Consumers' Co-operative Conference, Report of Proceedings of the Commonwealth Consumers' Co-operative Conference, pp. 3–7, 13–22.

28 Lewis, *A Middle Way*, pp. 181–5.

29 Balnave and Patmore, "Rochdale Consumer Co-operatives in Australia", p. 993; O'Leary, Patmore and Zevi, "National Co-operative Organisations", pp. 53–4.

30 Lewis, *A Middle Way*, pp. 108–9, 135–7, 170–1.

31 Letter from R Stockbridge to V Semmens, 6 June 1957, New Zealand Co-operative Womens' Guild Collection, Alexander Turnbull Library, Wellington, NZ (hereafter ATL), Acc 88–98.

The Rochdale movement in Australia and NZ had varying relationships with farmer producer co-operatives. In Australia the movement was unable to form alliances with the farmers. The Westralian Farmers, through their influence on the CFWA, created a climate in that state that was hostile to attempts to democratize co-operatives or introduce legislation that defined co-operatives along Rochdale lines. This further exacerbated divisions within the broader Australian co-operative movement. Farmer co-operatives formed the Australian Producers' Wholesale Co-operative Federation (APWCF) in 1919 to trade with the English CWS, which amounted to approximately 1000 million Australian pounds of produce between 1920 and the late 1960s. The NSW CWS, which focused on consumption rather than agricultural production, was excluded from this relationship with the English CWS and clashed with the APWCF on several occasions on issues such as national organization and co-operative legislation. In NZ there was also a relationship between farmers' co-operatives and the English CWS but as noted previously, organizations such as the NDA actively promoted consumer co-operative retailing and wholesaling during the 1930s.³²

The Australian co-operative movement, particularly in rural areas, found support from the Country Party (now the National Party). This party represented farmers and in its early years was influenced by agrarian socialism, but generally aligned itself with the Liberal Party and its predecessors rather than the Labor Party. The NSW Co-operation Act of 1924, which is viewed as landmark in the history of Australian co-operation and covered a range of co-operatives including Rochdale consumer co-operatives, was an outcome of the Country Party's role in the non-Labor coalition government of the time. The legislation created a Registrar of Co-operative Societies and detailed model rules to assist in their formation. Support for co-operatives by the Country Party, however, did not always translate to support for Rochdale consumer co-operatives; in WA the Country Party was particularly sympathetic towards farmer's co-operatives and supported those forces in the local co-operative movement that objected to the adoption of Rochdale principles as supported by the consumer societies. There were unsuccessful attempts to form a Country Party in NZ with politics eventually becoming a contest between the Labour Party and the conservative National Party.³³

There was no formal political link between the Rochdale co-operatives and the Labor/Labour Party in Australia or NZ as developed in the UK. While the

32 Balnave and Patmore, "Rochdale Consumer Co-operatives in Australia", p. 992; Fay, *Co-operation at Home and Abroad*, p. 359; Lewis, *A Middle Way*, pp. 94–5, 167, 182–5.

33 Fay, *Co-operation at Home and Abroad*, pp. 353–4; Lewis, *A Middle Way*, pp. 93–8; Gary Lewis, *The Democracy Principle*, pp. 98–108.

Australian Labor Party formed majority governments at both federal and state level in 1910, the NZ Labour Party did not form a government until 1935 after a landslide victory. Both Labour/Labor Parties were “laborist” in that they focused on compulsory industrial arbitration, which forced employer recognition of unions, and the trade protection of manufacturing to defend workers’ wages. One important dimension of Australian compulsory arbitration was the tribunal’s efforts to link the basic wage or equivalents to prices for particular periods. Wage indexation muted labor movement support for consumer co-operatives in Australia. Since the mid-1980s both parties have moved away from laborism.³⁴

The co-operative movement in Australia regularly appealed for a greater link with the labor movement, urging unions to invest funds in co-operatives in preparation for industrial action. In turn, some Rochdale co-operatives provided credit to striking workers and allowed union closed shops. However, calls within the Rochdale movement for unions of co-operative employees and a co-operative party did not please trade unions or the Labor Party. There were also concerns about the political effectiveness of the Rochdale movement in challenging capitalism and fears that the co-operatives were reinforcing capitalism through “business co-operativism”. Despite claims to the contrary, some unions believed that in the treatment of employees there was little difference between the co-operatives and the private sector.³⁵

The Australian Rochdale co-operatives were critical of the performance of Labor governments on issues such as sales tax. However, at the local level, some trade unions, trade unionists and members of the Communist Party or the Labor Party were active in their co-operatives. For example, local unions played an important role in the establishment of the Port Adelaide Industrial Co-operative in 1896, and Jim Healey, communist secretary of the Waterside Workers’ Federation, was on the board of the North Sydney Co-operative. There are occasional examples of support by the Labor Party for consumer co-operatives; in 1937 in SA the state Labor Party adopted a resolution to give support to retail co-operatives, including the Eudunda Farmers, and held a conference with them in April at the Adelaide Trades Hall to see how this could be done.³⁶

The relationship with the labor movement continued to be problematic in the post-war period. The non-political stance of the co-operative movement created suspicions on both the right and left in Australia, particularly during crises such as the Labor Party split of the 1950s, which arose from conflicts between

34 Bain and Elsheikh, *Union Growth*, p. 95; Markey, “An Antipodean Phenomenon”.

35 Balnave and Patmore, “Rochdale Consumer Co-operatives in Australia”, p. 991.

36 Balnave and Patmore, “Rochdale Consumer Co-operatives in Australia”, p. 991.

Catholics and communists in the broader labor movement. Some Rochdale consumer co-operatives did not explicitly encourage union membership. Generally the attitudes of Labor governments to the co-operative movement remained lukewarm, with exceptions being Frank Walker and Bob Debus in the NSW Labor governments of the 1980s.³⁷

While co-operatives in NZ faced a similar lukewarm relationship with the Labour Party, a notable exception was the postwar Labour government in NZ. William Robertson, a Canadian immigrant and former employee of the defunct NZCWS, persuaded Labour prime minister Peter Fraser and Walter Nash, his minister of finance, to support the idea of consumer co-operatives in new housing estates such as Taita and Naenae in the Hutt Valley near Wellington. The CIS saw these new housing estates as fertile ground for the development of retail co-operatives, and in June 1945 residents formed three consumer co-operatives following a visit from a CIS organizer from Manawatu. In December 1946, the Labour government announced that if 75 percent of the residents in state housing areas voted to establish a consumer co-operative, privately owned traders would be prohibited from setting up competing businesses in the same area. However, there were conditions for gaining access to the state housing areas. The Orakei Consumers' Co-operative, near Auckland, had to have 500 fully paid members, preference to returned soldiers in employment, and be registered under the provisions of the 1908 Industrial and Provident Societies Act. The Labour Party used photographs of the Naenae Co-operative store in its 1946 election material to highlight the benefits of modern town planning. These consumer co-operatives merged to form the Hutt Valley Consumers' Co-operative Society in September 1946, with a membership of 1045. By November 1947, the Hutt Valley experience had encouraged the formation of 13 other co-operatives in state housing suburbs: a development that overwhelmed the organizing capacity of the NZFC.³⁸

Despite Labour government support, antagonistic local councils rezoned nearby land to allow private retailers to compete with the co-operatives and refused to allow co-operatives to operate in temporary premises near the housing estates while awaiting permanent facilities. The limited savings of members in the housing estates meant they did not have sufficient capital to invest in the types of stores required by Labour government planners. Postwar shortages

37 Balnave and Patmore, "Rochdale Consumer Co-operatives in Australia", p. 991; Patmore, *Australian Labour History*, pp. 91–6.

38 Balnave and Patmore, "Practical Utopians", pp. 102–5; Bricknell, "The Politics of Post-War Consumer Culture", pp. 136–7; Schrader, *We Call It Home*, pp. 171–2; Trotter, *No Left Turn*, pp. 211–6.

of building workers and materials also delayed the construction of the shops. The NZFC criticized the Labour government in March 1948 for maintaining a wartime system of import controls that restricted the consumer co-operatives' ability to meet consumer demand, particularly in the new housing estates, for goods such as dried fruit and tobacco compared to private non-co-operative retailers. The NZFC accused Labour of viewing the gradual collectivization of retailing as "too hot" in its efforts to win the votes of "middlemen". Whatever the criticism of Labour, the election of the National Party to power in 1949 ended the push towards co-operatives in the housing estates and sadly led to the suicide of William Robertson, who lost his job as a public servant after refusing to accept what amounted to a demotion. The Hutt Valley Consumers' Co-operative ceased to be a trading entity in November 1969 and continued as an investment society until a final shareholders meeting in November 1975.³⁹

While the Rochdale co-operatives were part of an international movement in both an ideological and business sense, the relationship was ambiguous. The various co-operative publications in Australia and NZ published articles on overseas developments, particularly in the UK, but also for example, Scandinavia, Canada and the USA, to highlight the international dimension of the Rochdale movement. Ideas were exchanged through trips abroad and visits to Australia and NZ from representatives of overseas Rochdale co-operatives including the English cws. Toyohiko Kagawa, the Japanese Christian co-operator, toured both Australia and NZ in 1935. Catholic intellectuals, mainly in Victoria, were also interested in the Antigonish Movement in Nova Scotia, Canada during the 1930s and 1940s. Booth, President of the NSW CWS, paid a visit to Rochdale and the Manchester headquarters of the English cws in 1951. Australians and New Zealanders celebrated International Co-operative Day and there were affiliations with the International Co-operative Alliance. There was a business link between the English cws and the Rochdales in Australia and NZ. The NSW CWS imported from the English cws manufactured goods such as cigarettes, lawnmowers, steel office furniture and pianos. A representative of the English cws had an office in Sydney and sat on the NSW CWS board of directors.⁴⁰

39 Balnave and Patmore, "Practical Utopians", pp. 102–5; Bricknell, "The Politics of Post-War Consumer Culture", pp. 136–7; Schrader, *We Call It Home*, pp. 171–2; Trotter, *No Left Turn*, pp. 211–6.

40 Balnave and Patmore, "Practical Utopians", p. 106; *Common Wealth*, November 1950, pp. 2–4; Entwisle, *The Jubilee Co-operative Handbook*, pp. 9–12; Queensland Co-operatives, *Full Report*; Lewis *A Middle Way*, pp. 160–2, 193–4; Watson, *Impressions of Kagawa*.

There were however tensions between the Rochdale movements in Australia and NZ and the movement in the UK. Gary Lewis, whose study is critical of the role of the English CWS in Australia, portrays the English CWS as having little interest in Australian Rochdales except as a market for its exports. Its higher priced imports may have helped reduce the competitiveness of local Rochdales. The English CWS was more interested in maintaining good relations with Australian primary producers and was hostile to attempts by the NSW CWS to manufacture goods that would undercut its export market in Australia. Given a similar relationship between NZ primary producers and the English CWS, Lewis's argument could be applicable to both countries. Jock Churton, Organizing-Secretary of the NZFC, visited CWS officials and factories in the UK in 1949–50. Churton sought to persuade both the English CWS and the Scottish CWS to invest capital in the NZ co-operatives and establish a CWS in Auckland. There were concerns, however, that any English CWS investment should not be for the purpose of exporting profits out of NZ, and the NZFC instructed Churton to make this clear in any discussions with the English CWS. The English CWS, for their part, were not happy with the balance of trade with NZ and wanted the local co-operatives to purchase more of their manufactured goods.⁴¹

Compared with their links to the UK, contact between the Australian and NZ co-operatives was limited, although there were some notable exceptions. Immigrant Australian coalminers such as Semple played key roles in the early years of the Runanga Co-operative, and Rita Stockbridge, a Secretary of the New Zealand Co-operative Women's Guilds in the 1950s, had been Labor Party branch secretary in Australia. There were also occasional visits by activists across the Tasman, exchanges of greetings between co-operative bodies, and their respective publications carried material on the developments in the other country.⁴²

Wholesaling

The Rochdale movements in Australia and NZ struggled to form a strong wholesale trade. As noted in the overview, co-operatives in both countries faced refusal of supply from some wholesalers in the years prior to 1945, and

41 Lewis, *A Middle Way*, pp. 211, 235; NZFC, Report of the Third Annual Conference, p. 9; *3rd Annual Report and Balance Sheet for the Year Ending March 31st, 1949*, Robert Henry Ellis Papers, ATL, 81-214-017A; Richardson, *The CWS in War and Peace*, pp. 169–70.

42 Balnave and Patmore, "Practical Utopians", p. 107.

established co-operative wholesale societies in an attempt to overcome this challenge. In Australia, the NSW CWS directors hoped to become a large scale wholesaler by winning the support of the retail co-operatives. This vision, however, was not realized, as many Rochdale consumer co-operatives, particularly in rural areas, remained independent of the wider movement. There were criticisms by co-operatives of the price and quality of the NSW CWS goods and delays in providing those goods to the retail co-operatives.⁴³ Lack of support from consumer co-operatives also led to the demise of the CUWS and later the NZCWS in NZ.

In the post-war period, many co-operatives struggled against competition from the private retail sector. In Australia supermarket chains such as Coles and Woolworths, which is not connected with retailers of the same name in South Africa, the US or the UK, increased their buying power and were able to offer goods at lower prices than the co-operatives who relied upon higher profit margins to provide members with the “divi”. As in the years prior to 1945, some suppliers protected the interests of private retailers at the expense of co-operatives. The demise of the Collie Co-operative in WA, for example, followed the arrival in the town of a Coles supermarket, some of whose suppliers refused to supply the co-operative at wholesale prices and encouraged management to buy from Coles at retail prices. In NZ, the Auckland Master Grocers’ Association decided in 1947 to deny membership to consumer co-operatives. To overcome the general reluctance of wholesalers to provide supplies, the Manawatu Co-operative opened a menswear and footwear store under the title of “Manly Outfitters” in 1953, and adopted the trading name Premier Drapery Company (PDC) when it acquired direct ownership in 1956, in the hope that suppliers would not be aware that they were dealing with a co-operative. Following the closure of the NSW CWS in 1979, the AAC did make an attempt to float the idea of reforming a co-operative grocery buying group in the early 1980s, but without success.⁴⁴

Surviving Rochdale consumer co-operatives have overcome the lack of a co-operative wholesaler in Australia by combining the Rochdale model with franchising. Junee and Denmark co-operatives are both franchisees for the Independent Grocers of Australia (IGA) – an offshoot of the Independent Grocers’ Alliance, which is an alliance between wholesalers, retailers and manufacturers founded in the US in 1926. The Alliance became the vehicle

43 Interview by Greg Patmore with Mary Hatch, Harold Hoffman, Bert Schulz, Former Community Co-operative Store Employees, Nuriootpa, 16 March 2010.

44 Balnave and Patmore, “Practical Utopians”, p. 104; Balnave and Patmore, “Rochdale Consumer Co-operatives in Australia”, p. 993.

for protecting and strengthening the relationship of the three groups against the growth of the chain stores. David Holdings, now Metcash Trading Limited, brought IGA to Australia in 1988. As of 31 January 2009, the Nuriootpa Co-operative was a franchisee for ten different business entities including Foodland IGA supermarkets, Mitre 10 hardware and Betta Electrical.⁴⁵

Changing Nature of Retail

In the postwar period some Australian and NZ Rochdale consumer co-operatives were innovative in their attempts to broaden their appeal and keep pace with changes in the broader world of retailing. In 1958, the Newcastle and Suburban Co-operative purchased a large van as a travelling “self-service shop” to serve shareholders who could not readily buy their goods at its outlets. It also established a credit union for members and employees in 1962, as well as opening a large car park in 1967 to accommodate the postwar growth in car ownership. Despite the impact on rebates, in 1963 the Manawatu Co-operative adopted a policy of direct price competition with private sector retailers that included “permanent reductions” in grocery prices and grocery specials. Against the background of postwar immigration, the Adelaide Co-operative targeted UK migrants by establishing two branches in local migrant hostels. Stores also opened delicatessens to provide a greater range of “continental” smallgoods.⁴⁶

The Hutt Valley Co-op opened the first “self-service full-line food store” in NZ at Taita North in February 1949. In rural Australia, the Griffith Co-operative led local retailers in the establishment of a self-service supermarket in July 1958. The co-operative supermarket was equipped with the latest refrigerator display equipment and painted with “modern colours”. Members were able to purchase through either cash or a credit account and the existing home delivery service was maintained. The first non-co-operative supermarket, Tom’s Supermart, did not begin operations in Griffith until December 1958.⁴⁷

The Nuriootpa Co-operative also led its community in self-service during the postwar period. More interestingly though, it initially followed a limited experimental approach, like the London Co-operative Society a decade earlier

45 Balnave and Patmore, “Rochdale Consumer Co-operatives in Australia”, p. 994.

46 Balnave and Patmore, “Practical Utopians”, p. 103.

47 Balnave and Patmore, “Practical Utopians”, p. 103; Balnave and Patmore, “Rochdale Consumer Co-operatives in Australia”, p. 994.

in the UK, to minimize any risk of the movement into self-service.⁴⁸ The co-operative decided not to trade directly under its name but to reactivate the Sheard's Service Store Company, the company that was mutualized to form the co-operative, and trade through that entity. The co-operative held a controlling interest in Sheard's, and in November 1952 held an extraordinary meeting of the company to change its name to Nuriootpa Self Service Stores, which had already commenced business on 8 October 1952.⁴⁹ Customers were encouraged to inspect the store and "shop the modern way and reduce the cost of living."⁵⁰ The Self Service Store reduced labor costs compared to the grocery department of the co-operative by providing a "no frills" service – no wrapping service, deliveries, and phone or mail orders. After touring several self-service stores in Queensland in 1957, the manager recommended that the grocery department be converted to self-service to reduce wage costs.⁵¹

The decision to shift to self-service was also driven by fears that if the co-operative did not transform its existing grocery department then it faced the prospect of being at a disadvantage with national supermarket chains such as Woolworths who were looking to open a supermarket in the Barossa Valley. The co-operative also recognized the need to serve a growing membership, which stood at 2450 in January 1965. It decided to become a franchisee for the independent Foodland supermarket chain and transformed its old grocery department into a modern self-service supermarket with a sizeable car park for as many as 200 cars.⁵² The co-operative sought and obtained an undertaking from the Eyles Co-operative Ltd, which oversaw the Foodland franchise, that it would not allow anyone else to obtain a similar franchise in the Barossa Valley "unless we discuss the matter with you first."⁵³ Nuriootpa Self Service Stores ceased trading on the 20 November 1965 and self-service became an integral part of the co-operative's operations.⁵⁴

Not all Australian Rochdales were quick to adopt self-service practices. In Junee, the co-operative's local competitors introduced self-service in 1958. However, it was not until 1962, on the back of growing losses from 1959 to 1961, that the co-operative followed suit. The co-operative immediately returned a

48 Shaw and Alexander, "British Co-operative Societies as Retail Innovators", p. 65.

49 Balnave and Patmore, "Rochdale Consumer Co-operatives in Australia", p. 994.

50 *The Barossa and Light Herald*, 2 October 1952, p. 9.

51 Balnave and Patmore, "Rochdale Consumer Co-operatives in Australia", p. 994.

52 Balnave and Patmore, "Rochdale Consumer Co-operatives in Australia", p. 995.

53 Community Co-operative Store (Nuriootpa) Committee of Management minutes, 17 January 1968.

54 Balnave and Patmore, "Rochdale Consumer Co-operatives in Australia", p. 995.

slight surplus for the year. The adoption of self-service saw membership grow to 324 by 1966. Of these members, 78 percent joined in the period 1963–6 and by June 1971 membership had grown to 1081.⁵⁵ The shift to self-service by the co-operative in nearby Coolamon offers an example of “too little too late.” The directors of this co-operative became out of touch with the changing retail needs and expectations of the community and felt that Coolamon was not ready for self-service, despite the fact that nearby Wagga Wagga had been operating on this basis for a number of years. When the co-operative decided to shift to self-service, this was done half-heartedly in that only half the store was modernized in this way. Former city residents, who moved to Coolamon, often because of marriage, found that Wagga Wagga provided them with the range and choice of service and products to which they were accustomed.⁵⁶ The failure to modernize was a key factor in the demise of co-operatives such as Coolamon during this period.

While some co-operatives were slow to respond to the indirect competition associated with the changing nature of retailing, for others the inability to expand due to lack of capital and land led to their demise. For example, the shortage of car parking and the inability to expand proved key factors in the demise of Eudunda’s Gawler store in SA as the town was absorbed as a suburb of Adelaide and the population sought more modern shopping facilities such as those provided by chain supermarkets.⁵⁷ Indeed, for most co-operatives, share capital was simply insufficient to finance new buildings and services.

The Nuriootpa Co-operative, however, explored a range of strategies to increase capital to fund improvements to the store and the growth of the co-operative. Circulars were regularly sent to members asking them to purchase more shares in “their store” and allow their rebates to be transferred to shares. Members with additional monies were encouraged to invest in co-operative fixed deposits at attractive rates of interest. The co-operative from August 1973 began investing additional funds on a short-term basis with finance companies to take advantage of high interest rates. In November 1979 the co-operative sought advice from a financial consultant on how to restructure the co-operative to maximize available capital. While many of the suggestions were not pursued, the report highlighted the value of offering higher interest on share capital to attract funds at the expense of dividends. In 1985 the co-operative introduced the idea of a ten-year rotating levy on rebates, whereby

55 Balnave and Patmore, “Localism and Rochdale Co-operation”, p. 59.

56 Interview by Greg Patmore with Col Patterson, former manager and employee of Coolamon Co-operative, 6 July 2008.

57 Smith, *Fruits of Frugality*, p. 53.

members would not receive their rebate immediately, but would receive payouts gradually over the ten years. Members would have a greater equity in the co-operative and the rotating levy improved its financial position and provided capital for building expansions that took place in 1986–7.⁵⁸

The Nuriootpa Co-operative had also from its early years purchased strategic properties within the town, thereby ensuring its expansion and survival. By purchasing strategic properties, the co-operative was able to “buy out” the threat of a competitor entering the area in the 1990s by building a shopping mall, opened in 1998. Its subsequent expansion provided strong grounds against the need for a new shopping complex north of nearby Tanunda in 2004. By becoming a substantial landlord as well as a retailer, the co-operative built its capacity to ensure that the retail needs of the community were largely met within the town. The rental income from these properties has also provided the co-operative with additional capital and enabled it to be more competitive in its trading operations.⁵⁹

Other Challenges Faced by Rochdale Co-operatives

There were other issues including demographic changes, credit to members, and mismanagement, which contributed to the collapse of Rochdale consumer co-operatives in Australia and NZ. The decline of working class communities in mining areas impacted on the Rochdale movement, as did a waning population in rural areas such as Coolamon due to mechanization in agriculture and economies of scale brought about by the consolidation of rural properties. Contrary to Rochdale principles, there was a tradition for rural stores in Australia to provide credit to farmers due to the seasonal nature of their earnings and unexpected weather events such as drought and floods. However, the burden of credit proved to be a major problem for co-operatives such as Griffith and Coolamon as they struggled to recover outstanding debt from members.⁶⁰

There were at times tensions between full-time managers and the elected board of directors over the management of the consumer co-operatives. The Hutt Valley Consumers' Co-operative was thrown into confusion when Charles Cameron, the general manager, resigned in June 1963 following the dismissal of the supervisor of the home appliance department. The Board of Directors excluded Cameron from the deliberations concerning the dismissal of

58 Balnave and Patmore, “Rochdale Consumer Co-operatives in Australia”, p. 996.

59 Balnave and Patmore, “Rochdale Consumer Co-operatives in Australia”, p. 996.

60 Balnave and Patmore, “Marketing Community and Democracy”, pp. 73–4.

the supervisor. While Cameron offered three months' notice (as required in his contract), the board terminated his employment immediately, but with a vice-president and director also resigning in protest. There were also issues of mismanagement for some consumer co-operatives such as the Griffith Co-operative in its final decade of operation. When the general manager of the Griffith Co-operative for 25 years was forced to relinquish the post in 1981 for health reasons, there were several subsequent managers, one with limited retailing experience and all with no background in co-operative management. During 1983, the co-operative operated without a general manager for six months. The situation deteriorated even further when the police charged a secretary of the co-operative with falsifying accounts. The Griffith Co-operative entered into a new venture, the Driver Superstore in 1980, which ended in financial disaster with the closure of the store in July 1982. The accumulated debts of the Driver venture imposed an annual commitment of A\$100,000 in paying off the liability and attracted the concern in November 1982 of the NSW Registrar for Co-operative Societies who doubted that the society could ever return an annual surplus. The co-operative cut back operations and sold some of its property to ensure viability. The co-operative was progressively forced to rely on price discounts in an increasingly competitive retail climate. In 1986, a deteriorating rural economy further exacerbated its financial problems with a serious decline in cash flow arising from poor sales and an accumulation of excess stock. There were some innovations such as the introduction of computerized price scanning at the checkouts in the supermarket, but these were insufficient to counter the deteriorating financial position of the co-operative. A meeting of 250 angry shareholders on 24 May 1989 decided to sell the business and premises.⁶¹

In contrast to the experience of the Griffith Co-operative in the 1980s, surviving rural consumer co-operatives in Australia have a tradition of stable and effective management. Continuity of management and a close and positive working relationship with the co-operative's board of directors or committee of management, elected by the members, is crucial for the long-term survival of a co-operative. At the Junee Co-operative the secretary-managers have generally held long periods of office, as have the directors. The directors of this co-operative have primarily had backgrounds in small business and farming and have given strong support to the managers' efforts to run

61 Balnave and Patmore, "Practical Utopians", p. 105; Balnave and Patmore, "Marketing Community and Democracy", pp. 74-5.

the co-operative on business lines. Stable management is also a feature of the Nuriootpa Co-operative.⁶²

Tapping into a Sense of Locality

Surviving Rochdale co-operatives in rural areas of Australia have successfully linked their business survival to that of the town and have drawn upon a sense of locality. As noted above, by becoming a landlord as well as a retailer, the Nuriootpa Co-operative built its capacity to ensure that the retail needs of the community were largely met within the town. Similarly, from the 1980s, the Junee Co-operative became actively involved in ensuring that the town remained a viable center for retailing that sold a full range of products. It was feared that if Junee was unable to provide local consumers with a full range of products then business, jobs and facilities would be lost to nearby Wagga Wagga. In July 1983, the co-operative added the slogan “Shop Locally – If You Don’t Use It, You Lose It” to its weekly advertising in the local newspaper. In June 1982, the directors decided to stock Manchester (cotton and linen products such as sheets and towels), following the closure of a Manchester store in Junee. Other local businesses were consulted to see if they were interested in stocking Manchester before the decision was made. Similarly, rather than see it close down, the co-operative purchased the Retravisision (then Sykes Electronics) store on the adjoining Lorne Street premises in May 1995 and operated it for nine years. Shareholders were able to use their shareholder number in Retravisision during this period. The Retravisision store was sold to a former employee of the co-operative in September 2004. In June 2000, the co-operative also established a branch of a bank that was closing its local branch. It did not compete with the local baker and butcher and instead formed an agreement to sell their products, such as pre-packaged meat, for a commission.⁶³ The community theme also became an important part of the Nuriootpa Co-operatives’ advertising. Advertising tried to encourage local loyalty by promoting the co-operative as “The Barossa Valley Store” and urging members to “shop in Nuri”.⁶⁴

The Nuriootpa and Junee co-operatives have also raised their profile in the local community through donations to local schools, sporting teams and social clubs. A particular focus of the Nuriootpa Co-operative in recent years has been the provision of youth services in the Barossa Valley. In the early 2000s,

62 Balnave and Patmore, “Rochdale Consumer Co-operatives in Australia”, pp. 997–8.

63 Balnave and Patmore, “Localism and Rochdale Co-operation”, p. 63.

64 *The Barossa and Light Herald*, 26 October 1963, p. 9.

there was widespread community concern in Nuriootpa and other Barossa towns about unsafe skateboarding, security, vandalism and illicit drug use. The co-operative sponsored a youth forum in October 2000 to facilitate an ongoing fundraising strategy to allow youth workers to devote more time to youth needs. It also provides ongoing support to the Barossa Foundation, which funds local projects to assist Barossa Valley youth.⁶⁵

Conclusion

Rochdale consumer co-operatives have played an integral role in the lives of many people in Australia and NZ, in mining centers, metropolitan areas and rural regions. In the years prior to the end of the Second World War, both countries experienced waves of interest in consumer co-operatives. With a few exceptions, consumer co-operatives tended to be established at the back-end of an economic slump, or when prices and the cost of living were increasing. At such times there was disillusionment with the prevailing economic system and consumers sought a level of security. Faced with refusal of supply by some wholesalers, co-operatives in Australia and NZ established co-operative wholesale societies. However, many co-operatives remained separate to the wider movement and expressed little interest in supporting these bodies. Indeed, at no stage did the Rochdale movement consolidate in Australia or NZ.

The movements faced internal divisions, and received limited support from the industrial and political wings of the labor movement. There were disagreements over the structure of the Rochdale movement and divisions on gender lines. While there was some sympathy in the labor movement, trade unions and the Labour/Labor parties focused on "laborism", with its emphasis on compulsory arbitration and industry protection, rather than consumer co-operatives, for ensuring worker prosperity. There was also resistance in Australia from farmers' co-operatives, particularly in WA, who were concerned at the more democratic and radical approach of the Rochdale consumer co-operatives. However, the Rochdale consumer co-operatives did benefit from the Country Party, which represented farmers, through the passage of sympathetic legislation in NSW. While there was no Country Party in NZ, farmers there appeared to be more sympathetic to the struggling Rochdale consumer co-operatives. There were also tensions between the Australian and NZ consumer co-operatives and the English CWS over their respective roles.

65 Balnave and Patmore, "Rochdale Consumer Co-operatives in Australia", p. 998.

Following the Second World War, despite initial positive developments and post-war prosperity, the Rochdale co-operative movement in both countries went into a general decline. Central bodies collapsed and the women's guilds were disbanded. Many leading co-operatives failed to survive the major economic upheavals of the 1970s and 1980s, and unlike the trend in early years, renewed interest in consumer co-operatives did not emerge in the periods of recovery. The rise of chain supermarkets and shopping centers increased the degree of competition from private capitalist competitors, and many co-operatives, like other enterprises, fell victim to poor business decisions. The decline of working class communities in mining areas, and increasing car ownership in rural areas created further difficulties for co-operatives reliant on their remoteness for success. Attempts to form permanent national associations were unsuccessful. Nevertheless, the absence of strong centralism also meant that localism assumed greater importance to the viability of individual co-operatives. Indeed, some co-operatives in Australian rural areas have survived not only due to good management and the adoption of franchising as a way to source and market their goods and services, but also due to their reciprocal relationship with the local community.

Consumer Co-operation in a Changing Economy: The Case of Argentina

Mirta Vuotto, Griselda Verbeke and María Eugenia Castela Caruana

Introduction

In Argentina, consumer co-operatives played a significant role in improving the quality of life of their members and consolidating the co-operative movement as a whole throughout the twentieth century. Under the impact of economic cycles and the country's political instability, the emergence of the supermarket industry in the 1960s brought considerable economic and financial difficulties to consumer co-operation, which was then in the midst of a boom with 260 societies.¹ The search for mechanisms to face that situation led to the adoption of different strategies: integration, interruption of the activities and even the embracement of commercial strategies, renouncing in some cases the co-operative way.

Nowadays, according to the official body that regulates co-operatives, there are 21,049 registered primary co-operatives, of which 156 are consumer societies (43 have consumption listed as their only corporate purpose, while 113 include other activities such as lending, housing and supply).² This shows the sector's small dimension compared to co-operatives of other kinds. At the same time, the main constraints that prevent an accurate description of the co-operative sector are the lack of aggregate and accurate statistical sources and the fact that very little research has been conducted on this sector.³ The principal statistical source that allows us to look at the historical evolution of co-operatives in terms of associates' profiles, social capital and distributed annual earnings has not been published since 1985. In addition, the information available at the time of writing was scattered and has been presented in heterogeneous ways over the years.

1 Dirección Nacional de Cooperativas, *Síntesis Estadística de las Asociaciones Cooperativas*, p. 4.

2 Instituto Nacional de Asociativismo y Economía Social, Padrón del INAES: Cooperativas. Available at www.inaes.gov.ar/es/Enlaces/listados.asp; accessed 17 January 2014.

3 The registration of co-operatives started in 1927. This administrative information was published between 1931 and 1985.

This chapter analyses the characteristics and performance of consumer co-operatives in Argentina. Immigration that strengthened the development of trade unions and politics, as well as working-class solidarity, favored the creation of co-operatives in almost every sector of activity. Starting with an analysis of the economic and social role played by the movement's main experiences in the twentieth century, this work considers the development of consumer co-operatives, focusing on the trajectory of two of its main representative societies and on the nature of the integration process they have promoted.

The Context for the Origin of Co-operatives in Argentina

After gaining its independence from Spain in 1810, Argentina underwent major political, social, economic and cultural transformations that gave its society a new profile. Along with substantial political changes, the nineteenth century saw the country become an integral part of the world economy. Its model of expansion and development included four pillars: agricultural production, foreign investments, immigration and universal and mandatory education, which acted as the main channel for social mobility until 1930. The strong growth of agricultural output during the second half of the century promoted the creation of an important transport system, which unified domestic markets around top exporting ports.⁴ Foreign investments financed public expenditure in physical capital through the acquisition of government securities. Its magnitude caused debt services to account for a very high share of the international currency from exports.⁵

In the social sphere, the liberal elites that directed the country's organization stimulated an active immigration process to replace the social structure inherited from colonial society with one inspired by the most advanced western countries.⁶ The immigration process became massive. The population increased by almost six times between 1860 and 1900.⁷ It is estimated that European immigration between 1857 and 1914 involved about 3.3 million people.⁸ This caused a substantial renewal of the country's population relative to the

4 Cortés Conde, *Problemas del crecimiento industrial de la Argentina (1870-1914)*, pp. 143-71.

5 Ferrer, *La economía argentina, las etapas de su desarrollo y problemas actuales*, p. 120.

6 Germani, *Estructura social de la Argentina*, pp. 81-90.

7 Argentina was one of the least populated countries in South America and, according to the first census of the population in 1869, the country had less than 1.8 million inhabitants: 80 percent were illiterate, 20 percent of school-age children attended school, and over 70 percent of families lived in thatched huts.

8 Ferrer, *La economía argentina. Desde sus orígenes hasta principios del siglo XXI*, p. 24.

residing native population, particularly in territories better suited for intensive agriculture and in the main urban centers. Of all the overseas immigrants, around 50 percent were Italian, 30 percent were Spanish and the rest were Polish, followed by Russian, French and German groups.⁹

The majority of immigrants were originally farmers attracted by the promise of land distribution. However, the lack of a national settlement program prevented rural areas from absorbing foreign migratory currents. As the development of an agricultural system based on middle producers was interrupted, a polarized agricultural structure soon took shape. It was characterized by the exploitation of a substantial part of the available surface area by tenants, and the rest of the land by large productive units. Many immigrants established themselves as workmen, artisans and traders in urban areas, thus increasing labor availability, which in turn had a depressive effect on wages and increased urban unemployment.

By the turn of the twentieth century the country was on the track of a modern, capitalist and bourgeois society, whose main challenge was to promote social integration. The labor market showed strong demand fluctuations and provided limited opportunities, condemning the majority of workers to the uncertainties of unemployment and temporary underemployment.¹⁰

This situation was reflected in civil society's demands for institutional change and a greater participation in public affairs through unionism, parliamentary socialist action and anarchist protests. Unionism, in particular, initially brought together workers in major cities and then multiplied in smaller cities and towns and finally in rural areas. The emergence of unions was inseparable from two other events that occurred in an interconnected manner: the appearance of anarchist and socialist political groupings, and the unleashing of open conflicts between workers and employers whose most visible expression was strikes.¹¹ Anarchist and socialist groups appealed to workers and promoted their organization to fight for their rights and against capital. They developed a wide range of activities to disseminate anarchist ideals and to persuade and attract workers to their organizations.¹² Likewise, in their pursuit of better living conditions, migrants developed co-operative-like projects in the urban sector, highly influenced by European co-operatives and driven by the same associative logic that stimulated associations and trade unions.

9 Germani, *La sociedad en cuestión*, p. 498.

10 Sábato, "Estado y sociedad civil", p. 133.

11 Sábato, "Estado y sociedad civil", pp. 134–5.

12 Suriano, *Anarquistas*, p. 82; *La Vanguardia*, "Los socialistas en las sociedades gremiales", 14 February 1903.

The Beginnings of Consumer Co-operation

The first stage in the development of the co-operative movement saw relevant co-operative experiences co-exist with other experiences that, although they were referred to as co-operatives, did not comply with their relevant principles and values. Among other reasons, this was due to the lack of knowledge of the features of co-operatives, their development in occasionally hostile or indifferent environments, and the lack of specific legislation enabling a definition of these organizations' particular nature. Thus, the observance of co-operative principles was one of the movement's early concerns, and integration among co-operatives constituted a vehicle for their development.¹³

Among the first experiences two co-operatives should be mentioned. The first one, Sociedad Cooperativa de Producción y Consumos (1875), was established in Buenos Aires city by French citizen Adolfo Vaillant, but never took off. The second experience, considered the first co-operative, was Sociedad Cooperativa de Almacenes (1884). British citizen Carlos Atwell founded this co-operative for the provision of food and drinks in Buenos Aires city. This co-operative was based on systems widely established in England. The entity disappeared in 1890, following a severe national economic crisis.¹⁴

The misunderstanding of the cooperative principles and values promoted the enactment of Law N° 11,388 in 1926, developed on the basis of earlier legislative projects and finally proposed by the national executive branch under the presidency of Marcelo Torcuato de Alvear. This law included all the co-operative principles proclaimed eleven years later by the International Co-operative Alliance (ICA) at its congress in Paris.¹⁵ It also contributed positively to the remarkable expansion of the co-operative sector, both through the diversity of the movement and its commitment to Rochdale principles.¹⁶ However, the law left many gaps to be covered by subsidiary or supplementary regulations governing limited companies.¹⁷

Out of the 56 co-operatives created before 1900, two stood out for the authenticity of their principles. El Progreso Agrícola de Pigüe was founded in 1898 in Pigüe, Buenos Aires province, by 51 French citizens to protect themselves from weather-related risks, and its by-laws were drawn up with the advice of Charles Gide.¹⁸ It is the only co-operative created in the nineteenth century that is still

13 Caletti, "El marco histórico del país y el cooperativismo", pp. 24–31.

14 Kaplan de Drimer and Drimer, *Las cooperativas*, pp. 512–6.

15 Cracogna, "El cooperativismo en América Latina", pp. 51–64.

16 Kaplan de Drimer and Drimer, *Las cooperativas*, pp. 533–5.

17 Caletti, "El marco histórico del país y el cooperativismo", pp. 24–31.

18 "...among those who contributed [to the co-operative] with their wisdom and human quality, there is an eminent economist and sociologist, French cooperator Charles Gide,

in operation. The second one, *Cooperativa Obrera de Consumos*, was founded by socialist leader J B Justo in Buenos Aires city, also in 1898. According to several authors, it was inspired by the Rochdale principles due to the influence of its founder, who also established the *Centro Socialista Universitario*, one of the five socialist centers created in 1894. Heading delegates of socialist and union groupings, he participated in the foundation of the Socialist Party in 1896, which he led until his death. He also chaired the International Socialist Workers Party's first convention.¹⁹

In its 15-article statutes this co-operative adopted a series of standards such as free access, voluntary membership, democratic organization, and cash sales. It also adopted a co-operative method of surplus distribution, according to which 60 percent was to be distributed among the associates as a proportion of transactions, 30 percent was allocated to the reserve fund and 10 percent to the employees.²⁰

The boost enjoyed by co-operatives under the influence of immigration emphasizes the pioneering role played by small rural producers in the creation of agricultural marketing co-operatives, on the one hand; and by groups of industrial workers and artisans in the promotion of consumer co-operatives, on the other. The latter occurred within a context of remarkable urban growth, especially in port cities like Buenos Aires and Rosario.

The first workers' consumer co-operative in Buenos Aires city was founded by a group of socialist French immigrants in 1885, but due to the inclusion of loans among its operations and the sale of alcoholic beverages, *Les Egaux* co-operative only lasted until 1888. The experience was followed by *Cooperativa de Panadería*, which was founded in 1887 by a group of German immigrants who had created a *Verein Vorwärts* in 1882. The purpose of this initiative was to fight to further socialism in Argentina, following the program of the German Social Democratic Party.²¹ The co-operative, which operated until 1896, was also affected by the introduction of loans as a regular element of its commercial activity. This resulted in the accumulation of debt payable to the organization by its members and its subsequent bankruptcy.²²

The consumer co-operative sector became important in the country during the first decades of the twentieth century, when several co-operatives were

whose name was already well known worldwide for his fame and prestige throughout the world," (author's translation). *El Progreso Agrícola de Pigüé, Reseña histórica de El Progreso Agrícola de Pigüé*, p. 14.

19 Caletti, "El marco histórico del país y el cooperativismo", p. 30.

20 Carracedo, *El Hogar Obrero*, pp. 20–5.

21 Poy and Gaido, "Under German Eyes", pp. 480–505.

22 Repetto, *Lecciones sobre cooperación*, pp. 75–80.

established in the main urban centers. In some cases they had close links to trade unions and professional, socialist-leaning associations. A very significant example was Unión General de Trabajadores, a central trade union that stressed the need to promote the creation of co-operatives of a socialist nature in order to improve working conditions.

Although the consumer co-operation movement in Argentina was far from the degree of development achieved in countries like France, Germany, and particularly England, in 1914 it comprised ten societies and 4693 members, who represented 17 percent of the total co-operative membership in the country (Table 19.1).²³ Seven years later, although rural co-operatives were still prominent, consumer co-operation had progressed mainly in urban centers, where its membership and its capital exceeded those of the rural sector.²⁴ According to some authors, the factors that affected the sector's performance in this period were "...bad administration, scarce cohesion and limited commitment to the principles of co-operation."²⁵

TABLE 19.1 *Co-operatives in Argentina, 1914 and 1921*

	1914		1921	
	Co-operative movement	Consumer co-operatives	Co-operative movement	Consumer co-operatives
Number of societies	96	10	218	43
Number of members	27,661	4693	100,344	26,946
Capital*	759,049,583	6,158,163	746,444,020	23,929,434
Transactions*	180,660,233	28,678,883	n/d	89,051,586

* Figures in Argentinean pesos at constant 2011 prices, estimated by Dirección Nacional de Estadística y Censos.

SOURCE: BÓREA, "EL COOPERATIVISMO EN LA REPÚBLICA ARGENTINA", PP. 84–5, 91.

23 In the 1914 census, EHO co-operative was surveyed as a housing co-operative, and not as a consumer one. Bórea, "El cooperativismo en la República Argentina", pp. 85–91.

24 Alongside this growth process, some of the most important rural co-operatives became public limited companies, while the new societies were created without much capital.

25 Greffier, "El cooperativismo", pp. 153–64.

By 1921, 90 entities out of 218 total co-operatives were urban co-operatives: 42 created in Buenos Aires city, 31 in the province of Buenos Aires, and 17 in the rest of the country. From all urban co-operatives, 43 were consumer societies comprising 26,946 members.²⁶ Among the main co-operative societies of that time were Cooperativa del Personal del Ferrocarril Pacífico (1914), Cooperativa de Propietarios de Automóviles de Alquiler (1916) and Cooperativa Personal de los Ferrocarriles del Estado (1921). The first one was created in 1914 by 60 workers and by 1946 it had 2500 members, a capital of 1,455,336 Argentinian pesos (ARS)²⁷ and its annual distribution of products was about ARS 10 million. The Propietarios de Automóviles de Alquiler co-operative provided its members with supplies for their rental cars. In 1945, it had 2500 members with ARS 1.5 million in capital and ARS 1.8 million in reserves. Lastly, Cooperativa del Personal de los Ferrocarriles del Estado initially opened 14 branches distributed along the public railway networks. By the middle of the twentieth century, this co-operative had 59 branches and 27,000 members, all of them railway employees. It was not a local co-operative, as it provided products along 14,000 kilometers of railway.²⁸

Reflecting the perspective of several leaders, the consumer co-operative movement was marked by the search for socio-political legitimacy and the acknowledgement of its social and economic actions.²⁹ During these years and until 1945, the growth of the co-operative movement occurred in disregard of the state, which viewed co-operatives as something beyond its field of action and would leave them outside any public plan.³⁰ The state's relationship with the movement was limited to the application of few regulatory provisions.³¹ However, in 1945, under the government of Juan D Perón, cooperatives entered the sphere of public intervention and the state/co-operative movement relationship began to be subject to political, social and economic changes.³²

26 Bórea, "El cooperativismo en la República Argentina", pp. 90–1.

27 Throughout this chapter, monetary values are expressed at constant prices of the year 2011.

28 Cavallone Brebbia, *Cooperativismo. Sociedades Cooperativas en la República Argentina*, pp. 164–5.

29 In that regard, it was highlighted that "...cooperation achieves its social goals dispensing absolutely with any tendency, and that's the reason why – and here resides cooperation's broad and practical sense – in a co-operative society there is room for all the political parties, because the essential condition is to be a cooperator" (author's translation). Honorable Cámara de Diputados, *Reporte diario de sesiones*, p. 306.

30 Cracogna, "La legislación cooperativa", pp. 31–50.

31 Kaplan de Drimer and Drimer, *Las cooperativas*, p. 471.

32 Levin and Verbeke, *El cooperativismo argentino en cifras*, pp. 4–5.

Two Milestone Experiences in Consumer Co-operation and the Emergence of a Federation

El Hogar Obrero co-operative (EHO, The Home of the Workmen) represents a milestone in the history of Argentinean consumer co-operation, due to its long trajectory and its contribution to the organization of a national co-operative movement. The co-operative's purpose, indicated by its name, was to establish an organization at the service of the working class, giving affordable loans for the construction of cheap houses.³³ The co-operative adopted a critical approach – fundamentally a moral one – to the mechanisms and agents of urban transformation, and it sought to transform the spaces of popular habitat by building affordable and comfortable houses for the working class.³⁴

The urban expansion of Buenos Aires city in the first decades of the twentieth century was based on the subdivision of land and the construction of individual dwellings. Thus, housing acquired a privileged nature in the actions of socialism. This explains the socialist movement's interest in the creation of the EHO co-operative in 1905 to meet the serious problem of overcrowding that affected the urban working class. In order to build "cheap houses for the workers", the co-operative was established on the basis of the model of Dayton Ohio society in the United States.

The EHO's first actions were associated with the need to regularize its activity and to promote the development of other co-operative organizations. This implied amending a bill on registration fees, according to which commercial firms – co-operatives among them – should pay an annual fee for registration. This fee represented a serious obstacle for the sector's development before it was annulled in 1907.³⁵ At that time, although national legislation established a regime appropriate to the nature and needs of co-operatives, its application was not commensurate to the expansion and diversification of these companies and the related tax laws represented serious constraints for the promotion of the sector.³⁶

In its initial stage, the EHO co-operative sought cheaper solutions to the overall problem of workers' housing. Collective houses included commercial

33 Honorable Cámara de Diputados, *Reporte diario de sesiones*, p. 306; Rodríguez Tarditi, *Juan B. Justo y Nicolás Repetto*.

34 Socialist leaders J B Justo, N Repetto, Á M Jiménez and E Dickman, physicians, together with 15 workers, were the founders of the co-operative. Ballent, *Socialismo, vivienda y ciudad*, p. 14.

35 Cartañá, *Historia de una Cooperativa*, pp. 75–84.

36 Repetto, *Lecciones sobre cooperación*, pp. 220–30.

premises and could be found both in the downtown area and in the outskirts, together with the co-operative's consumer outlets. The aim was to offer clean, comfortable dwellings for a rent below a third of workers' wages.³⁷ The founders' approach also emphasized the significance of developing consumer co-operatives, since they were considered a clear manifestation of the economic power of the working class, and also because "...[co-operatives] improve the members' way of living, they accelerate the industrial revolution by bypassing small producers and traders, and at the same time, they are a proof of education."³⁸ Thus, EHO started its consumer section and it had two grocery stores by 1913. That same year, the EHO set up an official publication called *La Cooperación Libre* in order to provide reference material and as an instrument for an active campaign to disseminate co-operative principles.³⁹

Parallel to its commercial development, EHO expressed its permanent institutional concern over the observance of the co-operative principles.⁴⁰ Hence, in 1919, it supported the first congress of Argentinean co-operatives in Buenos Aires, in which 36 delegates representing 21 co-operatives took part. In this congress, the co-operative movement defined the distinctive characteristics of true co-operatives, established the general bases for their administrative organization, determined the points that legal regulations should include in order for these societies' legal status to be consistent with their goals, and stated the need to purchase collectively and to group co-operatives under an umbrella organization. In 1923, the EHO set up a credit union, in which the funds of around 20 workers' societies were deposited.⁴¹ This initiative was central to the growth of EHO, as was illustrated by its increasing corporate membership (see Table 19.5).

Since its origins EHO encouraged international integration of the co-operative movement and it was one of the first non-European co-operatives to be admitted to the congress of the ICA in Hamburg in 1910.⁴² The different

37 Repetto, *Como nace y se desarrolla una cooperativa*, pp. 26–7.

38 J B Justo, cited by Dardo Cúneo, *Juan B. Justo y las luchas sociales en la Argentina*, p. 182. (authors' translation).

39 Rosín, *El Hogar Obrero en la vida social argentina*, p. 46.

40 Vainstok, *Una experiencia de crecimiento cooperativo*, p. 96.

41 Repetto, *Lecciones sobre cooperación*, pp. 220–30.

42 The Rev. William Casnodyn Rhys, secretary of Compañía Mercantil del Chubut co-operative, attended the first international co-operative congress in 1895. However, this co-operative was not recorded as a member of the ICA at that time and it transformed into a traditional enterprise in 1911. The report on the Hamburg congress lists two Argentinean members of the ICA: EHO (for which J B Justo attended as delegate) and Sociedad Cooperativa de Pan, located in Rosario, Santa-Fe province. ICA, *Report of the First International*

boards of the co-operative shared the continuous concern of maintaining permanent relations with the international co-operative movement.⁴³

Although all Argentinean urban centers were affected by the demographic growth caused by European immigration, this phenomenon was particularly sharp in Bahía Blanca, which reached 70,269 inhabitants by the pre-First World War period. The first co-operative organizations in this urban and strategic nexus between Buenos Aires and the Patagonia region emerged in the beginning of the 1910s. These organizations were also inspired by EHO's success in Buenos Aires. Taking advantage of workers' protests and of previous agricultural and consumer co-operative experiences in the region, Sociedad Cooperativa Obrera Limitada (CO) was created in October 1920 in an assembly attended by 173 workers.⁴⁴ The assembly aimed to install a mill and a bakery to avoid intermediaries and to fight speculation in the price of bread, based on the co-operative philosophy on fair prices.⁴⁵

During its first years, the bakery faced technical difficulties, conflicts with the bakers' union and lack of experienced managers in a time of unstable cereal prices. Its main challenge, however, was the opposition of local commercial adversaries to its low price policy. A press organ was then created with the purpose of counteracting this negative campaign and in 1923 distribution of the official newsletter *La Cooperación* started. This newsletter sought to act as link between associates and the co-operative's guidelines, to provide associates with information on the organization's achievements, and to spread the co-operative doctrine.

After becoming a legally registered entity, CO managed to stabilize between 1925 and 1930, facing the choice of creating branches or consolidating itself in Bahía Blanca. Initially, it decided to expand its headquarters in order to build a pasta-manufacturing machine and a new oven. The most significant step in this stage – which was to seal the organization's fate – refers to the adoption of the sale of consumer goods among its activities. This led CO to adapt to the standardized form of consumer co-operatives.

While neighboring co-operatives were affected by debt and lack of funding, CO banned credit in order to preserve its cash flow and simply counted on

Co-operative Congress, p. 30; ICA, *Report of the Eighth International Co-operative Congress*, 1910, p. 2.

43 Repetto, *Como nace y se desarrolla una cooperativa*, p. 42.

44 Cooperativa Obrera, "85 años de la Cooperativa Obrera", p. 23.

45 As a purely trading city, the inhabitants of Bahía Blanca were closely linked to trade in terms of supply and employment opportunities. Traders therefore wielded considerable power (selling on credit was a valuable strategy to create a dependency relationship).

its own associates' financial efforts to develop the projects that would gradually come to fruition. The co-operative's bylaws were reformed in 1928 with the purpose of enabling the creation of a savings system: a financial strategy behind the substantial growth experienced by EHO.⁴⁶ From that moment onwards, this system would be one of its financial pillars.⁴⁷

The roles of EHO and CO as model companies – a condition inherent to the ideal form of consumer co-operation – should be highlighted. Their interest and respect for the principles that determined the founding of EHO and CO and directed their institutional development – such as the promotion of co-operation – should also be praised. Moreover, by systematically promoting and providing support to federations and primary organizations, as well as to cultural centers and co-operative related research institutions, EHO became a key player in the process of achieving vertical integration at the national level in a fairly early stage.

Although the country's first federation of co-operatives – Federación Entrerriana de Cooperativas Agrícolas⁴⁸ – emerged in the rural sector in 1922, only ten years later urban consumer co-operatives joined Federación Argentina de Cooperativas de Consumo (FACC) on EHO's initiative. At its founding meeting, 26 consumer co-operatives representing 40,000 members elected its temporary board and approved its bylaws.⁴⁹ FACC's actions were based on the principles of co-operation, establishing cash sales for members only and deeming credit a bad practice. In the initial meeting, the issues of rebates for surpluses and political and religious neutrality were also raised. Until 1946

46 Cooperativa Obrera, "85 años de la Cooperativa Obrera", p. 37.

47 Cooperativa Obrera, "85 años de la Cooperativa Obrera", p. 39.

48 Kaplan de Drimer and Drimer, *Las cooperativas*, p. 520.

49 The objectives set out in the by-laws were: to encourage the dissemination of the doctrine of consumer co-operatives and its development, based on the Rochdale principles, for the sake of the moral and material betterment of the people; to awaken the co-operative spirit of partnership in the popular masses; to contribute to the founding and progress of co-operatives; to defend the economic and moral rights of co-operatives; to obtain the adoption of necessary legislative measures that respond to the co-operatives' needs, and to monitor their specific application; to encourage the technical and administrative progress of societies through mutual exchange of any knowledge gained through experience; to encourage co-operatives to adopt the best administrative and technical standards in their internal management and accounting model; to promote and sustain mutual economic relations between the companies with the purpose of making joint purchases; whenever advised by the joint purchasing movement, the co-operative will be organized as a wholesale society; to carry out all acts suggested by experience and circumstances for good co-operation. Carracedo, *El Hogar Obrero*, p. 78.

TABLE 19.2 *Societies affiliated to FACC, 1932–1946*

Year	Consumer co-operatives	Members	Capital*	Products distributed*	Surplus distributed*
1932	10	27,051	38,602,490	154,037,782	1,846,122
1933	13	28,355	37,284,379	151,283,723	2,583,870
1934	14	31,030	50,689,213	205,857,064	2,282,785
1935	15	34,425	56,252,868	181,984,158	1,121,409
1936	19	35,503	56,374,094	164,045,002	670,917
1937	28	39,107	59,447,402	172,066,265	1,709,773
1938	32	44,938	66,904,356	187,731,465	3,760,177
1939	35	49,452	76,950,389	238,780,443	7,138,960
1940	39	53,672	86,272,024	243,789,706	6,571,414
1941	53	57,066	105,328,112	267,464,618	7,542,315
1942	56	63,020	117,943,304	310,190,332	10,951,941
1943	57	70,499	142,891,076	418,715,174	18,342,860
1944	66	82,805	177,794,352	439,930,003	9,727,118
1945	72	100,490	185,126,531	507,373,671	13,913,949
1946	90	117,377	196,115,321	462,591,067	18,156,285

* Figures in Argentinean pesos, at 2011 constant prices, estimated by Dirección Nacional de Estadística y Censos for the years 1914–1942 and Instituto Nacional de Estadística y Censos for the years 1942–2011.

SOURCE: CAVALLONE BREBBIA, *COOPERATIVISMO. SOCIEDADES COOPERATIVAS EN LA REPÚBLICA ARGENTINA*, P. 167.

FACC represented consumer co-operatives and those co-operative organizations and federations which had a consumer section or sold products intended for consumption. The 90 co-operatives represented by FACC in 1946 showed that its membership had increased more than 20 times since 1932 (Table 19.2).⁵⁰

FACC developed social activities of a technical nature, such as representation, legal defense, links and advice to primary consumer co-operatives, together with co-operative education and outreach. From 1940 it also undertook economic activities including wholesale purchasing and distribution of items for associated co-operatives, which led FACC to act as a wholesale supplier and to have its own label on some items, sale volume permitting. In 1947, the FACC acquired facilities to carry out its activities thanks to a loan from the EHO. The FACC subsequently opened a wholesale warehouse whose performance was

⁵⁰ Cavallone Brebbia, *Cooperativismo*, p. 167.

linked to a traditional system of domestic purchases – as petit wholesaler – and to the transfer of prices, in many cases not competitively, to co-operatives. However, unlike European co-operative associations, who produced most of the products distributed in their own industrial plants to guarantee better quality and prices, FACC was limited in its ability to act in an intermediary capacity.

Since one of the concerns of the federation was the dissemination of the co-operative doctrine and its popularization as a system of distribution, its work achieved a significant development through the publication of different materials and, from 1938, the creation of the School of Co-operation. Although both activities were interrupted in 1961, its editorial work bridged a wide gap in the subject, for co-operative publications were few and often sectorial.

The Expansion of the Consumer Co-operative Sector

The Emergence of an Internal Market and State Intervention

The coup d'état staged in 1930 opened a period of successive ruptures of the institutional democratic order that affected co-operatives' freedom of activity, to the benefit of the interests of large monopoly businesses in the electric and agricultural sector.⁵¹ Additionally, the model based on agricultural exports began to weaken after the world crisis. As a result, the state played a gradually increasing role in economic activity, from mere crisis regulation to the definition of ever-expanding rules.

In 1933, an important bout of growth – which lasted until 1948 – was driven by currency exchange policies and the rise in the price of exports. A number of factors, like an incipient industry, a literate labor force and demanding urban markets also combined to boost the development of a new industrial trend of import substitution, based on domestic market protectionism.⁵² Thus, from 1930, economic growth was boosted mainly by the development of the manufacturing industry and by external factors and, from the mid-1940s onwards, by a wide range of industrial policy instruments like taxes, duties, regulations on foreign investment and commercial and labor laws. These policies were clearly defined in the five-year plan (1947–52) designed under the government of J D Perón with the objective of defining the necessary measures to decentralize and diversify industry and, for the first time, to promote consumer and agricultural co-operatives.⁵³

51 Del Río, "El cooperativismo en el 2° Plan Quinquenal", pp. 344–6.

52 Díaz Alejandro, *Ensayos sobre la historia económica argentina*, pp. 106–7.

53 Del Río, "El cooperativismo en el 2° Plan Quinquenal", pp. 344–6.

TABLE 19.3 *Consumer co-operatives in Argentina, 1938–1945*

Year	Number of societies	Members	Capital*
1938	72	76,406	1,384,888
1939	77	80,651	1,489,112
1940	76	85,119	1,579,888
1941	78	88,370	1,705,990
1942	81	89,385	1,738,261
1943	78	90,979	2,014,089
1944	88	102,226	2,321,692
1945	94	113,463	2,269,360

* Figures in Argentinean pesos at constant 2011 prices, estimated by Dirección Nacional de Estadística y Censos for the years 1938–1942 and Instituto Nacional de Estadística y Censos for the years 1942–1945. SOURCE: CAVALLONE BREBBIA, *COOPERATIVISMO. SOCIEDADES COOPERATIVAS EN LA REPÚBLICA ARGENTINA*, P. 170.

All those circumstances favored and stimulated the development of consumer co-operatives (Table 19.3), which were also encouraged by internal rural–urban migration, mainly directed to the metropolitan areas of the country and the outskirts of the city of Buenos Aires. According to the 1947 census, internal migrants at that time accounted for 24.6 percent of Argentinean native citizens.

By 1950s, the evident expansion of the industrial sector, especially in lighter branches of industry, impacted positively on the development of an internal market and, therefore, on consumer co-operatives. The number of societies grew to 226 with 283,059 members in 1952, two and a half times the number of members in 1945.⁵⁴ Against this backdrop, consumer co-operation faced a number of challenges, some of which were related to the world crisis and others that were caused by growing competition with capitalist companies. Their performance during the second half of the twentieth century can be explained by the political circumstances – institutional instability and alternation in

54 Dirección Nacional de Cooperativas, *Registro de las sociedades cooperativas*, p. 4.

democratic order – as well as successive economic crises within the framework of neo-liberal economic policies.

The second five-year plan, set up for the period 1953–57, proposed the creation of a national and integrated system of co-operatives for domestic and foreign trade. Within consumer co-operatives, its aims were to bring production into line with consumer requirements, to rationalize purchases, solve co-operatives' supply problems, remove intermediaries, avoid speculation and guide the consumer.⁵⁵ However, the breakdown in the constitutional and democratic order in 1955 prevented its practical application. Again, during the years 1956–73, no explicit public policies concerning co-operatives were set up.⁵⁶ But the Law 20,337 – highly valued by the co-operative movement – was designed and issued in 1973, during the last year of military government.

The Food Retail Sector's Transformation and Its Impact on Consumer Co-operatives

In the 1950s, the country's food retail sector underwent deep transformations. It went from small-scale, atomized, highly specialized marketing, with no ancillary services, to diversified, large-scale marketing, which included services associated with the sale of products.⁵⁷ EHO, together with two leading national non-co-operative companies in the sector, played a significant role in this process.

That transformation process gained strength and developed in the 1960s thanks to a series of economic policies that were to facilitate and stimulate the emergence of self-service retail stores, particularly in food.⁵⁸ One key event in this process was the arrival of Minimax, a member Company of the International Basic Economy Corporation, a group with headquarters in New York owned by Nelson Rockefeller. This society was granted a series of tax advantages, later extended to include every surface area of more than 800 square meters. This led to the development of 162 supermarkets in the country in 1969, 71 of which were situated in the urban area of Buenos Aires.⁵⁹

In line with the transformations mentioned above, in the late 1960s several small local consumer co-operatives merged in an attempt to create societies capable of providing more and better services. Thus, between 1966 and 1970,

55 Del Río, "El cooperativismo en el 2° Plan Quinquenal", p. 362.

56 Levin and Verbeke, *El cooperativismo argentino en cifras*, p. 5.

57 Pastore, "Una aproximación a la comercialización de alimentos en la Argentina", pp. 50–60.

58 Pastore, "Una aproximación a la comercialización de alimentos en la Argentina", pp. 50–3.

59 Federación Argentina de Empleados de Comercio y Servicios (FAECyS), *Informe. Relevamiento sobre supermercados en Argentina*, p. 12.

the number of registered consumer co-operatives declined, even though corporate membership increased (Table 19.4). In 1972, EHO represented 54.3 percent of the consumer co-operative membership (323,318 members).⁶⁰ It managed seven supermarkets; a public limited company for the production of bread, with eleven branches of its own; an automatic plant for the production of dried and fresh pasta; two packaging plants for citrus goods and several industrial plants located in different provinces of the country to supply its supermarket branches. It also managed to secure its own supply of rice by buying it directly from agricultural producers and it engaged in processing beef, poultry and pork and preparing concentrates of fruits, vegetables and dairy products. The co-operative distributed the products under its own brand and managed to export some of its primary products to the USA and some European countries.⁶¹ The purpose of this vertical integration was to avoid vulnerability to moneylenders and the monopolistic maneuvers of big industry regulating the consumer market in combination with networks of intermediaries.⁶² EHO had built more than 10,000 dwellings and given personal loans to more than 20,000 families per year. As for consumer co-operation as a whole, it tried to provide a wider range of social services to members, including services aimed at addressing cultural and health care needs.

The 1970s were marked by a crisis in the supermarket sector, in a context of macroeconomic instability, which brought about the closure of a significant number of branches and the bankruptcy of several enterprises.⁶³ Nevertheless, it was at this time that EHO achieved a major expansion, after acquiring a property complex of buildings, facilities, equipment and consumer goods that formed the assets of Minimax. The acquisition also represented the hiring of 300 Minimax employees by EHO.⁶⁴ Following this acquisition, EHO reconsidered its policy of growth and expansion in the area of distribution with the goal of establishing a mechanism for seamless supply, under satisfactory conditions of price and quality, along with the addition of multiple outlets. This prompted the development of an industrial device that would cover co-operatives' demands for a basic list of goods.

60 Instituto Nacional de Acción Cooperativa, *Síntesis Estadística de las Asociaciones Cooperativas* (Buenos Aires: s.e., 1981), p. 58.

61 Vainstok, *Una experiencia de crecimiento cooperativo*, pp. 71–81.

62 Carracedo, *El Hogar Obrero, Vanguardia de la Economía Social Argentina*, pp. 87–9.

63 This situation can be understood as a consequence of the previous years' excessive expansion, inappropriate or poor locations and a supply focused on low profitability food and consumer goods. Pastore, "Una aproximación a la comercialización de alimentos en la Argentina", pp. 69–72.

64 Repetto, *Como nace y se desarrolla una cooperativa*, pp. 86–7.

TABLE 19.4 *Evolution of consumer co-operatives in Argentina, 1966–1980*

Year	Number of co-operatives	Members	Subscribed capital*	Paid-up capital*
1966	231	419,167	2,846	2443
1967	229	452,053	3,659	3293
1968	226	486,550	5,929	5540
1969	212	533,865	8,698	8204
1970	214	539,745	119,068	113,844
1971	232	546,432	n/d	n/d
1972	245	595,654	n/d	179,887
1973	246	660,118	261,810	250,525
1974	247	814,867	487,612	472,389
1975	246	950,675	n/d	n/d
1976	247	1,041,554	1,615,227	1,352,224
1977	265	1,102,533	3,876,860	3,285,037
1978	272	1,140,376	8,269,137	6,933,437
1979	276	1,211,460	18,811,721	17,266,445
1980	268	1,286,123	68,526,985	63,756,269

* Figures in thousand Argentinean pesos at constant 2011 prices, estimated by Instituto Nacional de Estadística y Censos.

SOURCE: INSTITUTO NACIONAL DE ACCIÓN COOPERATIVA, *SÍNTESIS ESTADÍSTICA DE LAS ASOCIACIONES COOPERATIVAS*.

Although its area of action was smaller than EHO's, CO also recorded a strong growth in sales during the first years of the 1970s, and so did its membership base, its capital and the funds of its saving bank. This was due to the opening of a supermarket in Bahía Blanca and the introduction of a self-service system in several of its trading platforms. This performance led the directive and administrative body to launch in 1974 a significant expansion of physical and human infrastructure through a "Development Plan" which was used until 1980.⁶⁵ The plan had to overcome a complex economic scenario, marked initially by inflation (in the period 1974–79 the average annual inflation rate was approximately 180 percent) and price regulation, shortages and deteriorating market conditions.

65 Cooperativa Obrera, "85 años de la Cooperativa Obrera", pp. 57–63.

In 1980, economic policy was aimed at reducing state intervention and, most importantly, controlling inflation. Trade was opened to foreign investment and the remittance of profits abroad was allowed, which boosted investments in the commercial sector. In 1982, multinational food retail chains entered the country on a massive scale, but the economic instability of the 1980s was not auspicious for the development of businesses of this type, and speculative practices dominated over cost strategies and innovation in management techniques. Food marketing circuits were transformed and these promoted the development of new retailing patterns, the creation and expansion of big distribution companies, the strong concentration of business and the disappearance of numerous small establishments. In the period between the economic censuses of 1984 and 1993, more than 64,000 retail food stores disappeared, together with almost 125,000 jobs.⁶⁶

Although the persistent macroeconomic instability slowed the expansion of large stores, EHO's supermarket chain faced a rapid expansion by financing its fixed investments with short-term funds.⁶⁷ It continued to provide very different services for thousands of members, including personal loans for home appliances, retirement insurance, the management of one of the first ATM networks in the country, and others.

Because of the inflationary process and the difficulties in replacing consumer goods, FACC had to change its distribution system for member co-operatives in 1980. EHO offered its purchasing, division and production power to FACC's member co-operatives with a markup of 1 percent to operate in wholesale prices. This system mainly benefited consumer co-operatives, which were far from Buenos Aires city, since it aimed to supply all consumers in the country at similar prices. In addition, it provided member co-operatives with the possibility to defer payments in accordance with the rotation of an assortment of items of mass consumption, which in the mid-1980s enabled a six fold increase in the percentage of distribution that was accounted for by co-operatives.⁶⁸

Thus EHO, which in 1980 accounted for 67 percent of consumer co-operative membership (1,286,123 members), in 1989 accounted for 88 percent (out of 2,145,000). EHO also kept its dominant position in terms of the dividends on capital paid by the consumer co-operatives during the 1980s.⁶⁹

66 Gutman, *Transformaciones Recientes en la Distribución de Alimentos en Argentina*, p. 13.

67 López Torres, *La Brújula Perdida*, pp. 98–105.

68 Rodríguez Tarditi, *El cooperativismo de consumo en la Argentina*, pp. 111–7.

69 Rosín, *El Hogar Obrero en la vida social argentina*, p. 58; *El Hogar Obrero, Memoria y Balance. Ejercicio anual n° 100* (Buenos Aires: El Hogar Obrero, 1989); Instituto Nacional de Acción Cooperativa, *Síntesis Estadística de las Asociaciones Cooperativas* (Buenos Aires: s.e., 1980).

EHO advised CO to deploy its expansive market strategy in the south of the country, but instead favored a gradual and systematic growth, which took place in concentric circles around Bahía Blanca.⁷⁰ With this goal, CO continued to strengthen both commercially and in its assets by taking advantage of the negative real interest rates brought about by inflation to finance its fixed investments, and by focusing on the creation of new branches in Bahía Blanca and surrounding areas.

According to CO's institutional consultant and current president of FACC, in those years the EHO undertook rapid commercial expansion in order to face the imminent entry of international chains to the Argentinean supermarket industry.⁷¹ This strategy, however, was developed on weak economic foundations (financing fixed investment with short term funds) in an uncertain economic scenario and without the careful planning that had characterized the management and administrative board of EHO in its past years.⁷²

The Crisis of EHO and the Sector's Development

Between 1989 and 1990, EHO was the country's sixth largest company in the service sector and the largest among private ones. It was also an important holding that combined retail distribution with the management of several industrial plants and a shopping center in the city of Buenos Aires. The hyperinflationary shock interrupted its ambitious expansion process, from which it could have emerged as one of the largest food retail companies in the country. EHO managed to have 1,887,304 members, a supermarket with 324 branches in Buenos Aires city and other 15 provinces, 10,960 employees,⁷³ and it was also a pivotal factor in the pricing of the basic basket of food products.

The hyperinflation crisis that hit Argentina in the late 1980s broke marketing channels across the country and severely affected EHO (in 1989 wholesale inflation was around 5000 percent, and retail inflation averaged 3080 percent).⁷⁴ In January 1990, the co-operative's relative balance was disturbed by the sudden

70 Masón, "Experiencia argentina en el cooperativismo de consumo", Documento informativo EHO/050/99, (1999), p. 44.

71 Masón, "Experiencia argentina en el cooperativismo de consumo", p. 43.

72 López Torres, *La Brújula Perdida. Historia y Crisis de "El Hogar Obrero"*, pp. 67-73.

73 El Hogar Obrero, *Memoria y balance. Ejercicio anual n° 101* (Buenos Aires: El Hogar Obrero, 1990), p. 84.

74 Canavese "Convertibilidad en Argentina: Funcionamiento de una Caja de Conversión Anclada al Dólar", pp. 10-3.

appearance of the Bonex Plan,⁷⁵ and the general mistrust in the financial system was passed on to the co-operative. EHO was forced to use its cash reserves to offset the decision of about half its members to withdraw their deposits, which had been converted into government bonds at an initial listed value of less than 30 percent. A few months later, given the worsening economic conditions, the continued fear of its members, and the lack of credit from suppliers, EHO had to mortgage some of its major assets in order to restore the liquidity needed for its normal operations.⁷⁶ The devaluation of the currency at the end of January 1991 hindered supply to its branches. This sparked a wave of rumors, and once again the members made a strong demand for reimbursement.

In a situation that jeopardized the survival of EHO and the deposits of its members, its officers asked banking societies and national policymakers for a bridge loan, guaranteed with major corporate assets, in order to regularize the financial position of EHO. This loan was never granted. This public response was a prelude of the years to come for the co-operative movement as, according to Rodríguez and Capece,⁷⁷ the EHO was treated differently from other organizations that did receive support (e.g. traditional banks affected by the financial crisis). In the years to come, the co-operative movement would receive explicitly negative treatment from the national government, lowering the institutional category of the enforcement authority, restricting the sectors of activity of worker co-operatives, and maintaining the broadcasting law – enacted during the last dictatorial government – that banned co-operatives from providing radio and television services.⁷⁸

At the beginning of 1991, EHO had to suspend its saving bank's operations and agreed to convene a creditor's meeting. This was the only option under commercial legislation to avoid bankruptcy and preserve the rights of its members and creditors, including its depositors.⁷⁹ Not only was the EHO meeting with creditors the largest in the history of Argentinean commercial law, but it also had the greatest social impact, due to the number of creditors verified (approximately 200,000), the volume of its liabilities, and the strong negative impact it had on industries, primary producers, suppliers of products sold by the

75 The Bonex Plan was an economic plan imposed on the last working day of 1989. It involved the compulsive exchange of fixed-term deposits for government bonds denominated "Bonex 89". Damill and Frenkel, "Restauración democrática y política económica", pp. 68–9.

76 El Hogar Obrero, *Memoria y Balance. Ejercicio anual n° 102* (Buenos Aires: El Hogar Obrero, 1991).

77 Rodríguez and Capece, "Las liquidaciones y el caso de El Hogar Obrero", pp. 164–80.

78 Plotinsky, "Argentina", pp. 6–7.

79 At that time, EHO's physical assets were approximately worth ARS 550 million, and its short-term liabilities did not exceed ARS 50 million, an amount equivalent to the monthly level of sales of all the Supercoop branches.

TABLE 19.5 *EHO's development, 1905–2000*

Year	Members	Paid-in social capital	Branches	Employees
1905	19	3972	1	1
1910	1294	9,379,620	1	2
1920	5512	6,775,303	3	27
1930	8692	13,815,585	4	68
1940	9599	40,975,203	3	59
1950	26,859	131,701,909	4	180
1960	67,757	93,530,462	6	206
1970	237,972	537,097,179	13	1059
1980	861,237	119,024,794	80*	4930
1990	1,887,304	45,173,829	324*	10,960
2000	2899	306,018	1*	10

* Including branches, retail stores and the headquarters of the Instituto de Educación Cooperativa.

SOURCE: REPETTO, *COMO NACE Y SE DESARROLLA UNA COOPERATIVA. HISTORIA DE "EL HOGAR OBRERO" COOPERATIVA DE CONSUMO, EDIFICACIÓN Y CRÉDITO LTDA*, PP. 26–7; *EL HOGAR OBRERO, MEMORIA Y BALANCE*.

Supercoop chain, and employment, due to the suspension of several thousand jobs (Table 19.5). From 1991 to 2005, EHO's serious financial problems continued under court supervision and intervention. This situation concluded in a normalization process with a debt repayment plan based on bonds secured by a trust comprising assets of the same value.⁸⁰

Meanwhile, in the context of the 1989 crisis, CO sought to ensure the constant supply of its zone of influence. Contrary to what happened in the case of EHO, faced with the hyperinflation crisis and the mistrust in the financial system, the members placed in CO's saving bank the deposits withdrawn from the traditional banking system. The CO guaranteed unrestricted retirement savings for its members and kept them safe from the Bonex Plan.⁸¹ CO became a modern, vibrant company with a high regional market share, 50,000 members and over 300 employees (Table 19.6). Once the acceleration in prices was over, consumers' purchasing power was left in a weakened state, leading to a substantial reduction in the activities of all businesses. The co-operative entered a decade

80 El Hogar Obrero, Documento Informativo No EHO/2012/080. Available at www.elhogarobrero1905.org.ar/sites/default/files/editores/Cumplimiento%20acuerdo%20concurasal-Resolución%20Judicial.pdf; accessed 10 January 2014.

81 Cooperativa Obrera, "85 años de la Cooperativa Obrera", pp. 73–4.

TABLE 19.6 *CO's development, 1920–2011*

Period, after financial year	Members	Paid-in social Capital	Branches	Employees
1920	173	1717	1	1
1930	1627	2,354,264	1	35
1940	3041	4,632,776	2	83
1950	8800	4,083,012	6	231
1960	12,400	1,012,188	9	140
1970	20,891	98,356,841	10	161
1980	50,886	672,576	12	343
1990	135,259	12,451	23	1023
2000	180,670	314,950	48	1649
2001	183,854	389,746	53	1945
2010	938,273	5,888,904	85	2222
2011	1,017,314	13,619,447	90	2320

SOURCE: COOPERATIVA OBRERA, *MEMORIA Y BALANCE*.

marked by price stability, economic liberalization, deregulation policies, strong competitiveness of domestic and foreign enterprises, an increasing tax burden, a relative fall in exports, and growing domestic costs. This led to profound adjustments for all industry players, aimed at achieving efficient management.⁸²

During the 1990s, CO focused its efforts on addressing the decline in activity levels experienced in its region – and in the country in general – due to the deepening neoliberal economic program and the national economic conditions that further favored the concentration of the sector and the establishment of new international supermarket chains. Faced with the emergence of large chains in Bahía Blanca, a progressive program was created to promote the expansion of CO to the various districts and territories with stores of different size and the motivation and commitment from its staff through training.⁸³

Following the fall of EHO, consumer co-operation was reduced to the presence of CO, La Estrella de Cinco Saltos⁸⁴ – 25 times smaller than CO – and a

82 Cooperativa Obrera, “85 años de la Cooperativa Obrera”, pp. 78–9.

83 Raccanello, *Cooperativa Obrera*, pp. 78–82.

84 La Estrella co-operative, with about 4,000 members, filed for bankruptcy. After regularizing its status in 2003, La Estrella established an agreement with CO for a ten-year rent of its commercial building.

modest group of institutions trying to survive. Despite the economic recession in the second half of 1990s, CO expanded towards the center of the province of Buenos Aires and almost doubled its number of branches from 29 to 57.⁸⁵

The severe financial and political crisis of late 2001 was triggered by the collapse of the convertibility regime (which set a fixed parity between the Argentine peso and the US\$) and the massive withdrawal of deposits from the financial system. This crisis was solved by restricting the withdrawal of cash from banks, and through a sharp devaluation of the currency and an asymmetric conversion of USD-denominated deposits and debts into ARS. Shrouded in uncertainty, CO had to impose limits on the operation of its saving bank, ultimately choosing to respect the currency of the USD accounts with conditions far superior to those provided by National Public Emergency Law 25,561. The traumatic end of convertibility disrupted the financial mechanism by which CO ran its business, but the alternative offered to depositors⁸⁶ saved the organization from the massive withdrawal, which at the time affected the Argentinean financial system. This resulted in a strong growth in liabilities, caused by the fact that the substantial USD debt it had with its members had been paid with depreciated ARS.⁸⁷

In mid-2003, retail trade, together with overall economic activity, began to recover. During a turbulent 2002, CO did not open new branches, but the following year it started a phase of regional expansion that was still continuing in early 2016.

The milestones of its development between 2005 and 2011 are related to its expansion, which is a persistent feature of co-operative nature and addresses both the challenges of a globalized economy, concentrated and highly competitive, and its innovative activity and its greater flexibility after changes relative to its competitors, despite the negative contingencies of the early twenty-first century. This performance allowed the consolidation of CO as a commercial leader in the region and between the small groups of co-operatives and benefit

85 Cooperativa Obrera, "85 años de la Cooperativa Obrera", p. 90.

86 In the case of USD bills, members were given the option to keep their accounts in USD and to receive the money in 18 quarterly payments, starting in March 2003 with a 2 percent annual interest or to receive ARS at a rate of 1.40 plus a Reference Stabilization Coefficient that measured inflation. The holders of accounts in ARS were given the possibility of opening term deposits in the same currency, transferring their balances to demand deposits, or dollarization under the conditions above.

87 Liabilities had decreased due to CO's lower expansion in the recession period, but the decision to respect the currency of members' deposits caused a jump in financial liabilities. The rollover of maturities made short-term borrowing decrease 44 percent, while long-term borrowing increased more than 51 times.

societies that operate in the retail market. This group concentrates around 4 percent of the retail market, but 77 percent of that share is accounted for by CO. In 2010, CO was in eighth place among the country's leading companies in the hypermarket and supermarket sector. As the second largest consumer co-operative in Latin America, CO has 103 branches in 50 cities, in four Argentinean provinces, and employs around 2700 people.⁸⁸

Conclusion

The development of Argentinean consumer co-operatives gained prominence in the first decades of the twentieth century, with the founding of several societies in the main urban centers. Some of them were closely linked to trade unions and socialist leaning professional associations. Those co-operatives were formed as an alternative to a retail sector that showed little correlation with the needs of the popular sectors and used sales on credit as an instrument to create ties of dependence. The consumer co-operatives' significance lay in the role they played as active advocates of consumer rights and benchmarks for prices in the regions where they had a presence. In addition, consumer co-operatives worked for the promotion of co-operative education and the integration of the national co-operative movement.

The emergence of co-operatives was related to other associative formats adopted by the labor movement and to the action of groups affiliated with diverse ideological identities. In all cases, these groups' practices aimed to improve the quality of consumer products and to ensure weights were accurate and prices reasonable. Co-operatives based their operations on the principles of Rochdale, which favored the associative dimension so central to "classic" consumer co-operatives. This double dimension – economic activity and associative nature⁸⁹ – was manifest in a simple group of organizations, where part of the members played an active role in the management of the societies.

Since its inception, the co-operative movement stood aloof from political influence. While it did not denounce the political leanings of its main leaders,

88 Cooperativa Obrera, Balance Social Cooperativo. Ejercicio N° 102. 1° de marzo de 2012 al 28 de febrero de 2013 (Bahía Blanca: Cooperativa Obrera, 2013), p. 31. Available at www.cooperativaobreracoop/media/files/2013/08-agosto/balance-social-2013-cooperativa.pdf; accessed 1 June 2012.

89 Vienney, *Socio-économie des organisations coopératives*, pp. 155–94.

which were especially in line with socialism, the movement tried to maintain its neutrality and autonomy from the state and from political parties.

Progressive territorial growth from the creation of new co-operatives in urban areas intensified in the mid-1940s. Consumer co-operatives had a reputation as fair distributors of scarce goods, strengthening their organizational link with the FACC and the rest of the co-operative movement. The expansion of the supermarket industry, successive economic crises and the exacerbation of inflation – which gave rise to supply shortages and speculation – negatively impacted on the development of consumer co-operatives until the end of the 1950s. Only a few managed to survive these decades' adverse scenarios and achieve significant success. Most co-operatives had to merge with others in order to achieve scale, or they were forced to accept their displacement from the retail market, as they had a very low level of territorial articulation, due to distances, shortage of capital and lack of technology.

On the other hand, the market logic exacerbated the efficiency processes of the business structure and as a result, consumer co-operatives began to develop an oversized economic dimension, which overcame their associative density. The most significant change in the movement's development began to occur in the mid-1950s, when the first self-service supermarkets were established: the first in 1955 by EHO and the second in 1960 by CO. At this juncture, the idea and management of supermarkets underwent a change, related to the need to recruit new members and the dominance of a kind of relationship between supermarkets' employees and users that was different from the one manager and employees used to have with the co-operative members. In the recruitment processes, the consumer-client profile was stressed, at the expense of the original requirement of belonging to a specific social category. Thus, the co-operative's social composition lost its distinctive character as it widened its membership to include all the population and its retail-specific activities became the exclusive focus of specialized professional agents.

Concerning operational rules, co-operatives kept their autonomy, as they controlled the allocation circuit of their own surplus revenues: pro rata return on sales, reinvestment in own businesses, a savings bank system, etc. In this way, the commercial activities of consumer co-operatives were shaped by competition with non-co-operative companies. The latter were able to have higher profit rates, with lower sale prices, as their economic position made negotiation with suppliers easier.

Compared to consumer co-operatives in other countries, the Argentinean case seems to replicate similar situations of change and crisis due to a competitive and uncertain environment. These led them to adopt mechanisms

of institutional isomorphic change copied from other enterprises' successful models, which could provide legitimacy and cost savings.⁹⁰ Thus, the original rationale, that co-operation was a buffer against the effects of capitalism, was weakened by an adaptive logic, functional to that production model. While some authors state that this trend expresses the need to adapt to historical changes, others argue that it reflects the loss of sense and purpose.⁹¹ In both cases, they stress the importance of recovering the co-operative's potential to promote democracy and introduce co-operative values in business conduct. This means the possibility of combining organizational democracy and business efficiency and widening the commitment of co-operatives to social responsibility. The ability to articulate a comprehensive vision (ecological, economic and social), a vision able to address current challenges, is the guarantee necessary to reaffirm a co-operative culture that fosters thinking locally in order to create a future project and ensure internal cohesion. The strategy of rehabilitation and strengthening of the co-operative identity may fit into the general goal of protecting and developing consumers' rights and into the co-operative's capacity to combine its members and workers' involvement.

Loyalties to the organization and members' participation on the society's board are difficult issues. Thus, explicit efforts are required to promote a cohesive and stable culture within the framework of these organizations' purposes, as their legitimacy is beyond doubt. Organizational effectiveness requires strengthening co-operative identity, as well as recovering the co-operatives' capacity for action as democratic consumer organizations, able to influence community development and collaborating with actors and institutions with associated purposes.

90 Bager, "Isomorphic Processes and the Transformation of Cooperatives", pp. 35–59; Birchall, "Some Theoretical and Practical Implications", pp. 29–54; Brazda and Schediwy, "Esbozo histórico de las cooperativas de consumo", pp. 105–36.

91 Brazda and Schediwy, "Consumer Co-operatives on the Defensive", p. 25; Müller, "The Consumer Co-operatives in Great Britain", pp. 48, 105; Brazda, "The Consumer Co-operatives in Germany", pp. 190, 196.

Fighting Monopoly and Enhancing Democracy: A Historical Overview of US Consumer Co-operatives

Greg Patmore

While the United States (US) consumer co-operative movement did not become a dominant player in US retailing, as part of a broader co-operative movement it did capture the support of three presidents and fluctuating support from the labor movement. It was able to play an important role in certain communities in particular regions of the US. The consumer co-operatives were able to gain a national profile through organizations such as the Co-operative League of the USA and the National Co-operatives Inc.

The literature on the US consumer co-operative movement is patchy. Florence Parker and more recently John Curl have provided long-term analysis of the consumer co-operatives within the broader US co-operative movement.¹ John Leiken and Joseph Knapp look at more specific periods, with Leiken focusing on the Gilded Age of US history and Knapp on the interwar period, and neither focusing particularly on consumer co-operatives.² Anne Knupfer has recently examined the rise of food co-operatives since the 1930s.³ There is some interest in the regional patterns generally of co-operation, dating from the volume edited by Herbert Adams in 1888 to the more recent study of rural co-operatives in Minnesota from 1859 to 1939 by Steven Keillor.⁴ The weakest period of analysis relates to the decline of consumer co-operatives in the post-war period. Fortunately there are detailed studies of the two largest failures – the Berkeley Co-operative and the Greenbelt Co-operative in Maryland.⁵

Against the background of this literature and with the use of some additional archival sources, this chapter will focus on the history of US consumer co-operatives over three periods. It will firstly look at the various experiments

1 Curl, *For All the People*; Parker, *The First 125 Years*.

2 Knapp, *The Advance of American Co-operative Enterprise*; Leiken, *The Practical Utopians*.

3 Knupfer, *Food Co-ops in America*.

4 Adams, *History of Co-operation in the United States*; Keillor, *Co-operative Commonwealth*.

5 Cooper and Mohn, *The Greenbelt Co-operative*; Fullerton, *What Happened to the Berkeley Co-op?*

with consumer co-operatives, particularly by the labor movement, during the nineteenth century. The chapter then explores the first half of the twentieth century when the consumer co-operative movement reached its peak in the US. The final section of the chapter focuses on the developments since the Second World War, when the consumer co-operative movement went into decline, focusing on the Berkeley Co-operative as a case study. There was a slight resurgence of consumer co-operatives in the late 1960s and 1970s arising from the protest movement on a range of issues including the Vietnam War and the environment.

The Nineteenth Century

The interest in the notion of co-operation first appeared in the US in the late 1820s. John Kaulback, a Boston tailor and member of the New England Association of Mechanics, promoted the idea of a buying club to procure basic goods in 1844 as a way to promote attendance at association meetings. This led to a store being opened in 1845 and ultimately the formation in January 1847 of the Workingmen's Protective Store, which had twelve stores. While the founders knew little about the contemporary Rochdale society, there was adherence to the principles of equal voting and cash sales.⁶ By October 1852 the movement had become the New England Protective Union, covering both farmers and workers, with 403 stores. There was even a protective store wholesaler, called the Central Agency. These protective stores declined in the face of internal discord, competition from non-co-operative retailers and the disruption arising from the Civil War. However, three of these stores were still in operation in 1888.⁷

The ideas of the Rochdale movement began to attract interest in the US from the 1850s. One significant influence was the work of George Jacob Holyoake, an English co-operator, whose pamphlet entitled *Self-Help by the People: History of Co-operation in Rochdale*, was first produced in a summary form in the *New York Tribune* before the Civil War. US co-operators saw a number of advantages in regard to the Rochdale approach. While the Protective Union approach relied on membership fees, the Rochdale consumer co-operatives accumulated capital through the sale of shares to members. There were an estimated 100

6 For a discussion of the Rochdale principles see Chapter 3.

7 Bemis, "Cooperation in New England", pp. 18–26; Keillor, *Co-operative Commonwealth*, p. 15; Leiken, *The Practical Utopians*, p. 3; Parker, *The First 125 Years*, pp. 3–4.

stores opened for business during the Civil War with many of them drawing from Rochdale principles.⁸

Following the Civil War there were movements among farmers and workers, which encouraged consumer co-operatives. In rural areas railway construction assisted the development of agriculture and settlement allowing farmers and their co-operatives access to wholesalers and manufacturers. The Patrons of Husbandry or the Grange Movement, which was founded in Washington in December 1867, aimed to remove middlemen and bring consumers, farmers and manufacturers into “direct and friendly relations”. The Grange sponsored Rochdale co-operative stores and they spread throughout New England, the mid-west, the south and across to the Pacific coast. Their efforts at co-operation spread to manufacturing, grain elevators, banking and insurance. Problems arose from the insistence on cash transfers, with farmer members withdrawing because of the failure to provide credit. Where credit was given, this created serious financial liabilities for the co-operatives. There were also problems attracting immigrant farmers and objections to extension of membership beyond farmers who worked their own land. While some stores continued to operate, the Grange movement had lost its momentum by the mid-1880s.⁹

There were also labor organizations that encouraged co-operatives such as the Knights of St. Crispin and the Knights of Labor. While the focus of the Knights of Labor shifted from 1884 to a “co-operative industrial system”, its 1878 constitution called for “distributive co-operatives”. By 1883 the Knights of Labor had organized between 50 and 60 co-operative stores. While they operated generally on Rochdale principles, they were closed organizations that admitted and traded only with members of the Knights. Stores were organized particularly in towns where the only retailer was a company store. While the Knights of Labor collapsed in the 1890s, some of its co-operative stores continued to operate.¹⁰

Another organization that encouraged consumer co-operatives was the “labor exchange” movement, which began in Missouri in 1889. Members were asked to bring any “product of labor” such as a handicraft to the labor exchange where they would receive a check for its estimated wholesale value. The check could be used to buy any article on display, such as food, clothing and home wares. While the national leadership of movement opposed conventional co-operation, these exchanges developed into Rochdale consumer co-operatives

8 Leiken, *The Practical Utopians*, pp. 5–6.

9 Keillor, *Co-operative Commonwealth*, pp. 38–9; Parker, *The First 125 Years*, pp. 10–5.

10 Parker, *The First 125 Years*, pp. 16–21.

in California and Washington State. The labor exchange organized in Dos Palos, California in 1896 became the Das Palos Rochdale Co. in 1899, remaining in business until 1920.¹¹

There was an attempt to establish a national body for co-operatives in the 1890s, when co-operatives formed the Co-operative Union of America in September 1895 at Cambridge Massachusetts, in order to act as an educational and coordinating body for local co-operatives. The Co-operative Union joined the International Co-operative Alliance and issued a newspaper. It only had 14 members in the north eastern US and faced financial difficulties. Following the dissolution of the Cambridge Co-operative Association, which was its major sponsor, it collapsed in 1899.¹²

While the broader attempts to establish consumer co-operatives failed in the nineteenth century, there were a number of independent consumer co-operatives in various locations that operated for varying periods. The Union Co-operative Association No. 1 in Philadelphia, the first known co-operative store in the US based on Rochdale principles, was organized in December 1862 and opened its first store in April 1864 with 23 members. Thomas Phillips, one of the founders, obtained directly from the Rochdale pioneers in England their constitution and other relevant documents. The co-operative increased the number of stores from one to three, but membership and sales did not match the expansion's expenditure, and the store closed in November 1866. More successful was the Philadelphia Industrial Co-operative Society, which was also based on Rochdale principles and operated from 1874 to 1890. The Lonaconing Co-operative in a western Maryland coalfield operated from 1874 to 1921, when an economic downturn led members to dissolve the co-operative, with each member receiving the full value of their shares plus a bonus of 20 per cent. On the Pacific coast the first consumers' co-operative in California was organized in 1867 and called the Co-operative Union Store, but only lasted a short time.¹³

Despite some local successes, the future of consumer co-operatives in the US did not look very promising at the end of the nineteenth century. In a report on the US to the first International Co-operative Congress in August 1895, Edward Bemis from the University of Chicago noted "there are probably ten failures to one success, and even the successful organizations, with few exceptions, are not growing much".¹⁴ He further stated that the "lack of the co-operative spirit,

11 Parker, *The First 125 Years*, p. 22.

12 Parker, *The First 125 Years*, pp. 23–4.

13 Bemis, "Co-operation in the Middle States", pp. 141–3; Neptune, *California's Uncommon Markets*, p. 4; Parker, *The First 125 Years*, pp. 25–6.

14 Bemis, "The United States", p. 377.

the stimulus to individualism, the migratory character of our people, and the failure thus far to appreciate the importance of small economies, probably account for the weakness of distributive co-operation in America".¹⁵ Limited data from the US Bureau of Labor Statistics indicate that there were only 96 consumer co-operatives in 23 US states in 1900. Of these they were primarily found in Massachusetts (20), Kansas (10), Minnesota (10), California (6) and Texas (6). While there was a move to establish a co-operative wholesaler in California, there were no wholesalers or federations elsewhere. Consumer co-operatives tended to run their own small retail business with virtually no contact with other co-operatives.¹⁶

1900–1945

There were fluctuations of interest in US consumer co-operatives during the first half of the twentieth century. There was a gradual expansion of interest in co-operatives between 1900 and 1910 in the context of criticism of the high prices set by monopolies. Socialist and farmer groups promoted them as means to redressing injustice and eliminating waste. The movement remained uncoordinated however, with 343 co-operatives in 1905: 138 in the mid-west and 98 in the far west of the US. One example of enthusiasm for retail co-operatives was the Pacific Coast Co-operative Union formed in November 1899 at Oakland California to study and promote co-operative ideas. It purchased a small warehouse in San Francisco and renamed it the Rochdale Wholesale Company. New stores averaged nine per year and by 1906 there were almost 100 throughout California. Attempts to co-ordinate wholesaling operations did not produce good financial results and by 1913 fewer than 30 of the co-operative stores remained. There was a further attempt to revive interest with the formation in 1913 of the Pacific Co-operative League (PCL), which encouraged consumer co-operatives through the establishment of buying clubs. Stores could only be established if they met certain capital and membership requirements. The Rochdale Wholesale Company eventually became a subsidiary of the PCL. Another organization called the Right Relationship League (RRL), which was formed in Minneapolis in 1905 and organized on a regional basis, encouraged locals to get enough members and capital and then buy an existing store to eliminate start-up costs and not increase the level of competition. The owner

15 Bemis, "The United States", p. 377.

16 Parker, *The First 125 Years*, pp. 35–5.

of the old store generally became the manager. By January 1908 the RRL had 47 stores located in western Wisconsin and Minnesota. There were financial management problems and the League discontinued operations in 1915.¹⁷

One particularly notable feature of this period was the role of immigrant groups such as the Finns in Michigan, Minnesota and Wisconsin in actively promoting co-operation. While there were political differences within the American Finnish community, they were more radical than most other immigrant communities and strongly influenced by socialist ideals. They arrived too late to obtain the best homestead land and were further radicalized through having to find work in mines and lumber camps. They played an active role in strikes, such as the Mesabi Iron Range strike in 1907, which led to many of them being blacklisted and forced to farm marginal land to survive. An example of a Finnish co-operative was the Farmers' Co-operative Company, which was founded at Hancock Michigan in 1914, following their participation in a copper mining strike. Finns formed the Co-operative Central Exchange (CCE), a Wisconsin based wholesaler, in 1917. One of the long-term issues for these co-operatives was the replacement of Finnish by English as the language of co-operative business as more non-Finns joined them.¹⁸

While there were some problems with the survival of co-operatives at the local level, there were continued efforts to establish a national organization that could co-ordinate them. James and Agnes Warbasse held a meeting in their Brooklyn home in January 1916 that launched the Co-operative League of the United States to promote co-operative education and bring together the co-operative movement. James Warbasse was president of the League from 1916 until 1941 and Agnes served as educational director from 1916 to 1928. The League produced *The Co-operative Consumer* and organized its first national conference in September 1918 that attracted 185 delegates from 386 co-operatives. In 1922 the League also adopted the "Circle Pines" seal, showing two pine trees surrounded by a circle.¹⁹

The establishment and growth of the Co-operative League was assisted by the impact of the First World War. The co-operatives also found support from both unions and farmers. Unions were particularly concerned about rising prices, profiteering and a declining standard of living. At its November 1916

17 Keillor, *Co-operative Commonwealth*, pp. 221–5; Neptune, *California's Uncommon Markets*, pp. 4–6; Parker, *The First 125 Years*, pp. 39–54.

18 Keillor, *Co-operative Commonwealth*, pp. 310–1; Kercher, Kekber and Leland, *Consumers' Co-operatives in the North Central States*, pp. 18–33, 262, 264; Parker, *The First 125 Years*, p. 69.

19 *New York Times*, 24 February 1957, p. 85; Parker, *The First 125 Years*, pp. 56–8, 108.

convention the American Federation of Labor (AFL) appointed a committee to investigate co-operatives, which reaffirmed its support for co-operation at the following year's convention and called for the appointment of a lecturer for one year to promote consumer co-operatives. While affiliates did not provide sufficient funds for the appointment of the lecturer, the AFL lobbied the federal government to exempt co-operatives from income tax on accumulated savings.²⁰

Unionists played a key role in organizing co-operatives between 1917 and 1922. Coalminers and railway workers were particularly active in organizing consumer co-operatives, with very successful co-operatives being formed by the United Mine Workers in Illinois, Ohio and Pennsylvania. In 1918 Seattle workers formed the Seattle Consumers Co-operative Association, which claimed 1460 members, eight grocery stores, a coal yard and two tailor shops in October 1919. The post-First World War economic downturn, financial management issues and inadequate capitalization helped aid its demise in 1920. There was also a push towards co-operative wholesaling with five regional wholesalers being organized between 1915 and 1919 and a National Co-operative Wholesale Association being formed in 1919. The high point of interest in co-operatives was the Farmer-Labor Conference held in Chicago in November 1919, which brought together representatives from farm organizations, unions and co-operatives. It adopted a national co-operative manifesto and appointed a joint board for developing co-operatives. A second conference in February 1920 aimed to bring together co-operative consumers and eliminate speculators. The All-American Co-operative Commission was formed as a result of these conferences, but failed to gain endorsement from the AFL and received a lukewarm response from the Co-operative League. Despite this, it is estimated that there were 2200 consumer co-operatives in active operation by the end of 1920.²¹

Despite the optimism at the end of the First World War, the consumer co-operatives faced major challenges during the 1920s. There was a post-war economic recession and unions faced increased challenges in an increasingly anti-union environment, with employers establishing company unions

20 AFL, *Report of Proceedings of the Thirty-Seventh Annual Convention held at Buffalo, New York November 12 to 24, inclusive 1917*, pp. 308–10; AFL, *Report of Proceedings of the Thirty-eighth Annual Convention held at St. Paul, Minnesota June 10 to 20, inclusive 1918*, p. 132; AFL, *Report of Proceedings of the Fortieth Convention held at Montreal, Quebec, Canada June 7th to 19th, inclusive 1920*, pp. 176–80.

21 Campbell, *The Consumers' Co-operative Movement*, p. 41; Frank, *Purchasing Power*, pp. 145–52; Parker, *The First 125 Years*, pp. 59–80.

to supplement bona fide unions. In the wake of the Russian Revolution and major strikes in 1919 and 1920 there was a "Red Scare" which challenged collective organizations such as co-operatives and trade unions. There were also a number of scandals involving bogus co-operatives, whereby private promoters used co-operatives as a means of obtaining money for their own purposes, and disillusionment among organized workers with the number of co-operative failures. Even when prosperity returned in the mid-1920s, consumers were turning to installment plans or hire purchase to buy goods and co-operative store members demanded more access to credit, forcing co-operatives to increase their financial liabilities.²²

Against this background there was a decline in the number of co-operatives and the general collapse of co-operative wholesaling in the early 1920s. Many regional wholesalers and the National Co-operative Wholesale Association went into liquidation, as did many of the local co-operatives associated with them. For example, by 1921 the PCL in California had developed into a total of 47 societies in California, New Mexico, Nevada and Arizona, with a membership of approximately 15,000. There were criticisms of the PCL for being centralized and too autocratic, with ultimate power resting in the hands of three individuals. Only twenty per cent of the business of the local co-operatives was being channeled through the PCL. There was a drive to raise US\$50,000 to overcome financial liabilities and a new body, the Pacific League Co-operative Stores (PLCS), was organized to act as operating manager of the whole chain. The PLCS, however, breached Rochdale principles by having voting on the basis of the number of shares, with the three leading individuals of the PCL becoming trustees of the PLCS and given 51 per cent of the total stock for past services. Controversy led to the PCL's permit to do business being revoked and it went into bankruptcy in February 1922.²³ While some local co-operatives did continue to trade for a short period, the bankruptcy of the PCL destroyed "most of the co-operative activity" in California.²⁴

By 1930 it was estimated that there were approximately 1800 distributive co-operatives in the US, of which 1400 were general and grocery stores. Other distributive co-operatives included petrol stations, bakeries and restaurants. The movement was strongest in Minnesota, Michigan and Wisconsin, which reflected the influence of immigrant groups such as the Finns. The second

22 Consumer's League of New York, *Consumers' Co-operatives*, pp. 16–8; Parker, *The First 125 Years*, pp. 93–9; Patmore, *Worker Voice*, p. 81.

23 Parker, *The First 125 Years*, pp. 81–9.

24 Neptune, *California's Uncommon Markets*, p. 6.

strongest region was the north east, with the New England states, New York and New Jersey. There was a negligible presence of consumer co-operatives in California, following the collapse of the PCL, and the southern states.²⁵ There were also four regional co-operative wholesalers. The Co-operative League continued to promote the co-operative movement's general interests.²⁶

The co-operative movement faced both political and economic challenges during the 1930s Depression. Since 1921 there had been communist interest in capturing the co-operative movement. The issue came to a head at the 1930 congress of the Co-operative League when the communist delegates withdrew not only from the congress but also from the co-operative movement. While there were some splits at a regional level and some co-operatives joined the communists, the bulk of the co-operative movement remained committed to the principle of political neutrality. In Wisconsin the CCE responded to the communists by changing its name to the Central Co-operative Wholesale (CCW), changing its label from the red star to the twin pines and encouraging non-Finns to join. The communists formed their own wholesaler, the Workers' and Farmers' Co-operative Unity Alliance (WFCUA). While by 1934 the CCW had 34 stores in Wisconsin, the WFCUA only had four.²⁷

Despite the wage cuts, work rationing and unemployment, the collapse of co-operatives was not as great as it was in the early 1920s, with members of some co-operatives voting to leave any surplus funds in the co-operative to ensure financial stability. Although sales initially fell sharply, sales increased by 24.3 per cent in 1934 and 20.3 per cent in 1935. Between 1929 and 1934 the Co-operative League estimated that the membership of consumer co-operatives grew 40 per cent from 1929 to 1934. The co-operative movement also consolidated its position during the early 1930s. Six regional associations combined to form National Co-operatives Inc. in February 1933, a joint buying organization, as the first step towards a national organization. There were also new regional wholesalers formed in Texas, Washington and Illinois. The Co-operative League saw its membership grow from 155 societies with 77,826 members in 1927 to 1,500 local associations and over 750,000 members in 1935. E R Bowen, a former sales executive for a farm machinery company, became chief executive of the League on January 1 1934, and broadened the League to embrace the farmers' purchasing associations. He increased publicity for the

25 See however Chapter 8.

26 Long, "Consumers' Co-operation", pp. 53-4.

27 Keillor, *Co-operative Commonwealth*, p. 311; Parker, "Consumers' Co-operation in the United States", p. 97.

co-operative cause and improved its financial position, reducing its dependency on the philanthropy of Warbasse. There were also central associations of local co-operatives and regional federations of co-operatives formed to market bulk items such as petrol. The co-operative movement also encouraged youth leagues and women's guilds to encourage young people and women to join the movement. In urban areas African Americans formed co-operatives in locations such as Chicago and Harlem, which was also the headquarters for Young Negroes' Co-operative Leagues. There were also external influences with a visit to the US by the Japanese Christian co-operator Toyohiko Kagawa, which attracted considerable interest, and publicity surrounding the co-operative educational work of the Rev Dr M M Coady at Antigonish, Nova Scotia, Canada. The Great Depression generally encouraged criticism of the prevailing business system and the search for alternatives based on service rather than profit.²⁸

The co-operative movement also faced a favorable political climate with support from President Roosevelt and renewed interest from the labor movement. Roosevelt set up a Consumers Advisory Board, which included Warbasse, in June 1933 to protect consumer interests under the Codes of Fair Competition provided for under the National Industrial Recovery Act (NIRA). Roosevelt's New Deal posed an early problem for the consumer co-operatives. Under the NIRA codes there were prohibitions against rebates and discounts as they were seen as an unfair trade practice. Following protests from the co-operative movement President Roosevelt issued an Executive Order on 23 October 1933 exempting all "bona fide and legitimate cooperative organization" from the code prohibitions providing that the patronage refunds were paid out of actual earnings rather than as a discount at the time of purchase.²⁹ Roosevelt also supported the broader co-operative cause by supporting the 1934 Federal Credit Union Act, which recognized that credit unions had fared well during the 1930s Depression and provided an opportunity for all citizens to organize credit unions.³⁰ Roosevelt sent a mission to Europe in July 1936 to report on co-operative developments in Europe. Roosevelt was particularly interested in co-operatives as a "middle way" in Sweden, where co-operatives

28 Cohen, *A Consumers' Republic*, pp. 49–50; Knapp, *The Advance of American Co-operative Enterprise*, pp. 379–84, 389–90; Parker, "Consumers' Co-operation in the United States", pp. 97–8; *The New York Times*, 29 September 1935, p. F9. On African American co-operatives see Chapter 8; on Kagawa see Chapter 26; on Antigonish see Chapters 7 and 17.

29 Knapp, *The Advance of American Co-operative Enterprise*, pp. 377–8.

30 Moody and Fite, *The Credit Union Movement*, Chap. vii.

“existed happily and successfully alongside private industry...”³¹ When the report of the mission was released it was an anti-climax. While it recognized the economic and social benefits of co-operation in Europe, it doubted whether consumer co-operatives would be a panacea for the US. While there were no specific recommendations for government assistance in the report, the mission did recommend a survey of consumer co-operatives and the establishment of an agency to assist consumer co-operatives.³²

The co-operative movement also found renewed support from the trade unions. The AFL welcomed the resurgence of the consumer co-operative movement, noting the benefits of co-operatives for workers in cutting out the “middle-man”, ensuring the quality of goods and reducing prices by minimizing waste. Bowen addressed the November 1936 AFL Convention in Tampa, Florida. The AFL published a pamphlet *An Idea Worth Hundreds of Dollars* in 1937, promoting the Rochdale principles and encouraging members to contact the Co-operative League. At a local level unions also played a crucial role in organizing some consumer co-operatives. In Racine, Wisconsin Herbert Katt, a former garage proprietor and activist for the local unemployed initiated the movement towards a consumer co-operative in July 1934. The voluntary organizing committee included unionists and union members purchased over half the initial shares in the co-operative. The Racine Consumers’ Co-operative was incorporated on 24 October 1934 and it began operations as a petrol station on February 1 1935, with Katt as the manager. By May 1937 services to members expanded to include a coal department, a garage, groceries and home appliances such as refrigerators and washing machines. The co-operative had a benefit for the unions in that it was a closed union shop and union wage rates were observed. It also provided assistance during industrial disputes through donations of petrol and food.³³ While the co-operatives did receive labor support, business groups such as the Chamber of Commerce of the United States watched the growth of consumer co-operatives with concern, noting that it was “improper for government agencies to extend preferential treatment” to them as they were “but another form of competitive force” seeking to win the patronage of consumers.³⁴

31 Roosevelt, *The Public Papers and Addresses*, pp. 226–7. See also Chapter 6.

32 Knapp, *The Advance of American Co-operative Enterprise*, p. 391.

33 American Federation of Labor, *An Idea Worth Hundreds of Dollars*; AFL, *Report of Proceedings of the Fifty-Sixth Annual Convention held at Tampa, Florida November 16 to 27, inclusive 1936*, pp. 159–60, 554–6; *American Federationist*, August 1937, pp. 851–7.

34 Chamber of Commerce of the United States, *Co-operative Enterprises*, p. 3.

The favorable climate for co-operatives resuscitated consumer co-operatives in some areas where they had virtually disappeared. In California there were several factors that assisted the revival of consumer co-operatives. In 1932 the Californian unemployed organized self-help co-operatives to trade labor for food, clothing and housing. The author Upton Sinclair ran for governor in 1934 on the "End Poverty in California Movement" (EPIC) campaign and developed EPIC clubs through the state to support his campaign. While the campaign failed, the clubs became an outlet of dissatisfaction with the economic system and fuelled the formation of buying clubs and co-operatives. The visit by the Japanese Christian co-operator Toyohiko Kagawa to the Bay Area also influenced Christians to look at co-operatives as a Christian alternative to the existing system of distribution. In the Bay area a number of these buying groups and co-operatives formed the Pacific Co-operative Services, which was incorporated in January 1937 as an umbrella-buying organization that provided liability protection. This promoted further co-operatives in areas such as Berkeley, where two consumer co-operatives formed. The Berkeley Buyers Group, which was formed in 1937 and strongly influenced by church and university social networks, established a food store in Berkeley that became the Consumers' Co-operative of Berkeley in 1939. The Finnish community also formed the Berkeley Co-operative Union in 1938, which ran a petrol station and hardware store. These two co-operatives eventually merged to form the Consumers' Co-operative of Berkeley in 1947. The Bay area co-operatives entered wholesaling with the formation in 1939 of the Associated Co-operatives of Northern California, which merged with its southern Californian equivalent to form Associated Co-operatives in 1944.³⁵

One area where the US co-operative movement differed from the UK co-operative movement was in regard to women's guilds. The Northern States Co-operative Women's Guild, which was formed in 1930, was the only guild organization in the US on a regional basis. The guilds initially had all Finnish members and were found primarily in Minnesota, Michigan and Idaho. An attempt to form a national guild was unsuccessful and the main activity focused on the women's committee of the Co-operative League, which was established by the 1942 congress of the League. There were also several co-operative

35 Letter from R. Neptune to W.J. Campbell, 20 February 1937. Co-operative League of the USA (hereafter CLUSA), Box III, File – "Local and Regional Co-operatives. Associated Co-operatives." Truman Presidential Library and Archives, Independence, Missouri, USA (here after TPLA); Neptune, *California's Uncommon Markets*, Chap. 1; Randall and Daggett, *Consumers' Co-operative Adventures*, pp. 150–90.

women's associations that focused on co-operative education, but they were not organized along the lines of the women's guilds.³⁶

With the revival of consumer co-operatives in areas such as the Bay, on the entry of the US into the Second World War the movement had reached unprecedented levels of influence and membership. By 1940 the number of local retail co-operatives affiliated with the 15 regional wholesale co-operatives that formed the National Co-operative Inc. was 2328, an increase of 13.7 per cent on the previous year. The Co-operative League estimated in 1942 that there were 3,100 co-operative stores in the US with a membership of 485,000 and a total turnover of \$129,650,000. There was also a major change in the leadership of the Co-operative League. Warbasse came into conflict with Bowen particularly over Bowen's extension of the definition of consumer co-operative to include co-operative purchasing by farmer's organizations. This change broadened the League through the inclusion of farmer wholesale co-operatives and shifted the majority of the League membership from industrial workers to farmers. It also led to factions built around Bowen and Warbasse. Warbasse ultimately resigned as president of the League in 1941. Murray Lincoln, who had a background in the farmers' distributive co-operatives and was a founder of what is now the Nationwide Insurance Group, became the new president and remained in that post until 1965.³⁷

The Second World War brought forward the same opportunities and challenges for consumer co-operatives as for other businesses, such as labor shortages and difficulties with obtaining goods such as petrol. The co-operatives supported nation-wide rationing to ensure an equitable distribution of goods and assisted in drives for war bonds. One form of wartime consumer co-operatives that developed were transitory co-operatives in the Japanese-American war relocation camps and the civilian public service camps for conscientious objectors. At the war relocation camp at Manzanar, California, in June 1943 the co-operative had 7150 members with services that included a canteen, clothing shop, beauty shops and a newspaper. There were also developments in wholesaling. National Co-operatives, which strengthened its position as a national buying association during the war, entered manufacturing in 1943 with the purchasing of a chemical products company,

36 International Co-operative Women's Guild, *Report of the Committee 1937-1946*, pp. 43-4; Letter from W.J. Campbell to Emily Freundlich, 26 March 1947. CLUSA, Box 71, File - "Foreign countries, England Folder 1." TPLA; Parker, *The First 125 Years*, pp. 201-3.

37 Campbell, *Consumer Co-operatives in America*, p. 6; *Co-op News* (Berkeley), 21 November 1965, pp. 7, 28 November 1965, p. 8; Parker, *The First 125 Years*, pp. 161-5; *The New York Times*, 17 April 1941, p. 41.

which manufactured products such as cosmetics and polishes, and a milking machine manufacturer. By 1945 National Co-operatives had taken over much of the promotional work for co-operatives that had been done formerly by the Co-operative League. The Co-operative League also gained considerable kudos for its assistance to war ravaged Europe through a freedom fund and later the Co-operative for American Remittances to Europe (CARE – subsequently the E stood for Everywhere). The continued growth of co-operation attracted further concern in the established business community with the formation in 1943 of the well-resourced National Tax Equality Association (NTEA), which attacked co-operatives as “tax dodgers” and suggested they were “unpatriotic”.³⁸ The NTEA continued to be a major problem for the US co-operative movement after the war with one Co-operative League officer in 1949 describing Vernon Scott, the executive vice-president of the NTEA, as being “the co-operative movement’s worst enemy in America ...”³⁹

From 1945 to the Present

From the high point of the 1940s consumer co-operatives in the US generally went into decline. The post-war prosperity with its relatively low levels of unemployment and inflation removed the main economic factor that had driven individuals to form and maintain co-operatives. Co-operatives were also caught up in the anti-communism of the immediate post-war period, which cast doubts over the loyalty of collective organizations such as co-operatives and unions to American values. There was also increased competition from non-co-operative chain stores, which offered consumers a wider range of goods at competitive prices without the need to wait for a dividend, but less service. Co-operatives in smaller rural communities lost business to larger regional or urban centers, where there was the volume of business to justify large supermarkets. Residents, attracted by the spread of urban advertising, had greater mobility to shop elsewhere due to the car and better roads. The populations of smaller rural communities grew only marginally and even declined. Larger existing co-operatives such as Berkeley and the Great Belt Co-operative near Washington DC had major increases in members as the population of the area grew, providing opportunities to open modern supermarkets and

38 Knapp, *The Advance of American Co-operative Enterprise*, pp. 497–8, 521–5, 531; Letter from J. Bruce to C.J. McLanahan, 9 June 1943. CLUSA, Box 58, File – “Coop League New Service, Miscellaneous copy.” TPLA; Parker, *The First 125 Years*, pp. 166–7.

39 Letter from W.J. Campbell to F. Toothill, 26 August 1949. CLUSA, Box 71, File – “Foreign countries, England Folder 2.” TPLA.



ILLUSTRATION 20.1 *Goods and publications of the Berkeley Co-operative*

PHOTO: GREG PATMORE.

expand through the opening of new stores and purchasing existing ones. The Co-operative League tried to improve the efficiency of the retail co-operatives by conducting forums on business management for the board members and managers of local co-operatives and running training institutes for consumer co-operative employees. The co-operative sector was a small and declining sector of all food sales in the US. The proportion of co-operative food store sales to all food sales fell from 0.45 per cent in 1948 to 0.28 per cent in 1954.⁴⁰

An example of the decline of the US consumer co-operatives of this period was the Berkeley Co-operative, which became the largest consumer co-operative in the United States. As table 20.1 below indicates, the Berkeley Co-operative grew from 1950 to 1975. There were two strategies underlying this growth. The first was growth assisted by expansion into new areas such as Walnut Creek (1957), Marin County (1967) and the San Francisco North Point Shopping Centre (1975). The second aspect of growth involved the taking over of non-co-operative stores such as the five Sid chain stores in 1962 and the three Mayfair chain stores in Oakland in 1974. The Berkeley Co-operative

40 Co-operative League of the USA, *Co-operatives 1959–1960*, pp. 27–30; Curl, *For All the People*, pp. 189–91; United States Department of Labor, *Consumer Co-operatives*, pp. 7–14.

TABLE 20.1 *The Berkeley Co-op, 1950–1975*

	No. of members	Volume \$	Net savings \$	Member equity \$
1950	2668	959,232	32,499	166,227
1955	6019	2,658,416	109,565	471,576
1960	16,947	9,215,232	437,867	1,710,828
1965	37,200	23,231,400	890,600	3,662,800
1970	54,100	34,280,600	396,600	3,912,900
1975	80,500	69,188,900	396,100	4,421,000

SOURCE: NEPTUNE, *CALIFORNIA'S UNCOMMON MARKETS*, P. 191.

also became a center for consumer activism. It hired a home economist in 1955 to help with maintaining the quality of its merchandise and educating members on nutrition. The co-operative called for labeling standards and the co-operative home economists issued advocacy statements, the first one in 1964 calling for labeling standards. It published a low cost cookbook in 1965 and introduced organic produce in 1970. In 1968 the co-operative also supported the struggles of Californian farm workers to form a union by boycotting non-union grapes and lettuce and demanding the immediate withdrawal of the National Guard in Berkeley in 1969 after governor Ronald Reagan ordered them to end the protests in the People's Park.⁴¹

As table 20.2 below indicates the Berkeley Co-operative's finances deteriorated in the 1980s. From 1981 the co-operative began shutting stores to save costs. In 1987 there was an unsuccessful attempt to create a hybrid consumer-worker co-operative to save the co-operative, which would be half-owned and managed each by the employees and the consumers. In 1988 the co-operative filed for bankruptcy and closed the last three stores. From 1989 to 1991 the co-operative board sold off the remaining assets. The final payments were made to creditors in 1992, with a write off of members' shares of 4.4 million dollars. The Supreme Court approved the dissolution of the co-operative in May 1993.⁴²

41 Berkeley Historical Society, *A Conversation with Betsy Wood*, pp. 6–9; *Co-op News* (Berkeley), 23 June 1969, 1–2, 30 June 1969, 1–3; Curl, *For All the People*, p. 197; Fullerton, *What Happened to the Berkeley Co-op?*, pp. 93–5; Neptune, *California's Uncommon Markets*, p. 101; *New York Times*, 25 May 1969, E13.

42 Berkeley Historical Society, *A Conversation with Betsy Wood*, p. xi; Curl, *For All the People*, pp. 202–3; Fullerton, *What Happened to the Berkeley Co-op?*, pp. 96–7.

TABLE 20.2 *The Berkeley Co-op, 1981-87*

	Members	Assets \$	Volume \$	Net Losses \$ + indicates profit
1981	106,800	14,397,500	82,068,700	1,103,100
1982	106,411	13,254,000	73,211,000	865,198
1983	114,456	11,946,600	71,459,174	1,130,690
1984	116,232	8,597,000	57,459,174	81,359
1985	83,112	8,938,800	52,281,200	+131,800
1986	84,784	7,249,000	52,746,300	1,251,200
1987	87,076	5,446,700	39,853,100	1,807,200

SOURCE: NEPTUNE, *EPILOG*, P. 20.

Why did the Berkeley Co-operative collapse? There are at least six major reasons for its decline. The first reason was the expansion policy after 1962. Prior to 1962 the co-operative would only expand on the basis of purchase using accumulated funds. The purchases of the Sids and Mayfair chain stores included their debts and also customers who were not co-operative members and not necessarily loyal to the co-operative ideal. The second reason was the bitter political divisions in the co-operative. Issues such as boycotts divided the board. There were clashes between those who saw the co-operative as a business and those who saw it as a platform for political issues. There was a rule that allowed runners up to fill vacant positions. In a factionalized environment this meant that the defeated faction could obtain positions on the board if a vacancy occurred. When conservatives gained control they alienated liberal shoppers and vice versa. The third reason was the turnover of co-operative management. In 1971, with the departure of a manager with 24 years experience changes in senior management continued, which exacerbated poor decision-making and planning. Fourthly, there was a collapse in the relationship with the traditional wholesaler, Associated Co-operatives. The lack of cash flow led the wholesaler to request cash for all deliveries to the co-operative in December 1986. The co-operative then obtained supplies from a new non-co-operative wholesaler based in Los Angeles. There was criticism of the quality of goods provided by Associated Co-operatives: that the produce was not fresh as it was stored too long between purchase and delivery. The loss of the Berkeley Co-operative was a serious blow to Associated Co-operative as it was its major customer. It was forced to close its warehouse operations. Fifthly, the supermarket industry was one of the most competitive in the US, with the Berkeley Co-operative's major rival being the supermarket giant Safeways. The major chain stores adopted

many of the innovations of the Berkeley Co-operative, such as unit pricing. In the 1980s there was little effort by the Reagan administration to restrain anti-competitive practices in retailing. The co-operative's main competitive advantage was the avoidance of protracted labor disputes because of its pro-union policies. Finally, there was the loss of member support for the co-operative. There was member criticism of product quality, prices, erratic check cashing policies, the failure to pay dividends, unfriendly staff, ending of child minding services for shoppers and inability to stock new products.⁴³ The collapse of the Berkeley Co-operative on the west coast was paralleled on the east coast by the dissolution in 1991 of the Greenbelt Co-operative in Maryland, which had a peak membership of 116,018 in 1986.⁴⁴

These problems for the consumer co-operatives occurred against the background of a weakening of the level of political and industrial support for the co-operative movement following the Second World War. There was a peak of active support by the AFL and Congress of Industrial Organizations for the co-operative movement in the late 1940s, with unions encouraging members to join co-operatives and in a few cases providing union funds to assist co-operatives. There was continued political controversy raised particularly by the Republicans over whether co-operatives should receive aid through tax concessions and direct financial assistance. While the Democrat President Truman was sympathetic to the co-operative movement, it was not until the Democratic presidency of Jimmy Carter that any major initiative was undertaken in support of co-operatives. Following lobbying from the Co-operative League, the congress in 1978, with the support of Carter, established the federally funded Co-operative Bank to provide cheap finance to co-operatives. The Reagan administration moved to close the Co-operative Bank as part of budget cuts, but agreed to privatize the bank in 1981 after the co-operatives raised close to \$200,000,000 in capital for the bank.⁴⁵

While many of the older consumer co-operatives did not survive, the disillusionment with capitalism during the late 1960s and 1970s led to the formation of new consumer co-operatives at a number of locations. Protestors against the Vietnam War, environmentalists, community control advocates and civil rights activists saw co-operatives as a symbol of the counterculture.

43 Brand, "Can the Co-op Be Saved?"; Curl, *For All the People*, pp. 195–203; Fullerton, *What Happened to the Berkeley Co-op?*

44 Cooper and Mohn, *The Greenbelt Co-operative*.

45 Berkeley Historical Society, *A Conversation with Robert Neptune*, pp. 22–3; Knupfer, *Food Co-ops*, Part II; Letter from President Harry Truman to Cowden, 17 Nov. 1949. CLUSA, Box 58, File – "Cowden, Howard A. Folder 2." TPLA; Parker, *The First 125 Years*, pp. 329–33.

Some of these co-operatives have been able to prosper by specifically focusing on organic foods and locally produced goods. Current examples include the GreenStar Co-operative Market at Ithaca, which was founded in 1971 and had 8,000 members in 2011, and the New Pioneer Food Co-operative in Iowa City, which was also founded in 1971. Both co-operatives provide an opportunity for members to work in the store and receive a discount on their purchases. The growth of these consumer co-operatives followed the earlier pattern of establishing regional associations and then forming the National Co-operative Grocers' Association (NCA) in 1999. By 2012 the NCA had 121 member and associate co-operatives, which operate nearly 160 stores in 34 states and had combined annual sales of approximately \$1.4 billion. The states that have largest numbers of these co-operatives in 2011 were Minnesota (19), Washington (17) and California (11).⁴⁶

Despite all the problems for the US consumer co-operatives since the Second World War, both the Co-operative League of the US and National Co-operatives Inc. survived. The Co-operative League became the National Co-operative Business Association (NCBA) in 1985 and its membership still covers all forms of co-operatives. It conducts education programs and lobbies Congress on behalf of co-operatives. In 1991, the NCBA successfully lobbied Congress to establish the Rural Co-operative Development Grants program to encourage new co-operative businesses in rural areas. The NCBA in 2000 also successfully lobbied the Internet Corporation for Assigned Names and Numbers to create a new top-level internet domain – coop – exclusively for co-operatives. The National Co-operatives Inc., the national co-operative wholesaler, merged with an agricultural wholesaler in 1971 to form Universal Co-operatives Inc., which focuses on farmers' co-operatives and still trades under the brand name "CO-OP".⁴⁷

Conclusion

While the early US consumer co-operatives did develop their own co-operative models, the Rochdale model became the dominant form, imported through both literature and immigration. The model that evolved was based on

46 Curl, *For All the People*, pp. 214–8; *GreenLeaf*, September 2011, p. 2; <https://www.ncga.coop/> accessed on 3 Feb. 2012; <http://www.newpi.coop/> accessed on 3 February 2012; D.J. Thompson, "What's next for California's Consumer Co-op's?", p. 90.

47 Curl, *For All the People*, pp. 250–1; <http://www.ncba.coop/> accessed on 3 February 2012; <http://www.ucoop.com/index.html> accessed on 3 February 2012.

regions with a national co-operative wholesaler and a Co-operative League to co-ordinate the co-operatives and lobby the government. While the Co-operative League was initially dominated by urban co-operatives, from the 1930s farmer co-operatives became more dominant, leading to frictions within the organization. While there were women activists in the consumer co-operative movement such as Agnes Warbasse, the organization of women's guilds was weak and a national organization could not be sustained.

The growth of co-operatives was linked to issues such as the deterioration of real wages and disillusionment with the prevailing economic order. Immigrant groups such as the Finns imported their radical political philosophies and encouraged co-operatives particularly in the mid-northern states. For varying periods the consumer co-operatives obtained allies in the Democratic Party and the trade union movement. However, the tax concessions given to them provoked opposition in business groups, such as the NTEA, and the Republican Party.

The collapse of the consumer co-operative movement in the decades after the Second World War can be seen in economic and political terms. With the end of the Truman administration, the co-operatives had few allies at the national level until the presidency of Jimmy Carter, who at the Co-operative League's urging established a Co-operative Bank. The enthusiasm of the labor movement also weakened with the post-war prosperity. While there were examples of co-operatives that massively expanded such as the Berkeley Co-operative, overexpansion of the co-operative into areas where there was little sympathy for co-operatives, internal political divisions, poor management and an increasingly competitive supermarket industry contributed to their demise. While there was a burst of enthusiasm for co-operatives in the late 1960s and the 1970s it came too late to sustain the older consumer co-operatives. While there were in 2016 consumer co-operatives in the US, they do not match the scale that the movement achieved in the 1940s.

Affluence and Decline: Consumer Co-operatives in Postwar Britain

Corrado Secchi

The history of the British consumer co-operative movement has been thoroughly analyzed, by both co-operators and historians. In this chapter I am going to analyze the post-1945 period, and within that time frame I will focus on international links with other European co-operative movements. In the first section I will illustrate the situation before 1945, concentrating on the main themes to be expanded upon in postwar history. The consumers' co-operative retail movement was certainly the most important because of its size and importance within British society and history, but I will also take into account other co-operatives in housing, industry and agriculture. I will also consider separately the Co-operative Insurance Society and the Co-operative Bank, because, even if they were officially CWS ventures, their history remained quite separate from the rest of the retail consumer movement.

The British movement takes the year 1844 as its official beginning as that year marks the creation of the Rochdale Society of Equitable Pioneers. However, the first co-operatives were created in the second half of the eighteenth century.¹ From 1820, two men in particular shaped the form of co-operative societies: the socialist thinker Robert Owen with his communitarian project,² and the activist William King who founded the Brighton Co-operative Society and helped to gather support for this new form of business.³ The Rochdale Pioneers, however, were instrumental in setting strict parameters for co-operative societies, in particular through the set of principles in their annual almanac that are still today the basis for the ICA's statement on co-operative identity.⁴ Rochdale influenced the movement's development in three ways: first, from

* This chapter draws on work for the author's recent PhD thesis: see Secchi, *The Co-operative Movement in Italy and Britain*.

1 Bonner, *British Co-operation*, pp. 1–40.

2 Owen, *A New View of Society*.

3 Mercer, *Co-operation's Prophet*.

4 Website of the Rochdale Pioneers Museum; available at <http://www.rochdalepioneersmuseum.coop/about-us/the-rochdale-principles>; last accessed 19 August 2016. See also Chapter 3.

then on the British movement was dominated by consumer co-operatives; second, although socialist in its conception the movement claimed political neutrality; third, the dividend returned to members was to become a distinctive feature of the British movement, as well as an integral part of its ideology.⁵

With its strong working-class links, the movement grew steadily during the course of the nineteenth century. Like many consumer co-operative movements in Europe, it consisted of co-operatives in small towns, spreading from the industrial northwest to other areas in England and Scotland.⁶ Major cities turned out to be harder to conquer, but in 1868 there was already a foothold in London with the Royal Arsenal Co-operative Society, which became one of the most active societies thanks to its strong links to the labor movement and later the Labour Party.⁷

National organizations – the Co-operative Union (CU) and the Co-operative Wholesale Society (CWS) – were founded as advisory bodies to help societies with problems and to help jumpstart their business and community activities. The Co-operative Union (founded in 1870) was originally meant as an all-encompassing organization for all kinds of co-operatives. By the late nineteenth-century it affiliated mostly consumer co-operatives and gradually lost its original function to become the center for consumer societies only. The CWS on the other hand, founded in 1863, was built as a business organization for the consumer movement. It was meant to advise societies on how to make their purchases and to provide them with products that the movement would manufacture in the CWS factories. It was not created as an organization meant to control all purchases within the movement, although this ambition was probably in the minds of its creators.

The CWS supported many affiliated activities: the biggest were the tea plantations in Ceylon (now Sri Lanka) that allowed CWS to control as much as 20 percent of the tea market in the 1950s.⁸ It also built factories to produce its own goods for consumer co-operatives. There were also other co-operative ventures, among them were the Co-operative Insurance Society and the Co-operative Bank, which grew steadily during the twentieth century and in 2016 provided insurance and banking for millions of consumers under the banner of the Co-operative Banking Group. The Co-operative Productive Federation was another branch of the Co-operative Union, and, being so small, worked

5 Bonner, *British Co-operation*, pp. 41–116; Gurney, *Co-operative Culture*, pp. 105–31; Bailey, *The British Co-operative Movement*, pp. 35–82.

6 Purvis, “The Development of Co-operative Retailing”.

7 Rhodes, *An Arsenal for Labour*.

8 Anderson, “Cost of a Cup of Tea”. See also Wilson et al., *Building Co-operation* and Chapter 22.

closely with CWS. It was created for worker co-operatives, but its statute also allowed the membership of societies where workers held shares. Until the late 1940s, the Co-operative Productive Federation provided the president during co-operative congresses. After that the organization declined sharply because it was unable to attract new co-operatives in the 1970s.⁹

Growth and Divisions: The 1917 Impasse and the Interwar Years

By 1914 the movement had reached three million members.¹⁰ Now on a national stage, it was confronted with two adversaries: the first were the small retailers, who saw their business undermined by the spread of co-operatives and sought to counter co-operative competition with boycotts and by lobbying in parliament for legislation that would restrict or tax co-operative initiatives. The second, only emerging at the beginning of the twentieth century, were the large-scale chain stores, who first became serious opponents during the 1930s and were to become the co-operatives' fiercest enemies, and ultimately the cause for the movement's decline, after the Second World War.¹¹

The movement also contained two different ideological currents. The most important one was linked to the working-class communities that co-operatives served and argued for greater involvement in the policies of the left, but was quite conservative in respect to reforms within the movement's structure, as small co-operatives jealously guarded their independence. The other current, which had been gathering strength since the beginning of the twentieth century, argued for more centralization and for the movement to spread into urban centers. Adherents of this position regarded co-operatives as open to everyone and therefore would not go into politics with a specific party.¹² Every decision taken from 1917 onwards was the result of a compromise between these two separate views. For example, when the 1917 congress decided, under the pressure of the First World War, to go into politics, the solution was to create an independent Co-operative Party. When the Labour Party started to gain

9 Bonner, *British Co-operation*, pp. 374–8.

10 Gurney, "Co-operation, Mass Consumerism and Modernity".

11 Gurney, *Co-operative Culture*, pp. 195–238; Gurney, "The Battle of the Consumer", pp. 961–82.

12 Gurney, *Co-operative Culture*, pp. 176–92; Robertson, *The Co-operative Movement and Communities*, pp. 121–243; Gurney, "Co-operation, Mass Consumerism and Modernity"; Gurney, "Co-operation and 'New Consumerism'". The congress president, in his opening statement, formulated the idea of a single national co-operative society in 1904.

strength in the early 1920s, there was a proposal to unite the two parties but the motion was defeated by a narrow margin. The Labour and Co-operative Parties remained separate until a formal alliance was drafted in 1927.¹³

There were also conflicts with the trade unions. While the co-operatives wanted to foster an image of themselves as model employers, it was not always the case. Depending on the society, working conditions were often not a priority. Many co-operative members were hostile to workers who were also members, and sometimes the latter were forbidden to vote for fear that they might take control of the society from the consumers.¹⁴

The first half of the twentieth century was also a time of decline for the few workers' co-operatives that had formed, so much so that in 1948 the Co-operative Union included barely 120 societies that qualified as workers' co-operatives or were in the Co-operative Productive Federation as partially owned by workers. While the Co-operative Party remained independent, the Labour Party became more and more statist in its vision of a socialist society, while co-operators favored a communitarian approach. This sometimes led to disagreements between the two: for example, the Co-operative Party disapproved of Labour's reforms that led to the creation of the welfare state after 1945 because these were too state-focused. Indirectly, this left the movement open towards attack from the right. Both the rising chain stores and the small retailers lobbied the Conservative Party to pass a law that taxed co-operative surpluses and hampered the movement's ability to invest. Small retailers also managed to get resale price maintenance (RPM) approved, an agreement on retail prices explicitly conceived to protect small retailers from their larger-scale co-operative competitors. The movement campaigned vigorously against all these issues, but without much success.¹⁵

Despite these problems, and the fact that annual sales per member remained tied at around £20 during the period, the 1920s and 1930s were, for the British consumer movement, a time of unparalleled geographic expansion. Membership rose from 3 million members in 1914 to 9.3 million in 1945.¹⁶ While this impressive growth can be also attributed to the fact that after the First World War all people in a household were encouraged to become members instead of just one for the whole household, the movement expanded in new areas such as

13 Hilson, "Consumers and Politics"; Rhodes, *An Arsenal for Labour*, pp. 65–93.

14 Vorberg-Rugh, "Employers and Workers".

15 Gurney, *Co-operative Culture*, pp. 218–39; Gurney, "Co-operation and 'New Consumerism'"; Walton, "The Postwar Decline".

16 Gurney, "Co-operation, Mass Consumerism and Modernity".

the south of England, the cities and in particular London and Scotland, where the number of members tripled. The movement was also heavily involved in the campaigns for peace, spearheaded by the Women's Co-operative Guild. This contributed to deepening the divisions between co-operatives and a labor movement that supported intervention against Nazi Germany in the late 1930s, but it also contributed to increasing consumer awareness of the movement.¹⁷

Postwar Affluence: Rise of the Chain Stores and Internal Divisions

At the end of the Second World War the British consumer movement was in pretty good shape: 11 million members, a 10 percent market share and the uncontested leader in the number of self-service stores.¹⁸ Its political ally, the Labour Party, was finally in government with a strong majority (1945–1951) and able to introduce social reforms, such as the National Housing Plan and the National Health Service, creating the core of the British welfare state. However, problems were rapidly multiplying, not just in the co-operative movement but also in the British left as a whole. The Attlee government overlooked consumerist issues, such as the creation of a Consumer Council, as Labour ideology remained tied to an older, ethical view of consumption.¹⁹

The right, on the other hand, had already embraced the affluent view of granting the consumer the freedom to buy, regarding other forms of consumerism as outdated.²⁰ The Conservatives were ready to exploit this weakness of the left and came to power in 1951 with a 16 seat majority, excluding Labour from power until 1964.²¹ After rationing ended in 1954, Harold Macmillan, leader of the Conservative Party, campaigned the next year with the phrase “You never had it so good!” to describe the increase in consumption due to increasing production and higher wages. Peter Gurney has described the “battle of the consumer” that was waged in the early 1950s over which group could best represent the consumers.²² The liberal view was that new consumers’ magazines

17 Flinn, “Mothers for Peace”. See also Scott, *Feminism and the Politics of Working Women*.

18 Ekberg, “Consumer Co-operation and the Transformation”. See also *Co-operative Directory 1945*, National Co-operative Archive, Manchester.

19 Hilton, *Consumerism in Twentieth Century Britain*, pp. 137–93.

20 See Galbraith, *The Affluent Society*, and Cohen, *A Consumers’ Republic*.

21 Fielding, Thompson and Tiratsoo, “*England Arise!*” pp. 46–102. At the 1951 elections the Labour Party was still the biggest party with 48.5 per cent of the votes.

22 Gurney, “The Battle of the Consumer”, pp. 963–5. The title of the article refers to a Labour newspaper article written at the time.

like *Which?* were now the future of consumerism, as (working-class) co-operatives were outdated and were restricting the freedom of the (male, rational and middle-class) consumer to buy.

While the press depicted co-operatives as old and decaying, chain stores gained influence and were able to lobby for several important pieces of legislation that ensured their dominance, as their view became hegemonic.²³ Why was the co-operative movement, at the time one of the largest in the world, not able to present an alternative view? The first and most important reason lies with the movement's internal divisions. Its federal structure meant that power rested with the societies, meaning that the movement was quite slow to formulate a political or ideological program. Another reason was that since the 1930s the movement's efforts had gone towards the abolition of RPM, which the chain stores wanted dismissed as well. Ideologically speaking the alliance with chain stores on RPM compromised the ability of the co-operative movement to challenge them. Finally, there were also practical problems: the myriad of small societies, sometimes competing with each other, created waste within the movement on a national level. Combined with the relative small size of co-operative shops, it is not surprising that the movement was beginning to lose ground to chain stores.²⁴

The growing sense of inadequacy began to become apparent in the *Co-operative News* around 1954, with titles such as "troubling signs" or "the shape of things to come".²⁵ Co-operative Union or CWS officials, who had a larger perspective and could see the harsher environment in which societies were beginning to struggle, mostly wrote these articles. In view of these developments, the 1955 national co-operative congress created a Co-operative Independent Commission (CIC) to gather data on societies and suggest possible solutions. While the commission's main purpose was to give retail advice to the movement, the Labour Party was heavily involved, with its leader Hugh Gaitskell as president and Anthony Crosland, the party's most renowned ideologue, as secretary.²⁶

23 The most important were the white paper liberalizing television advertising (1956), and the abolition of RPM in 1964. Gurney, "The Battle of the Consumer", pp. 963–74.

24 See *Co-operative Independent Commission Report*, Manchester, Co-operative Union, 1958 and Walton, "The Postwar Decline".

25 Editorial, *Co-operative News*, 2 April 1954, p. 2; 3 January 1955, p. 4. The second editorial is signed by Hough, who at the time was the head of the Research and Statistical Department of the Co-operative Union. He also gathered the data for the Independent Commission.

26 Gaitskell (1906–63) was a British Labour politician, leader of the Labour Party and Leader of the Opposition from 1955 until his death in 1963. Crosland (1918–1977) was a British La-

The report came out in 1958 and brought new fire to the conflict already ongoing between the local societies and national institutions. The commission had enriched a mere retail report with its own consumerist vision, arguing for a shift from communities towards the individual consumer:

The ambition should be that the word Co-operative comes to be a synonym for both leadership and dependability in respect of price, quality and service. [However] in many areas, the word Co-operative is... associated with a drab, colourless, old-fashioned mediocrity... It must be said dogmatically that this is not good enough for the consumer in 1958.²⁷

The report was highly criticized as insulting towards the movement.²⁸ It should, though, be regarded as an attempt by the Labour Party to present an alternative view of consumption and influence the co-operative movement with it. Also, its thorough analysis and subsequent conclusions were undeniable.

Unable to resolve this issue internally, activists from the two sides – local societies and national institutions – looked outside Britain for successful co-operative models to take inspiration from. Both factions found them in northern Europe. Sweden was praised for its centralized wholesale and its successful market strategies; communities looked instead to Finland, where co-operatives had many organizations with two separate wholesale societies.²⁹ These examples were discussed at the 1958 special congress, where the Central Executive

bour politician and author. Throughout his long career he occupied the cabinet positions of Secretary of State for Education and Science and Foreign Secretary. The other members of the commission, beside Gaitskell and Crosland were: J B Jeffreys (secretary of the International Association of Department Stores), J T Murray (industrial consultant and member of the Scientific Advisory Council), economics professor D T Jack, general manager of the Middlesborough Society Alderman Pette, secretary of the Agricultural Co-operatives Producers Federation Margaret Digby and Colonel Hardie. Economist Lady Margaret Hall joined in 1956. See Black, "Trying to Sell a Parcel of Politics", p. 35 and *Co-operative Independent Commission 1*, Meetings minutes 1955. For Crosland's ideas, see Crosland, *The Future of Socialism*.

27 *Co-operative Independent Commission Report*, Manchester, Co-operative Union, 1958, p. 24.

28 *Co-operative News*, June 1958. Throughout the month angry letters from co-operators were sent to the periodical, criticizing the CIC report and denying its conclusions.

29 *Co-operative News*, June-September 1958. Many articles and letters mentioned Sweden as a positive model for those who favored centralization, as a negative for supporters of community. Finland became a positive model for supporters of community in September, a few weeks before the special congress.

Committee argued for centralization and specified that even the Finnish co-operatives, although more successful than the British, would prefer a more centralized organization.³⁰ The resolution of the CIC report issue determined the course of action for the next twenty years. Indeed those who argued for centralization got their way, as the CIC report had made it clear that to face chain store competition it was necessary to build larger stores and strengthen the national institutions.

It was, however, a Pyrrhic victory, since working-class people who supported the local co-operatives controlled societies. Therefore the Co-operative Union was not granted the authority to enforce the reforms upon reluctant societies, which remained not only independent but also rather hostile towards the central institutions, especially the CWS.³¹ As a result, every reform approved by the national congress had only a partial and incomplete impact, as societies were not obliged to adopt any kind of reforms.³²

There are two more reasons that explain this decision and the subsequent decline that will be dealt with shortly. The first is linked to the governance of societies. They were undoubtedly the major power within the British consumer co-operative movement and they perceived centralization as their greatest threat, therefore they mobilized the membership much better than their opposition did. A survey made a month before the special congress in 1958 found that 72 percent of the membership was against centralization, although economically it was the more sound decision.³³ The second reason is linked to co-operative democracy: the tremendous rise in membership of the past 40 years, without any kind of centralized control, had left many societies lacking regarding internal democracy. Huge societies, like for example the Newcastle-upon-Tyne Co-operative Society with 126,000 members, or the Birmingham Co-operative Society with 250,000 still operated a form of direct democracy

30 Presidential address, *Special Congress Report 1958*, National Co-operative Archive, Manchester.

31 Report for the Congress, *Co-operative Union Central Executive Meetings Minutes 1965*, National Co-operative Archive, Manchester. According to the minutes, products bought by societies from CWS had decreased 15 percent in ten years.

32 *Congress Reports 1958 to 1969*, National Co-operative Archive, Manchester. Almost every year some kind of reform was proposed, and usually approved, except for the modifications to clause 11 of the Co-operative Union statute. That modification would have allowed the CU to take appropriate action against non-compliant societies, and enforce reforms upon them, or expel them.

33 *Co-operative News*, 3 August 1958, p. 2.

with outdated sections and voting systems that guaranteed a very low participation rate, at both elections and members' meetings.³⁴

This suggests that a tiny and rather closed elite of members that protected their own interest above the whole membership ran societies. In the Birmingham Co-operative Society the same person filled the Presidency from 1948 to 1962 and was always elected unopposed. Further, participation in elections decreased from around 5,000 in 1948 to 2,500 in 1962 (from 2.2 per cent to 0.6 per cent), despite an increase of nearly 100,000 members in the meantime.³⁵ These outdated structures discouraged younger members from becoming involved in the co-operative's activities and contributed to foster an image of co-operation as unresponsive to the needs of its members.

Decline and the Co-operative Union: The Late 1960s and the 1970s

As Table 21.1 indicates, from 1963 to 2000 the co-operative market share decreased, with some internal variations, from 11 percent to less than 3 percent. Co-operative membership followed a similar trend, but stopped decreasing in the 1990s. Regarding the national membership, the numbers are not to be taken at face value: Webster, Wilson and Vorberg-Rugh's work on the 1930s showed that members' registers were outdated at that time.³⁶ By the 1960s, as no reform had been made and central organizations were powerless,

TABLE 21.1 UK Co-operative market share and membership, 1950–2000

	1950	1960	1970	1980	1990	2000
Market share	10%	10.5%	7.7%	6.4%	4.4%	2.9%
Membership (millions)	11.2	12.8	11.5	10.0	8.1	9.5

SOURCE: CO-OPERATIVE STATISTICS 1950–2000, NATIONAL CO-OPERATIVE ARCHIVE, MANCHESTER. TOTAL MEMBERSHIP FIGURES ARE NOT PRECISE, SEE ABOVE.

34 Friberg, *The Workings of Co-operation*.

35 Birmingham Co-operative Society Members' Meetings Minutes 1948 and 1962, National Co-operative Archive, Manchester.

36 Wilson et al., *Building Co-operation*, pp. 137–201.

the situation was even worse.³⁷ There are, however, major differences in how the movement handled decline before and after 1983. This section of the chapter will focus on the situation in the 1960s and the 1970s and the next section will deal with the 1980s and the 1990s.

The years 1964 to 1969 represent the first major period of decline for the British movement. Membership dropped from nearly 13 million to a little more than 11 million, and the market share decreased from nearly 11 percent to 7.2 percent.³⁸ The extreme fragmentation of the movement and the lack of structural reforms accounted for its economic decline,³⁹ but there were also two contingencies that explain this sudden drop.

The first was the abolition of RPM, which shielded small retailers from larger competitors. While RPM was originally conceived as being against co-operatives, the rapidly changing climate of the late 1950s and 1960s meant that the law was actually shielding small co-operative business from the larger and more aggressive chain stores. Lacking an adequate understanding of the changed economic climate, co-operatives kept fighting alongside Tesco and Sainsbury, their main competitors, for the abolition of RPM, and celebrated in 1964 what they believed to be a hard-fought victory. On the contrary, however, abolishing RPM worsened the already precarious economic situation of many societies.⁴⁰

The second reason is linked to the ambitious program of reforms of the Wilson government.⁴¹ Wilson had become leader of the Labour Party in 1963 and the general election of 1964 gave him a very narrow parliamentary majority of four votes. In 1966 Labour won a second election and this time Wilson could count on a 98 vote majority.⁴² Wilson's program was to strengthen the welfare state and introduce regionalization. In order to provide funding for the reforms, the government introduced the Selective Employment Tax, which taxed employment in the service sectors while subsidizing employment in

37 *Co-operative Statistics 1968*, National Co-operative Archive, Manchester.

38 *Co-operative Statistics 1962–1972*, National Co-operative Archive, Manchester.

39 *Co-operative Independent Commission Report*, Manchester, Co-operative Union, 1958, *Joint Reorganization Committee Report*, Manchester, CWS, 1965.

40 Stewart, "The British Co-operative Movement". The 1964 Resale Price Act considered all resale price agreements to be against public interest. At the time of writing in 2016 RPM was prohibited in the European Union.

41 Harold Wilson entered Parliament in 1945 and served as President of the Board of Trade. He was prime minister from 1964 to 1970 and from 1974 to 1976. He was a moderate socialist and believed in the strengthening of the education system as the key to prosperity.

42 Taylor, "The Rise and Disintegration of the Working Classes", pp. 371–88.

manufacturing and was meant to redistribute wealth and increase employment. The co-operative movement on ideological grounds opposed this tax, as, by taxing retailers, it increased the cost of goods for the consumers. It was also opposed because it fell particularly hard on already weakened co-operatives. Worst of all, co-operators felt betrayed by the Labour Party, regarded as the co-operatives' most trusted ally, and saw this tax as "a vicious stab in the back".⁴³

Faced with decline, several attempts were made at reforms, coordinated by the CU. First, a new plan was drafted for the formation of regional societies, following the recommendations of the Independent Commission.⁴⁴ Second, many societies merged to form buying groups and an attempt – termed "Operation Facelift" – was made to change the movement's image, which appeared more and more outdated. Finally, as the movement was painfully aware of its limitations, it began to recruit outside the traditional channels of the Co-operative College and brought in managers from private businesses. Thanks to all these efforts, the movement's economic situation stabilized by 1970, and during the 1970s the market share started to climb again to 7.9 percent in 1976.⁴⁵

However, all these reforms were conceived as emergency measures to be applied only when needed, not as structural transformations meant to change the movement as a whole. Indeed most of them were far from complete and despite the good intentions of their designers they were to have negative consequences in the long run. First, the Co-operative Union's central role was just a temporary situation: as societies grew in size and formed buying groups among themselves, they relied less and less on the CU and the CWS, weakening further the national organizations.⁴⁶ Second, most of the mergers did not happen from positions of strength, but were carried out only as a last resort and sometimes resulted in complete or partial failure.⁴⁷ Third, Operation Facelift

43 *Co-operative News*, 2/9 1966, p. 8. Throughout the year many letters from members were engaged at the Labour Party and demanded a vote for the Conservatives at the next general elections because of the SET.

44 *Regional Plans 1968 and 1974*, National Co-operative Archive, Manchester. The plans drew inspiration from the Independent Commission Report and from the Joint Reorganization Committee Report of the CWS, which was published in 1965.

45 *Co-operative Statistics 1966–1976*, National Co-operative Archive, Manchester. While the movement recovered some lost ground, it never went ahead of the multiples.

46 See Walton, "The Postwar Decline" and Ekberg, *Consumer Co-operatives and the Transformation*, pp. 181–92.

47 *Congress Report 1970*, Central Executive Report, p. 3. Mergers were done based on the local needs and without following the specific instructions that the regional plan provided, so much that they had to issue a new one in 1974 (which was in turn updated in 1977).

and the new outsiders brought co-operative societies closer to private chain stores in many aspects. While many societies benefited from a more rational structure and market-oriented management, the new advertising lacked a specific co-operative message, because it did not mention the advantages of membership or co-operation's social objectives.⁴⁸ Furthermore, probably because of both the outside management and the lack of a national policy, nothing was done to increase the active membership or improve the relations with member-customers.

Probably the best example of the movement's fragmentation and inability to present a unified view is the one surrounding the British entry into the European Common Market. The Co-operative Party asked the CU and the societies if the MPs should vote in favor or against the motion to join the EEC put forward by Heath's Conservative government.⁴⁹ The CU agreed to postpone the decision and let the 1971 Co-operative Congress decide. However, a consensus was not reached, and a special one-day congress was held later in the year to decide on the issue. The final recommendation was that the Co-operative Party should approve Britain's entry but would wait for further study on the matter, which never came out. In the end, the Co-operative Party MPs voted in favor of membership, siding with the Conservatives.

During the 1970s British co-operators were more willing to look outside Britain, specifically to Europe and the Commonwealth. The *Co-operative News* reflected this attitude, including articles on third world countries, a thorough study of the German co-operative law (1968) perceived to be unfair and even a study of the Italian "Red Belt" of Emilia-Romagna and Tuscany (1975), at the time a fertile area for co-operative growth.⁵⁰ However, controversy developed around the cws's tea plantations in Sri Lanka and their exploitation of local labor. The membership mobilized around fair trade and working conditions

The weakness of most of these mergers was moderated by the favorable economic climate of the early 1970s, but would lead to an even greater decline in the 1980s.

48 *Co-operative News*, 1958, 1966, 1968, 1969, 1971. The late 1950s advertising was based around the figure of King Co-op and the message that he was there to serve the members. After "Operation Facelift" the new slogan was: "It's all at the Co-op now!". In all the advertising in the *Co-operative News* after 1965 there is not a single reference to membership or the co-operative social goals.

49 Edward Heath was leader of the British Conservative Party from 1965 to 1975 and prime minister from 1970 to 1974. A moderate conservative, while promoting free-market policies he strengthened the welfare state and rationalized the administration, particularly on a regional level. For an account of Britain's political life in the 1970s, see Beckett, *When the Lights Went Out*.

50 *Co-operative News*, 1968 and 1975.

improved considerably. Members also actively supported a campaign against apartheid in South Africa, putting pressure on the co-operatives to systematically boycott South African goods as long as apartheid remained in place.⁵¹

But the most important innovation happened outside consumer co-operation. The 1970s saw the rebirth of other kinds of co-operative, in particular housing co-operatives but also industrial co-operatives and even agricultural co-operatives. These had all but disappeared since the 1920s and now resurfaced due to a rebellious, collective approach to consumption that fueled a new wave of co-operative and communitarian activities.⁵² Although weak, these groups created their own national organization, dividing the British co-operative movement even further. These new co-operatives started to put pressure on parliament for favorable legislation, and found approval in both the Conservative and the Labour Party. The Co-operative Union, thanks to its links with the Labour Party, was able to put pressure on the Callaghan government, which finally laid the groundwork for the successful creation of the Co-operative Development Agency, which came into existence during the first Thatcher government in 1979.⁵³

Despite the overall lack of reforms, the picture of the British consumer movement in the 1970s is a mixed one. Consumer co-operation engaged in new activities, such as fair trade and anti-racist boycotts. The CWS was ultimately strengthened at the end of the decade by merging with the Scottish CWS in 1977 and by successfully responding to consumers regarding fair trade issues.⁵⁴ The alliance with the trade unions was honored especially during the so-called Winter of Discontent, where support was provided for strikers.⁵⁵ The new organization Co-operative Retail Service (CRS) became really strong during the 1970s as well: created in 1933 as a CWS venture to expand in new areas, its main

51 Birmingham Co-operative Society Meetings Minutes 1971, and Leicester Co-operative Society Meeting Minutes 1972, National Co-operative Archive, Manchester.

52 Douglas, "In Defense of Shopping".

53 Co-operative Union Central Executive Meeting Minutes, 1970 to 1979, National Co-operative Archive, Manchester. The Co-operative Development Agency had been a priority of the CU since the 1966 Labour government.

54 Co-operative Union Central Executive Meeting Minutes 1975 to 1977, National Co-operative Archive, Manchester. The idea was put forward during the 1975 failed attempt to unify the CWS with the Scottish CWS and the CU, and carried out in the next two years, mostly through CWS initiatives.

55 The Winter of Discontent is the period of agitations in the United Kingdom during the winter of 1978–1979, with widespread strikes in the public sector, following the pay caps approved by James Callaghan's Labour government. It was also the coldest winter in 15 years. See Judt, *Postwar*, pp. 422ff.

purpose was to rescue and reorganize failing societies and for this reason it was about to become the largest society in the movement.

On the other hand, the inability of the CU to control the societies meant that it became weaker and weaker and its former role would be divided between the national congress, individual societies, the CWS and CRS.⁵⁶ The latter had strengthened its position within the movement and had become more and more independent from the CWS. Another positive note about the 1970s was the massive strengthening of Co-operative Insurance (CIS) and the Co-operative Bank, which were created originally as CWS ventures, but became larger and more independent. The CIS in particular had been unaffected by the crisis that struck the retail co-operatives in the mid-1960s, so much that in 1961 CIS ordered the construction of CIS Tower, the highest skyscraper in Manchester until 2006 (and, for a year, the highest in the UK), near the CU's headquarters.⁵⁷

Decline and CWS/CRS: The 1980s and the 1990s

The six years between 1978 and 1984 were one of the worst periods in British co-operative history with membership down to 8 million and a decrease in market share from 7.9 per cent to 4.2 percent.⁵⁸ This happened in the very hostile environment of Margaret Thatcher's first and second Conservative governments. The general crisis of the British left and the decline of the trade unions had the positive effect of restoring the alliance between the co-operative movement and the Labour Party. The latter, pushed out of national government, rebuilt itself from the base, by increasing consensus through local municipalities and community administration. However, it was Tony Blair's "New Labour" which was going to turn the tide and win the 1997 landslide victory.⁵⁹

56 Co-operative Union Central Executive Meeting Minutes 1970 to 1990, National Co-operative Archive, Manchester. From 1980 forward, the CU Central Executive dealt only with the issue of merging with CWS and CRS. After the project failed once again in 1986, from then on the minutes only deal with routine issues (for example, funding allocations for the Woodcraft Folk and the Co-operative Guilds). The only active departments of the CU remained the Trade Advisory and Labour Relations sections.

57 *Co-operative News*, 1962 and 1974. Throughout both years CIS had the most advertising in the weekly periodical, and several articles record the insurance company's success.

58 *Co-operative Statistics 1978 to 1990*, National Co-operative Archive, Manchester.

59 Judt, *Postwar*, pp. 535–85; Judt, *Ill Fares the Land*; Taylor, "Rise and Disintegration of the Working Classes".

The co-operative movement followed a similar path in a way and went back to the membership to reorganize itself.

In their book on the CWS Anthony Webster, John Wilson and Rachael Vorberg-Rugh saw this period as a transition, when the CWS was adopting modern retail practices.⁶⁰ However, various crucial reforms were made in this period that deeply transformed the structure of the movement, from a fragmented, federal organization to a structure with a weak center and two major powers within it, CWS and CRS. The economic crisis and the precarious state of many societies certainly contributed to hasten this process, but there were also other reasons.

The lack of any kind of structural reforms and the lack of control from above had created an elite of members, mostly elderly people, who ran the societies and on many occasions were helped by managers from private businesses who had no idea how to deal with internal democracy. This mixture of bad managerial decisions made by members and managerial incompetence had depleted the societies' internal reserves just when the 1980s economic crisis hit them.⁶¹ While it is not clear how pervasive this form of mismanagement was in the societies, in 1980 when the CRS took under its wing the biggest society in the movement, the London Co-operative Society, its managers immediately uncovered widespread corruption and were forced to close down many shops in order to limit the loss of resources for the whole movement. As a result, CRS had a negative balance for the next five years.⁶² Clearly this corruption scandal ran deep, but the CU, the CWS and CRS could still count on a core of activists who believed in the original co-operative message. They could also count on new ethical consumers, who had acknowledged the 1970s campaigns of the Women's Co-operative Guild in support of fair trade.⁶³

In this context, a few emergency structural measures were taken. They did not solve the movement's problems, but most certainly saved the co-operatives, restored their values and prevented them from being engulfed by corruption. The 1982 congress saw an aggressive CRS attack that tried to speed up the unification process and, at the same time, limit the societies' power within

60 Wilson et al., *Building Co-operation*, pp. 252–335.

61 Author's interview with Stan Newens, 27/3 2014. Stan Newens was president of the London Co-operative Society from 1975 to the CRS takeover. He also suspected individuals to have profited through misdeed, although no evidence was ever found.

62 *Central Executive Report 1981–1984*, in *Congress Reports 1980 to 1985*, National Co-operative Archive, Manchester. See also Müller, "The Consumer Co-operatives in Great Britain", pp. 45–138.

63 Anderson, "Cost of a Cup of Tea".

the congress itself. All CRS proposals were defeated, though not by an overwhelming majority, which suggests that CRS was gathering support. In the 1983 congress, the president's opening statement went even further by stating "we should be ready to accept that accountability at all levels is the signpost of a successful co-operative society".⁶⁴

As a result, CWS Retail was created, a retail branch similar to the one that the Scottish section retained before the merger. It started buying out societies in the same way as CRS, with the probable goal of making societies rally around either CRS or CWS. The first CWS takeover, and the only one that happened in the 1980s, was that of the South Suburban Society and the Royal Arsenal Co-operative Society,⁶⁵ ensuring that by 1984 CWS and CRS had control of the London area.⁶⁶ Another factor that encouraged national institutions to take drastic action was the failure of consumers' co-operatives all over Western Europe. In France they had just declared bankruptcy with Germany and Austria soon to follow, and in all these cases there had been widespread corruption.⁶⁷

Surprisingly, the societies' reaction to what looked like a takeover was downplayed, probably because the widespread corruption had made their position indefensible in the eyes of the active membership. For the first time since 1936, in 1983 the national co-operative congress ordered an enquiry on the poor state of internal democracy and the movement as a whole tried to reach back to its members.⁶⁸ In 1958 Colonel Hardy had proposed, as a minority report

64 *Congress Reports 1982 and 1983*, National Co-operative Archive, Manchester. Note that the 1983 President was a woman: before there were only two, Margaret Llewelyn Davies in 1922 and Eva Dodds in 1976.

65 These were the largest remaining societies in London, and CWS took them over almost simultaneously.

66 CWS Retail membership (compared to the whole movement) grew from 0.5 percent before 1982 to 14.6 percent in 1985, and then remained stationary until 1991. Source: *Co-operative Statistics 1982–1991*, National Co-operative Archive, Manchester.

67 *Co-operative News*, 1983 and 1985; Co-operative Union Central Executive Meetings Minutes March 1984, National Co-operative Archive, Manchester. In March 1984 there was a meeting of the central executive that discussed the matter of consumers' retail organizations failing in Western Europe. See also Brazda and Schediwy, *A Time of Crises*; Fairbairn, "The Rise and Fall of Consumer Cooperation" and Hauch, "From Self-Help to Konzern"; also Chapters 5, 10 and 11.

68 *Bank and Mears 1984 Report, Ross and Langdon 1985 Report*, National Co-operative Archive, Manchester. Both reports were commissioned by the national congress and analyzed by the central executive of the CU. The first was merely an inquiry into the state of internal democracy, while the second contains a more detailed analysis and also possible solutions to increase participation.

of the Independent Commission, to revive the 1904 project to create a single co-operative society. That failed, but the 200–300 societies envisaged by the Commission had been finally achieved, albeit through last-resort mergers that had depleted the movement's financial resources. The solution this time was a mixed one, but it was also an original one that would deeply transform the structure of power within the movement. Since CRS had been incorporating failing societies, and these usually had strongly communitarian working-class membership, it continued to endorse their view. Meanwhile the CWS would rally the rest through CWS Retail and the wholesale, dealing with more modern issues, such as fair trade, quality controls and, in general, non-communitarian initiatives.⁶⁹

Therefore, CRS and CWS Retail, while they were allies in the fight against corruption, had very different focus in the eyes of their membership. While there were continuous proposals to unify them, in the 1980s they were actually growing further and further apart. Also, while CRS remained the largest British co-operative all the way through the 1980s, CWS Retail clearly had more resources and was the one meant to unify everything.⁷⁰

Espen Ekberg and John Wilson have analyzed the transformations of the 1980s and described a very negative picture. The internal divisions in the movement continued to deepen, while the market share plummeted.⁷¹ In a contribution to Brazda and Schediwy's comprehensive history of co-operation in 1989, Franz Müller advocated a quick merger between the CRS and CWS Retail if the British consumer movement were to survive.⁷² A recent historical work on this period has also focused on the CRS/CWS conflict as the most important feature of this period, resulting in the victory and the massive strengthening of the latter that started in the 1990s.⁷³

But it is also true that the 1980s were a time of transformation, as compared to the 1960s and the 1970s when stagnation had reigned. The old divisions remained in place but took new forms and the structure of the movement was radically changed from a federal one with more or less independent societies, to a more centralized institution with two major powers, CRS and the CWS. These changes were a direct consequence of the crisis and were conceived as

69 *Co-operative News*, 1984–5.

70 Despite CRS having more members, its turnover was the same as CWS Retail in 1985, but half of it in 1992.

71 Ekberg, *Consumer Co-operatives and the Transformation*, and Wilson, "Co-operativism Meets City Ethics".

72 Müller, "The Consumer Co-operatives in Great Britain", pp. 45–138.

73 Wilson et al., *Building Co-operation*, pp. 298–356.

medium-term emergency measures, primarily to counter corruption and to involve members.

These two commendable purposes were not able to slow down the economic decline, but they did reverse the trend in membership. In 1989 co-operative membership grew once again, for the first time since 1963. The changes also restored trust, on the one hand towards national institutions and especially, as will be explained below, to the CWS. On the other hand the active membership's trust towards societies was renewed as well, not only through the countering of corruption but also through the restoration of internal democracy. The temporary solution did not solve the problem of the divisions with other co-operatives. Housing, industrial and agricultural co-operatives had their own organization and communicated with each other only through the Co-operative Development Agency. When the Conservative government cut the funding to the CDA in 1992, the UK Co-operative Council was formed in an attempt to create a place for co-operatives to discuss common strategies.⁷⁴

The Birth of Co-operatives UK

Still behind the chain stores and losing market share, the British consumer co-operative movement ended the 1980s with its survival in question. The financial positions of CWS and CRS were strained, as closing down old shops and opening larger stores had drained the movement's reserves. The first half of the 1990s was spent trying to consolidate the two groups but without taking any real step towards unifying them. Consequently, both groups continued to lose market share, but their financial reserves stabilized and the steady growth in membership since 1989 made the future look more promising.⁷⁵ It must be said, however, that CRS, while it was a solid business, could not compete with CWS and its retail branch: the latter tripled its membership (from 1 million in 1990 to 3.3 million in 1996) and more than doubled its turnover (from 790,000 to 2.2 million).⁷⁶

The movement was not done with corruption, however. A new generation of active members had helped to get rid of corruption within the societies, but

74 *Network UKCC 1992–1994*, National Co-operative Archive, Manchester.

75 *Co-operative Statistics 1989 to 1994*, National Co-operative Archive, Manchester. The 1992 issue points out that, despite the negative balance overall, there are clear signs of improved economic performance, especially regarding CWS Retail.

76 *Co-operative Statistics 1990 to 1996*, National Co-operative Archive, Manchester.

had left national institutions open to outside attack. The need for liquidity had forced the cws to sell all its production plants to businessman Andrew Regan in 1995, which at the time looked like a sound strategy. A few plants were failing, most of them were overproducing and thus selling to the co-operatives' competitors in order to make a profit, and the cws needed the capital to transform the retail network from old shops into supermarkets.⁷⁷ Then Regan, owner of the Lanica group, made his move: having a spy on the inside, he sought to profit from the movement's divisions to take over its most profitable part, the cws Group.⁷⁸ It seemed to be a good business venture: the cws market share had been declining steadily for the past years, and the wholesale consortium had a history of infighting with its affiliated societies going back 50 years.

But the efforts to reconnect with the membership during the 1980s had paid off, and the cws image in the eyes of the membership was a positive one. Therefore, when the cws director Graham Melmoth realized what was happening and turned to the societies for support, the co-operatives rallied against Regan and forced him to back down. The matter was brought to court and evidence of corruption was discovered, as Regan had paid the cws marketing advisor.⁷⁹ On the one hand, it is true that Lanica provided, ironically, the final push towards the creation of a single national co-operative society: on the other hand, as Anthony Webster and John Wilson have pointed out, it only accelerated a process that was already under way.⁸⁰

The 1996 and 1997 national congresses were crucial in deciding the future of the movement. Again the movement looked abroad for ideas, this time to the successful and growing Italian and Spanish co-operatives.⁸¹ A new Co-operative Commission was formed, again chaired by the Labour Party leader (at the time Prime Minister), Tony Blair.⁸² After the 1958 failure, the

77 *Co-operative Congress Report 1993*, National Co-operative Archive, Manchester. The Central Executive Report to the National Congress made it clear that the capital was needed to improve the cws's retail structure.

78 Lanica Trust Ltd was born out of New Guernsey Securities in 1996, as the first of several acquisitions that were to end with the takeover of the cws Group (that was made through Galileo, another subsidiary). This happened in the climate of frenzied acquisitions and mergers that took over the City of London in the late 1990s.

79 Wilson, "Co-operativism Meets City Ethics".

80 Webster and Wilson, *Lanica, Melmoth and the 1990s*. See also, Webster, Wilson and Vorberg-Rugh, *Building Co-operation*, pp. 299–339.

81 *Co-operative Congress Reports 1996 and 1997*, National Co-operative Archive, Manchester. The 1996 Congress was almost exclusively on Italian co-operatives, while the 1997 Congress was both on Italy and Spain.

82 *Co-operative Commission Report 2000*, National Co-operative Archive, Manchester.

commission's recommendations were quite conservative: they proposed a centralized structure with the merging of the CU and the CWS, that would share trade advice, marketing and wholesale, while the societies would handle retail.

However, times had changed since 1958 and the movement actually went ahead of the commission's suggestions. In 2000 CWS merged with CRS unifying all consumer co-operatives into Co-operatives UK, the name it still had in 2016. The Co-operative Union, on the other hand, retained its name but transformed completely. Inspired by the Italian model of the Lega Nazionale, it resumed its original nineteenth-century role of gathering and coordinating all kinds of co-operatives.⁸³ Since 2001 the consumer co-operatives' market share has been growing steadily, reaching 6 per cent in 2010, with a growing membership of 5.5 million. Unfortunately, the Co-operative Bank did not follow in this trend. Despite acquiring the Britannia Insurance Group in 2010, they had to be bailed out in a rescue operation in November 2013.

Conclusion

Ironically, supporting the working class turned out to be the movement's greatest weakness in the postwar period. The communitarian ideology that built the movement in the first place had created the federative, decentralized structure that hindered decision-making and the adoption of common policies and strategies in the Co-operative Union. The link between societies and communities was so strong that whenever the national organizations tried to control the former, or to impose change in the name of economic efficiency, it was seen as an attack on the communitarian ideology that the members identified with.

By the 1950s, the societies had become an intermediary between the membership and the national organization, and they were firmly in control of the consumer movement. This was probably the major structural weakness of the CU: societies and their boards were more in control than members and therefore the movement became unresponsive to changes in consumption. Only after the societies' claims to autonomy had lost legitimacy due to the discovery of corruption in the early 1980s did it become possible for national organizations to step forward and assume control, while at the same time reaching back to the membership. Unlike German, French and Austrian co-operatives that ultimately disappeared, the British movement was able to successfully use

83 *Co-operative Congress Report 2000*, National Co-operative Archive, Manchester.

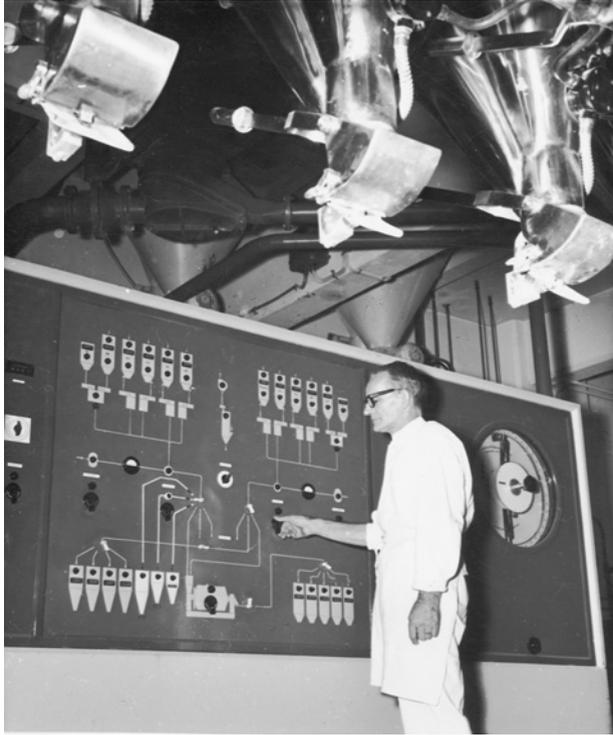
corruption to rally the membership to reform it and grow again. This happened in two separate occasions: in the early 1980s when corruption was spreading within the societies and during the Lanica affair, when lack of oversight left the CWS open to an external attack.

After 2000 the movement has also been able to revitalize its membership, which has gone from the 4 million of 2000 to over 7 million in 2009. The consumer movement is still predominant within the co-operative movement, but different kinds of co-operatives are reunited in the Co-operative Union. Communitarian initiatives are still a big part of the retail movement's efforts to maintain its links with the membership, but the movement also engages in fair trade and tries to offer the best quality at the lowest price, which has been the main concern of other European co-operative movements in Norway or Italy. In other words, it tries to protect the consumer as an individual. However, at the time of writing in October 2014 the British consumer co-operative movement is facing the possibility of complete failure, after the Co-operative Group declared a £1.5 million deficit in the 2013 balance. The 2000 restructuring did not solve the problem of management that plagued the movement for so long, and, according to the Myners report on governance,⁸⁴ had created a weak central board for the Co-operative Group. As a result, questionable market decisions have been made, such as the acquisition of Somerfield and Britannia: at present it is still unclear how the crisis will unfold.

84 Myners, *Report of the Independent Governance Review*, pp. 15–25.

SECTION 4
Consolidation





Swedish co-operative bakery San Remo in 1968
ARBETARRÖRELSENS ARKIV OCH BIBLIOTEK, LANTARBETAREN.

Consolidation: Introduction to Section 4

Mary Hilson

As many of the contributors to this volume point out, the consumer co-operative movement has sometimes been overlooked by historians. This is particularly true for the period after the Second World War, where the historiography was often shaped by the decline of previously powerful co-operative businesses, especially in Europe.¹ The co-operative movement is conspicuous by its absence from many general accounts of postwar history, in Europe and beyond. In the introduction to their 1989 volume on consumer co-operation in Europe and Japan, Johann Brazda and Robert Schediwy noted the sense of crisis that was pervading the movement. Co-operatives were struggling to cope with mounting competition from capitalist retailers and the decline in their members' ideological commitment to co-operation, while organizational problems within the movement hampered their efforts to tackle these problems.²

Reasons for the decline and in some cases collapse of co-operative businesses in the late twentieth century are examined in more detail in Section 3. There were, however, some conspicuous examples of co-operative success, which are considered here. From the late nineteenth century co-operatives were often in the forefront of innovations in retailing and distribution, demonstrated here by the examples of the English Co-operative Wholesale Society's development of a global trade network and the Swedish Co-operative Union's embrace of new marketing techniques. After 1945, consumer co-operatives in Denmark, Finland, Italy, Japan, Norway, Sweden and Switzerland were all able – in their different ways – to adapt to changes in consumption and retailing and to maintain or even increase their membership and market shares, despite facing stiffer competition from other forms of business. In doing so, they were forced to wrestle with the question of co-operative identity and consider what made them distinctive from other types of business.

All of the national co-operative movements considered here traced their origins to the nineteenth century, though the influences on them were very diverse. Co-operators were divided between liberals, Catholics and socialists in Italy and by ideology and language in Switzerland.³ In both cases legislation (a general federal law in Switzerland in 1881, which included the regulation

1 Black and Robertson, "Taking Stock", p. 1.

2 Brazda and Schediwy, "Consumer Co-operatives on the Defensive".

3 For co-operation in the Nordic countries before 1945 see Ch. 6.

of co-operatives, and a co-operative law in Italy in 1911) was influential in the emergence of a co-operative movement. As Patrizia Battilani points out, the 1911 Italian law went some way towards recognizing the dual nature of co-operatives, as commercial businesses offering economic benefits to their members and also as social movements promoting educational or cultural improvements. Bernard Degen suggests that the broad social base of co-operation was also a characteristic of the Swiss movement, though here language differences were also salient.

The first half of the twentieth century saw considerable divergence in the fortunes of these particular co-operative movements. Disruptions to international trade and food price rises during the First World War had an impact even on co-operatives in non-belligerent countries, such as Switzerland, Denmark, Norway and Sweden. The two decades after 1918 were a period of consolidation and expansion, with the exception of Italy where the co-operative movement was absorbed into the fascist corporate economy, following several years of increasingly violent attacks on co-operative businesses. Hostility from private traders was not confined to Italy, as the example of Switzerland shows. Following Antonio Casali, Battilani suggests that the main impact of fascism on Italian co-operation was the restrictions it imposed on the possibilities for theoretical debate and practical innovation within the movement, in particular isolating it from contacts with other co-operators abroad. Like in Japan and Germany, defeat of the Italian fascist regime at the end of the Second World War marked a major watershed for the co-operative movement, as indeed for most other aspects of Italian politics and society, although the existence of continuities in leadership should not be overlooked.⁴ By contrast, in neutral Switzerland Degen notes that the war years provided a major boost to the popularity of co-operation, exemplified in the decision to convert the private grocer Migros into a co-operative business.

Historians of retailing have identified a wave of “revolutionary” change within the sector in the mid-twentieth century, starting in the USA in the 1920s and spreading to Europe after the Second World War.⁵ In his chapter on the Nordic countries after 1950, Espen Ekberg characterizes this as three major transformations or “revolutions”: firstly, the “supermarket revolution” with the transition to larger stores and self-service; secondly, the restructuring of the retail sector with the emergence of horizontal and vertical integration; and thirdly, the rise of the affluent, individualized consumer.⁶ In all four of

4 On Germany and Japan respectively see Chs. 10 and 26.

5 Jessen and Langer, “Introduction,” pp. 1–2.

6 See also Ekberg, “Confronting Three Revolutions”.

the cases considered in this section of the book, well-established co-operative businesses were forced to adapt their operations to these new conditions and they did so by adopting various strategies and with various degrees of success.

According to Battilani, Italy experienced a “co-operative re-awakening” during the postwar reconstruction as the largest federation, La Lega, embarked on a large scale transformation of the sector. The Italian retail sector remained dominated by small businesses until relatively late in a European context, leaving the Italian co-operative movement as the pioneer of modernization. A very important part of this strategy was the concentration of local co-operatives in regional consortia, which allowed the rationalization of logistics and accounting systems and the pooling of management expertise. During the immediate postwar years the strategy was partly shaped by contacts with other western European co-operatives, but from the 1970s Italian co-operators turned increasingly to conventional enterprises in the USA as a source of inspiration. This consolidation did not occur consistently across the country, as co-operation remained very weak in the poorer southern regions of the country. Battilani suggests, however, that what was really key to the Italian co-operatives’ success was their ability to redefine their social role. Co-operation shed its working-class image to become a supermarket for all social groups, but one that was highly sensitive to the needs of its customers and in particular emphasized consumer health and environmental protection.

The Swiss co-operatives or consumer societies (*Konsumvereine*) analyzed in Bernard Degen’s chapter also had a relatively broad social base and although there was at least one attempt in the 1890s to form a socialist co-operative on the Belgian Vooruit model, by the interwar period the Swiss co-operative movement had adopted a position of strict political neutrality. This helped the movement to expand, despite the hostility of private traders campaigning successfully for legislation to hinder co-operation. After the Second World War, however, the Swiss co-operative movement struggled to adapt to changing circumstances and by the late 1960s had become a movement in decline. Like its British counterpart it struggled to adapt to the heightened competition in the retailing sector and the decision to abolish resale price maintenance was a particular blow. The eventual revival of co-operation was based on a fundamental reform of the structure of the movement. Mergers and acquisitions allowed the Swiss co-operatives to expand into new markets, to respond to the demands of ethical consumerism by promoting Fair Trade and organic goods and even to become the market leader in emerging sectors, such as consumer electronics. As Degen notes, however, we may question whether this commercial success has come at the price of a distinctive co-operative identity. In 2001 Coop became a single co-operative with 1000 stores. It remained legally a

co-operative in that it did not give profits to shareholders but decision making was concentrated in the upper management and in that respect it seemed to differ little from its capitalist rivals.

As Espen Ekberg notes, “[i]t is hard to think of a region in the world where consumer co-operatives have been more successful, in terms of attracting members and obtaining market shares, than within the Nordic region.” This success was not consistent across the entire region, however, as the Finnish “E-group” failed to halt decline of its business and eventually collapsed in the 1980s. Nor was consolidation and expansion in the other co-operatives achieved in the same way across the region, as Ekberg’s comparison shows. He examines responses to the three retailing “revolutions” in turn, focusing on how food was sold to the consumer, how the co-operatives were structured and how they sought to appeal to members. Swedish KF had been a pioneer of the self-service store during the 1940s and modernization continued throughout the postwar period, shaped – as in the Italian case – by contacts with co-operatives in Western Europe and with private retailing businesses in the USA. From the 1970s in particular the co-operative organizations began to introduce supermarkets and hypermarkets, but the ways in which they did this varied: whereas in Norway the emphasis was on the conversion of existing stores, in Denmark this was achieved through acquisitions. Further, the Nordic examples provide evidence that merger and centralization was not necessarily a guarantee of success. The Danish movement remained highly decentralized, for example, while Norway and the successful Finnish S-group retained their traditional federal structures, and efforts to centralize the Finnish E-group ended in failure. Only in Sweden was there a clear trend towards centralization.

Similar diversity was also found in Japan, where Akira Kurimoto notes the existence of three types of consumer co-operative in 1920: worker co-operatives associated with the labor movement; employee co-operatives attached to individual factories and companies and citizen co-operatives that included significant numbers of middle-class members. As Kurimoto notes, Japan became recognized as a major force within the global co-operative movement, at least from the 1970s. The success of the Japanese co-operative movement, like that of Italy, was based partly on its reinvention as a champion of consumer and environmental protection. But this transformation was undertaken against the odds, in a rather unfavorable situation for co-operatives. Japan experienced a long economic boom starting in the 1950s which meant rising affluence for individual households, but the retail sector remained fragmented and dominated by many small traders, protected by restrictive practices such as resale price maintenance agreements. Under the Consumer Co-operative Law of 1948 Japanese co-operatives were prevented from trading with non-members

or outside their own prefectures and after a successful anti-co-operative campaign in 1954–59 these restrictions were tightened still further. Kurimoto shows how the Japanese co-operatives were able to “outwit institutional restraints and turn them into advantages.” He shows how in Japan consumer co-operatives were able to benefit from the social changes that accompanied economic growth, using schemes such as buying clubs to serve the consumers of new suburbs that sometimes lacked a retail infrastructure. There were some signs that the movement was faltering in the difficult economic conditions of the 1990s, exacerbated by external shocks such as the great earthquakes of 1995 and 2011 (the former badly affected the large Kobe co-operative in particular) and some internal management problems which challenged the co-operatives’ reputation as the guardians of food safety. Nonetheless, both membership and market share have remained high.

One of the most distinctive and best known features of the postwar Japanese co-operative movement was the so called *Han* groups: clubs of housewives formed for the joint purchase and delivery of goods. By mobilizing co-operative members and reflecting their concerns, the Han clubs helped to place the Japanese co-operatives at the forefront of campaigns for consumer protection and food safety, amid rising concerns about the industrialization of agriculture and food production. This also had a strongly gendered element. In a society dominated by the single breadwinner family model, Japanese housewives became the core of the Han buying clubs and later mobilized not only to demand consumer and environmental protection but also to campaign on broader political issues such as peace. This emphasis on ethical consumerism, broadly defined, foreshadows similar developments in many parts of Europe at the end of the twentieth century. In France most of the established consumer co-operative societies had disappeared by the 1980s, absorbed by their commercial rivals, but Simon Lambersens and colleagues point to the recent emergence of new alternative consumer societies, which emphasize natural, organic and fair trade products and are linked to other political campaigns such as anti-nuclear energy and environmentalism.⁷

Similar concerns about the quality and ethics of the goods traded by co-operatives also informed co-operative debates about how to market and brand their products, as Pernilla Jonsson shows in her chapter. From the late nineteenth century commercial retailers started to adopt new strategies to advertise and brand their goods. Co-operators were often ambivalent about what they regarded as “commercial falsehood and trickery” which manipulated

7 See Ch. 5. For other examples of co-operative concern with environmental protection see Chs. 13, 14, 16 and 20.

consumers and created false desires, but they were unable to ignore the emergence of modern marketing techniques altogether. As Jonsson shows, the Swedish co-operative union KF was relatively early in adopting new practices and by the mid-1920s had developed its own institutions for advertising and shop design. While some historians have seen the co-operative embrace of such strategies as symptomatic of the movement's gradual surrender to capitalism,⁸ Jonsson argues that Swedish co-operators adapted new thinking about marketing to the values and ideals of the co-operative movement. Based on an examination of debates on marketing in the Swedish co-operative press, she suggests that co-operative advertising strategies were framed as being necessary not only for purely commercial aims but also as an essential tool of co-operative propaganda, demonstrating the benefits of co-operatives for the greater good. Co-operative use of advertising differed from that of their capitalist rivals, in that it would contribute to a gradual rationalization of the distributive sector. The rationality, efficiency and modernity of the co-operative movement were also emphasized in the preferred styles for window displays and shop design. Jonsson shows how KF, rather than responding reluctantly to the challenges of capitalist marketing, was actually an early adopter of these new techniques and in the forefront of innovations in the retailing sector in the 1920s and 1930s.

The English Co-operative Wholesale Society (CWS) can also be reckoned as a commercial innovator, as Anthony Webster, John F Wilson and Rachael Vorberg-Rugh show in their chapter. The CWS grew quickly from its foundation in 1863 and pioneered the development of national and international networks to supply goods to its member societies, at a time when the wholesale and retail grocery trade remained dominated by local or regional businesses. The CWS's embrace of what contemporary retailers refer to as "Supply Chain Management" (SCM) included vertical integration with the development of its own factories, but also an extensive international trade network, a shipping line and even ownership of plantations for the production of tea and palm oil. The CWS's commercial operations provide further evidence of the ways in which the commercial and ideological aims of co-operation were always intertwined. Development of a global trading network was driven partly by the co-operative insistence on the need to supply pure and unadulterated goods to consumers. Webster, Wilson and Vorberg-Rugh show how the CWS sought

8 For example, Ellen Furlough has argued that during the 1920s French co-operators "endorsed a theoretical position and practiced commercial strategies that increasingly mirrored capitalist commerce. Co-operation retained only residues of its collectivist heritage." Furlough, *Consumer Co-operation in France*, p. 291.

to negotiate directly with producers rather than middlemen, allowing them to reassure their member societies that they had full control over their supply chains. But a significant factor in driving expansion was also their need to compete for the business of societies on price, and the co-operative business model generated sufficient capital to allow them to make the necessary investments.

All of the authors in this section emphasize that the co-operative organizations that they study were never monolithic, but that different sections of the movement represented different ideological currents. The fundamental division was between those who saw co-operation as the “third pillar” of the labor movement, a mostly working-class organization with aspirations to create a new social order, and those who insisted that co-operation should concentrate on its commercial aims while remaining open to all social groups. As these examples remind us, however, there was no set path to co-operative success. Just as the examples in this section (and the others in the book) illustrate the diversity of the origins of co-operation, so too do they show the diverse paths co-operatives have taken in response to economic, social and political changes. In all cases, the importance of transnational contacts and exchange is highlighted. In many of the cases considered here societies which had once looked abroad for inspiration now became themselves the focus of international attention. The example of Italy’s isolation during the fascist era indicates just how important international contacts were for shaping co-operative development.

It is important to note that transnational exchange was driven not only by co-operative ideology but also by commercial aims. Co-operative societies exchanged goods as well as ideas, giving rise to transnational relationships that were not always entirely harmonious.⁹ As Webster, Wilson and Vorberg-Rugh remind us, the ideological dimensions of international co-operative trade still require further research,¹⁰ but their study of CWS highlights several of the political dilemmas that co-operators faced in their efforts to reconcile the need to remain competitive with their insistence on the distinctiveness of co-operative businesses. Similar dilemmas arose as co-operatives looked increasingly to learn from capitalist businesses, especially in the USA, as they sought to introduce innovations in their commercial practices.¹¹ Another dilemma for consumer co-operatives, not touched on here, was their dual role as the suppliers of essential groceries to working class households and their status as major

9 For example, see Ch. 18 for a discussion of tensions between the English CWS and consumer co-operatives in Australia and New Zealand.

10 See however Ch. 9 for debates on international co-operative trade during the interwar era.

11 For further discussion of this point see Ch. 16.

employers of labor. Although co-operatives often declared their aspiration to be model employers, the need to keep costs down could also bring them into open conflict with unionized or non-unionized workforces.¹²

Despite their differences, the examples presented in the following chapters highlight several common themes crucial to understanding the historical development of consumer co-operatives. The first concerns the internal structures of the movement and how co-operatives were managed. The second concerns the dual nature of co-operative identity, as both a business and a social movement. A major challenge for all the co-operatives considered here was that of adapting a co-operative identity that had emerged under conditions of scarcity to a society where consumer identities were shaped by affluence. How far could co-operatives go in adopting the practices of their capitalist rivals and remain competitive while also retaining their distinctive identity as co-operatives? In that context, the emphasis on the goods themselves – as being safe, healthy and produced without harm to the environment or to those producing them – proved to be extremely important.

12 See for example Vorberg-Rugh, “Employers *and* Workers”; see also Ch. 16.

Going Global. The Rise of the cws as an International Commercial and Political Actor, 1863–1950: Scoping an Agenda for Further Research

Anthony Webster, John F Wilson and Rachael Vorberg-Rugh

Early in October 1881, John Andrew, the recently appointed head of the English Co-operative Wholesale Society's (cws) new branch in Copenhagen, upset his Danish colleagues in the city's commercial community. He had broken an unwritten, but till then inviolable, rule for all foreign merchants buying Danish produce. Rather than purchase butter from the established traders and brokers in Copenhagen, Andrew struck deals with Danish farmers who agreed to furnish cws with butter directly. In the process he undercut the prices charged by the Copenhagen middlemen, while assuring the highest quality for the cws's customers in Britain, the thousand or so co-operative societies across England and Wales. In turn, these societies had to satisfy their own demanding consumers, the hundreds of thousands of co-operative society members who bought and spread Danish butter on their bread. A Mr Kramer, with whom Andrew had already contracted considerable business, was reported to be "wild" on hearing of Andrew's actions.¹ Within a few days the Copenhagen merchants had ganged up on Andrew and were threatening to boycott dealings with cws. The incident was reflected upon by the cws Board in Manchester:

The merchants at Copenhagen when they got to know he [Andrew] had been in Jutland they had a meeting to consider not to sell any butter to him unless he would promise not to visit producers, one of them told him of this after the meeting.²

Andrew refused to be intimidated. Within days the boycott had faded away, and Andrew had resumed business with the merchants, who now tolerated Andrew's increasingly frequent forays into the Danish countryside to buy butter at source.

¹ Minutes of the cws Grocery and Provisions Committee (hereafter GPCM), 2/0/3 11 October 1881, p. 227, National Co-operative Archive (hereafter NCA), Manchester.

² GPCM (19 October 1881), p. 230.

This seemingly trivial incident was in fact highly symbolic of quite revolutionary developments in the flourishing world of late nineteenth-century international commerce to meet the growing consumer demand engendered by industrialization. New strategies and methods evolved for procuring food and other essential commodities for retail in the burgeoning urban industrial centers of the UK. In Britain, CWS led the way in pioneering new methods for supplying a major portion of the nation's developing mass retail sector, namely, the local co-operative societies who formed the membership and exclusive clientele of CWS. Between its foundation in 1863 and the end of the nineteenth century, CWS not only set up factories across Britain, it also developed an extensive international network of suppliers. By 1900 CWS had buying operations in New York, Montreal, Sydney (Australia), and across Western Europe and Scandinavia. Much of CWS's European trade was carried by its own shipping line. By 1910, in partnership with the Scottish Co-operative Wholesale Society (SCWS), CWS owned and ran tea plantations in India. By 1913 it opened palm oil producing facilities in West Africa. With remarkable speed, the CWS became a highly sophisticated player in the global market, developing supply chains to serve its co-operative society customers in their efforts to deliver a vast range of high quality produce at prices members were prepared to pay.

This is an aspect of CWS activity which to date has received only fleeting attention in the literature, most of which has tended to focus upon the domestic sphere of CWS operations. While researching their recent business history of CWS, the authors were able to consult previously untapped records which unveil, for the first time, the extent, intricacy and sophistication of CWS's international business.³ The scope of these overseas operations was simply too large – and the historical records too extensive – to explore adequately in the book, and therefore *Building Co-operation* primarily addressed the development of CWS in Britain. Nonetheless, we recognize that an examination of the internationalization of CWS is a topic of vital importance. While this chapter cannot aspire to fulfill the goals of such a project, it can at least propose an agenda for further research.

We contend that such a project is rendered all the more urgent by what can be learned about the organization's pioneering work on international supply chains, global commercial networks and new methods for dealing with the complexities of transcontinental trade. As the twenty-first century unfolds, the relentless growth of new consumption in China, India, Brazil and elsewhere will ratchet up the pressure on retailers across the globe to develop ever more efficient and sustainable systems to ensure supplies of competitively priced,

3 Wilson, Webster and Vorberg-Rugh, *Building Co-operation*.

quality produce for consumers. Problems, shortages and failures of various kinds in these systems seem inevitable. The 2013 European scandal of horse-meat finding its way into a vast range of frozen and fresh meat products (initially, but wrongly believed to be confined to cut price “value” lines) reveals just how prone modern SCM can be under pressure to major and embarrassing (not to say potentially health-threatening) breakdowns.⁴ Lest it be thought that little can be learnt for modern application from the less developed global economy of the late nineteenth and early twentieth centuries, it is worth remembering that when CWS developed its own global supply chains it also faced major obstacles and difficulties which required new thinking. Not all of these problems are unfamiliar to twenty-first century retailers. Technological and cost limitations on transport, the vulnerability of complex global trade channels to war, international disputes or the effects of global depression were all challenges which CWS had to address and overcome, just as modern retailers frequently have had to do in the last few decades.

Indeed, the blindness of much of the modern business and management literature to historical experience – and particularly to co-operative experience – is striking. SCM is frequently cited by modern writers on retail management as an exclusive product of the post-war rise of large-scale multiple retailers during the last 20 to 30 years.⁵ Such notions of a “recent retail revolution” have seeped into the popular perception through the popularizing work of commentators like Robert Peston.⁶ Ignorance of the much earlier development of global supply chains by CWS in part reflects the fact that so little work has been done on this aspect of the British co-operative movement’s operations, but is also due to a gradual but relentless disappearance of work on co-operatives from academic study in business and economics.⁷ Even when co-operatives are mentioned, as in Chandler’s brief analysis of CWS in his masterwork, *Scale and Scope*, they are often treated as *de facto* private firms, with little regard for, or understanding of, their different business models.⁸ New research on CWS’s global operations offers important insights into the evolution of SCM, which this chapter can only touch on, providing a credible link with the burgeoning literature on international retailing. Our research demonstrates, at the very least, that many contemporary questions about global supply chains – from

4 Dan Jones, “A Nation’s Stomach Churns” *Newsweek* [global edition], 15 February 2013, p. 1.

5 For example, see Fernie and Sparks, eds., *Logistics and Retail Management*.

6 “Robert Peston Goes Shopping”, BBC 2 television documentary series, 5 December 2015. Available at <http://www.bbc.co.uk/programmes/b039q44y>; last accessed 3 May 2017.

7 Kalmi, “The Disappearance of Co-operatives”, pp. 625–47.

8 See Chandler, *Scale and Scope*, pp. 257–61; Webster, “Building the Wholesale”, pp. 883–904.

how to manage them effectively to what constitutes “ethical sourcing” – are far from new.

For historians of co-operative business, our research suggests fruitful new avenues for research into the practical and ideological complexities of international co-operative trade. As will be discussed below, throughout this period CWS sought to promote the cause of global co-operation in various ways, by developing “co-operative to co-operative” trading relationships, sharing expertise and providing financial assistance to foreign co-operatives, and participating in international co-operative organizations. Yet CWS relations with other nations’ co-operatives were not always benevolent or harmonious, and its strategies were designed primarily with the interests of its British member-owners in mind. This could lead to outright conflict, as it did between CWS and Irish dairy co-operatives in the 1890s and 1900s.⁹ The authors’ preliminary research highlights the contested and complex nature of co-operative business relationships, in which local and national interests, and interpretations of co-operative ideology, were worked out amidst the changing practical needs and shifting priorities of commerce.

First, this chapter will map the expansion of CWS international activity, identifying key milestones and developments. Next, it will explain why CWS became such a major international player so early in its commercial development, highlighting the key internal and external factors which pushed the organization in this direction. Thirdly, it will provide important insights into the methods and strategies employed by CWS to develop its global presence, demonstrating that it was practicing effective SCM a hundred years before such methods were supposedly devised. Fourthly, it will explore the political dimensions of CWS’s overseas operations. The period under question was one of great international turbulence, including two world wars, an extended global economic depression, multiple revolutions, invasions and political realignments, and a shift from relatively free trade to protectionism in international commerce. Like private firms, CWS had to negotiate this volatile global environment, taking political and commercial steps to preserve its interests. Yet its aims were shaped by its co-operative business model, and its strategies played out within a developing and complex global co-operative network. From this it will be clear that in the early twentieth century, as now, managing supply chains required a strategy that incorporated both commercial and political dimensions, in all their complexity. Finally, the chapter will conclude by summarizing the implications of the limited research undertaken to date,

9 Wilson, Webster and Vorberg-Rugh, *Building Co-operation*, pp. 127–9; see also Doyle, ‘Better Farming, Better Business, Better Living’.

and offer some suggestions about where further research offers significantly new insights.

The Globalization of the cws

CWS was established in 1863 by consumer co-operative societies in England and Wales. Its founders were concerned about the potential hostility of their private competitors, who might be tempted to pressurize private wholesalers into either refusing to supply co-operative societies, or offering them less favorable terms in price or quality than their non-co-operative competitors. It was a secondary co-operative, whereby its members consisted of co-operative societies who took shares in CWS and received a portion of the CWS surplus based on the amount of business they undertook with CWS. The organization's rate of growth was truly impressive. The CWS began trading in 1864 with just £2,455 in share capital, making a surplus (profit) of just £306 on sales of £51,875. By 1870 CWS's share capital had blossomed to £16,556, with sales of £507,217 generating a surplus of £4,728. The figures for 1880 indicate a further acceleration of growth, with share capital now at £146,061, sales at £3,339,681 and surplus at £42,090. By 1890, it was a commercial giant, boasting share capital of £434,017 and sales more than double that of ten years earlier (£7,429,073) and profit more than three times the 1880 result (£126,979).¹⁰ In short, the capital resources of CWS grew from £40,658 in 1870 to £1,474,466 in 1890, facilitating both the growth of the organization's productive capacity and its ability to trade globally.¹¹ At the time, most wholesalers and retail businesses tended to be small and localized, with few if any really major national operators, and certainly none on the scale of CWS. The closest comparators were Lipton's and the Lyons chain, but none could rival CWS's national spread.

As it grew, CWS developed the first national distribution network in Britain, pioneering a key feature of modern retailing in the process. In its first decade of operation, it opened branches in Newcastle (1872) and London (1874). By 1900 the CWS branches were supplemented with sales depots at Leeds (1882), Bristol (1884), Huddersfield (1885), Nottingham (1886), Blackburn (1890), Cardiff (1893) and Birmingham (1893). During the same period, CWS became a major producer of own branded goods, beginning with the opening of its Crumpsall biscuit and confectionery factory in 1873. By 1900 the CWS produced a wide range of food and household goods, including boots and shoes, textiles,

10 *The People's Year Book* (Manchester: CWS, 1950), pp. 131–2.

11 Redfern, *The Story of the CWS*, pp. 418–9.

clothing, crockery, furniture and soap. In the early twentieth century CWS opened major industrial complexes at Irlam along the Manchester Ship Canal, at Silvertown in east London, and at Pelaw on Tyneside; meanwhile it rapidly expanded its flour milling, cocoa and tea operations.¹² By the mid twentieth century, CWS remained one of Britain's largest manufacturers, and co-operative consumers could purchase a staggering array of CWS-made products, including bicycles, pet foods, pharmaceuticals, radios and vacuum cleaners. Nor were CWS activities limited to manufacturing and distribution. In the 1870s it established its own banking department, which would come to play an important role in the development of CWS and of the British movement. The CWS Bank grew steadily in its early decades, attracting accounts from many co-operative societies across the country. The CWS Bank proved to be a key resource for the expanding movement, furnishing co-operative societies with overdrafts and loans for a vast array of purposes, including the construction of stores and the acquisition of property.¹³

A vital, if rarely acknowledged, aspect of CWS's spectacular domestic growth in its first 30 years was its engagement with global markets. From very early on in its history, CWS looked beyond British shores to source much of the produce it sold to co-operative societies and their customers. This reflected several basic realities in respect of the developing British market.¹⁴ Firstly, with the development of more advanced communications technology, including steamships and the telegraph, it was becoming easier, cheaper and faster to supply the British market with a vast array of foreign produce, such as tea, cocoa, coffee, sugar, as well as cheaper imported wheat from North America. The developing of canning and refrigeration also opened the way for mass importation of perishable produce such as meat. Secondly, by the mid nineteenth century Britain was a well-developed industrial, urban society, in which rising living standards

12 For a useful summary of this early productive expansion, see Webster, "Building the Wholesale", pp. 892–3.

13 Webster, "Building the Wholesale", pp. 895–6.

14 There is a consensus among historians that the second half of the nineteenth century witnessed major changes in consumption in the UK, which involved not only increased domestic demand for a wide range of commodities, but also radical changes in selling techniques, branding, store design and retail organisation. There is, perhaps inevitably, considerable disagreement about the speed of change. See Jefferys, *Retail Trading in Britain*; Blackman, "The Food Supply of an Industrial Town", pp. 83–97; and Blackman, "The Development of the Retail Grocery Trade", pp. 110–7; Fraser, *The Coming of the Mass Market*; Scola, "Food Markets and Shops in Manchester", pp. 153–67; Rubin, "From Packmen, Tallymen and 'Perambulating Scotchmen'", pp. 206–25; Winstanley, *The Shopkeeper's World*; and Alexander and Akehurst, "Introduction", pp. 1–15.

and better internal communications through rail and road had created a growing mass market for imported foodstuffs and other foreign produce. Furnished with large capital resources from the swelling subscriptions paid by its growing membership, CWS had the funds to meet this burgeoning demand for foreign produce. But as will be seen in the next section, the extent and intensity of CWS overseas expansion requires more explanation than wider changes in British society and retail organization.

In the nineteenth century, the scale of CWS's global expansion had no parallel elsewhere in the British economy, let alone in retailing. For an organization whose immediate market was largely confined to the industrial towns of northern England, CWS was astonishingly quick to extend its activities outside its immediate vicinity. Until the advent of the CWS, most foreign products were supplied to local British retailers by local or regional wholesalers, who in turn dealt with brokers and merchants based at Britain's major ports. From its earliest years, CWS pioneered a new method of procuring goods that was far less dependent on British brokers and middlemen. CWS began to source directly from Irish butter producers in the late 1860s, employing a strong team of buyers who worked strenuously to build links with farmers and local creameries. CWS depots opened in Limerick (1868), Armagh and Waterford (1873), Tralee (1874) and Cork (1877). But CWS's global ambitions truly emerged in the mid-1870s. On 21 February 1876, CWS opened its New York depot, with express instructions to its employees to buy American cheese, bacon, ham, lard and flour for societies in Scotland as well as England and Wales.¹⁵ CWS had begun importing significant quantities of American produce in the early 1870s, and a US operation therefore seemed a logical next step.¹⁶ By the mid-1880s, the New York depot had developed links across the continent, procuring meat and other commodities from as far afield as Kansas and Chicago.¹⁷

An important signal of intent was the CWS acquisition of a warehouse and depot in Liverpool in April 1875, which was in direct response to the growth of CWS overseas commerce.¹⁸ Equally significant was the decision in the late 1870s to establish the CWS's own shipping line to trade with mainland Europe, heralded by the launch of *ss Pioneer* in 1879.¹⁹ Soon CWS was running scheduled shipping lines from Goole to Calais (and later Hamburg) and Garston to Rouen. In March 1879, just a month after launching the *Pioneer* CWS opened

15 Redfern, *The New History of the CWS*, p. 598.

16 GPCM (15 July 1874), pp. 42–4.

17 GPCM (17 September 1884), p. 56 (26 November 1884), p. 111.

18 GPCM (29 July 1874), pp. 46–8.

19 Redfern, *The New History of the CWS*, p. 599.

a full depot in Rouen. Branches in Copenhagen (1881) and Hamburg (1884) quickly followed. But in fact these major investments in branches were merely the tip of the iceberg. CWS representatives travelled all over Europe seeking new sources of produce. Thus in the mid-1880s CWS deputations were sent to Greece and Turkey to source dried fruit and travelled across the European mainland, striking deals with producers for apples, potatoes, flour and other commodities in Belgium, France, Germany, Austria and the Balkans.²⁰ As the CWS's domestic production and trade increased markedly in the 1890s, so too did its overseas activities. New overseas depots were opened, notably Montreal (1894), Gothenburg (1895), Denia in Spain (1896), Sydney in Australia (1897) and Odense (1898) and Esbjerg (1905) in Denmark.²¹ Some of these overseas forays involved developing CWS's own production facilities, in line with CWS's domestic strategy of vertical integration. Thus a tallow factory was acquired in Sydney in 1901.²² Just a year earlier, CWS had opened a bacon factory at Herning in Denmark and ordered the construction of one in Tralee in Ireland.²³ Then in 1902, CWS and its Scottish counterpart made the first of numerous acquisitions of tea plantations in Ceylon (now Sri Lanka), later extending this into India.²⁴ In 1913, in part to combat similar efforts by private companies to source raw materials abroad, CWS extended its colonial operations into West Africa, establishing a depot at Freetown with a view to purchasing cocoa and palm oil.²⁵

Thus by the outbreak of the First World War, CWS already had in place an international network of trading and productive facilities as well as global connections with producers and merchants. While relations between CWS and the British state during the war were troubled, it nonetheless showed a willingness to put its overseas assets at the government's disposal. By 1917 the head of the CWS New York depot was serving as a full time advisor to the British Ministry of Food, assisting with procurement during the most difficult food shortages of

20 Tweedale's Report to CWS General Committee on his visit to Greece 30 July–27 Sept 1886 (dated Oct 1886), pp. 3–9, NCA.

21 For an example of how other nations' co-operators viewed CWS's international expansion in this period, see Lewis, *The Democracy Principle*, p. 7.

22 Redfern, *The Story of the CWS*, p. 428.

23 CWS Board Minutes (hereafter CWSBM), (11 November, 1899; 12 January, 16 March, and 15 December, 1900).

24 Redfern, *The Story of the CWS* pp. 218–9.

25 *Co-operative News* (18 October 1913), p. 1376; (14 February 1914), pp. 212–3; (21 February 1914), p. 230; see also Wilson, Webster and Vorberg-Rugh, *Building Co-operation*, pp. 126–33.

the war.²⁶ While the war inevitably caused some disruption of CWS's overseas operations, such as the temporary closure of its Gothenburg depot due to the ravages of the German U-boats, CWS emerged from the war with its overseas network intact. Thereafter it sought to consolidate and strengthen them, albeit in the turbulent and difficult global economic conditions of the inter-war period.

CWS's interactions with the global co-operative movement in the interwar years reflect an intriguing mix of ideology and pragmatism. Some CWS leaders shared the view of many British co-operators that increased international co-operation could help prevent future conflicts, but CWS's first loyalty was to its British member societies. Thus, in 1919–20, CWS offered loans and credit arrangements to the co-operative wholesale societies of other European states (including Austria, Belgium, Czechoslovakia, Poland and Rumania), who were struggling to establish or rebuild.²⁷ Such arrangements supported the co-operative movements in these countries, but also helped CWS to access supplies and develop its export trade during a period of great dislocation. CWS also cultivated close ties with other countries' co-operative movements through educational and publicity initiatives. From 1929, CWS produced a weekly news digest, distributed to its Board and other British movement officials, to report on co-operative developments around the globe. The articles indicate close contact between CWS's publicity arm and foreign co-operatives. For example, one 1929 article noted that an illustration of CWS buildings had appeared in co-operative publications around the globe:

The latest to hand is 'Shohikumiai-jidai' (The Co-operative Age), a monthly published by the Co-operative Consumers' Association of Osaka, Japan. It also has reproductions of CWS posters, supplied by the Press and Publicity Department. Articles in reference to the pictures appear from the pen of Mr. T. Ishigouro, a Manchunian [sic] student at our Co-operative College.²⁸

Such materials reveal previously unknown examples of the transnational interactions between CWS and other national movements at multiple levels of its business.

26 Redfern, *The New History of the CWS*, pp. 115–6, 602; see also Wilson, Webster and Vorberg-Rugh, *Building Co-operation*, pp. 152–65.

27 CWSBM (30 January 1919), p. 145; (8 May 1919) p. 339; (25 July 1919), p. 42; (11 March 1920), p. 10.

28 "CWS in Japan", p. 8. Issues of *The Link* from 1929–34 are held by NCA.

CWS also participated in and contributed financial support to international co-operative bodies, including the International Co-operative Alliance (ICA), founded in London in 1895. In 1924, CWS joined with several European co-operative movements, to establish an International Co-operative Wholesale Society (ICWS), whose offices were located in CWS's Balloon Street headquarters in Manchester.²⁹ The organization began as an information exchange between national co-operative wholesales, but conflicts between the member wholesales meant that the ICWS did not succeed in becoming a full-fledged wholesaler in its own right. In fact, CWS opposed proposals by Albin Johansson, director of the Swedish co-operative union and wholesale KF, which would have established ICWS as a collective buying agency.³⁰ This episode reflects the complex practical and ideological interests in play between co-operatives at the global level.³¹

Both ideological and practical motives were also in play in CWS's relations with the Soviet consumers' co-operative union, Centrosoyus. Prior to the First World War, CWS began to source butter from Siberian dairy co-operatives. CWS sought to rebuild these connections after the armistice, sending representatives to Siberia even as the Russian civil war continued to rage.³² As Centrosoyus became increasingly incorporated into the Soviet bureaucracy and Britain became the first world power to sign a trade agreement with the USSR in 1921, the CWS was in a unique position to develop a co-operative to co-operative trade. At the same time, CWS was negotiating its own economic difficulties, reporting its first substantial loss (£4.8 million in 1921) after decades of near continuous growth.³³ For the CWS, building co-operative trade with the new Soviet state offered the opportunity to develop important new sources of supplies, particularly for grain to feed its growing flour milling operations. It also offered the potential to develop a new market for CWS's as manufactured goods, as such items were in short supply in the USSR in the 1920s. In 1923, therefore, CWS entered into a partnership with three other British firms and the Soviet organization, setting up the Russo-British Grain Export Company, which until the mid-1930s exported Russian wheat to the UK.³⁴ CWS exports to

29 Redfern, *The New History of the CWS*, pp. 228–9.

30 CWSBM (28 Jan 1930), pp. 379–81.

31 See Chapter 9.

32 Redfern, *The New History of the CWS*, pp. 231–2.

33 Wilson, Webster and Vorberg-Rugh, *Building Co-operation*, pp. 178–85.

34 CWSBM (24 November 1931).

the Soviet Union were also significant in the interwar period, with CWS selling goods to the value of £363,975 in 1925 and rising to £794,569 in 1930.³⁵

But for the most part, CWS built upon its existing operations, especially with its depots and branches in North America and the British Empire. It imported goods from the Dominions, working closely with agricultural co-operatives in New Zealand and Australia. In respect of New Zealand in 1921 the CWS formed a joint enterprise with New Zealand producer co-operatives, the New Zealand Produce Association Limited (NZPA), to supply dairy goods and, later, frozen meat.³⁶ By the 1930s CWS Bank was financing the export of Australian wheat to Britain through Westralian Farmers Ltd. In 1931 CWS advanced it £200,000 to finance warehousing and other operations. In the following year, in spite of the difficult commercial environment, CWS also opened a depot in New Zealand.³⁷ By the inter-war period, CWS was also a major supplier of goods to co-operative societies outside of Britain, a facet of its activities which reinforced its global role. CWS sales outside the British Isles reached nearly £1.2 million in 1930. While sales to foreign co-operatives made up only a small fraction of its total business – CWS net sales for 1930 were over £85 million – the export trade provided an additional outlet for CWS products. Although CWS exports fell in the mid-1930s and dropped precipitously during the Second World War, in 1950 sales beyond the British Isles were rising once more, to more than £750,000.³⁸

In sum, by the time the Second World War broke out, CWS boasted a formidable international presence. In that conflict, CWS played a crucial role in the government's procurement of overseas food supplies. In 1938, together with Spillers and Ranks, CWS and SCWS were given joint responsibility for replenishing and maintaining the national wheat reserve.³⁹ CWS's links with Canada were vital for this. In January 1940 the British government gave CWS in Canada responsibility for purchasing wheat up to a value of £500,000.⁴⁰ The government used CWS's Canadian network ordering 4 million bushels of wheat through it in May 1940.⁴¹ By 1943, CWS also handled much of the trade with Canada in tinned and frozen fish.⁴² CWS also supplied Polish troops and civilians in the USSR through the Poland Supply Co., agents for the Polish Ministry of Labour

35 Figures compiled by the authors from CWS Balance Sheets (1930–50), NCA.

36 See Special Committee of Inquiry (1929), pp. 38–9, NCA. On the CWS in New Zealand see also Chapter 18.

37 CWSBM (10 November 1931, 14 March 1933).

38 Figures compiled by the authors from CWS Balance Sheets (1930–50).

39 Richardson, *The CWS in War and Peace*, p. 83.

40 CWSBM (30 January 1940), p. 119.

41 CWSBM (21 May 1940), p. 314.

42 CWSBM (8 June 1943), p. 5.

in exile. This relationship became so important to the British state that after the war Foreign Secretary Ernest Bevin requested that a CWS representative join a co-operative delegation visiting Warsaw to strengthen the British presence in that country.⁴³ Thus by the end of the period studied, CWS remained a player on the world stage, both commercially and politically.

The Roots of CWS Globalism

Why did CWS become such a major global commercial presence so quickly? While the wider changes in British society cited earlier were undoubtedly key factors, it is important to recognize that there were other forces at work which drove CWS to look overseas. CWS was a “co-operative of co-operatives”, whose members were hundreds of co-operative societies across England and Wales. Local consumer co-operatives thus controlled CWS, electing the General Committee (which became known as the “Board”), and ratifying, amending or rejecting proposals at regular quarterly delegate meetings. But control and ownership did not inspire unswerving customer loyalty to the Wholesale, even though member societies benefitted from direct business with CWS in the forms of dividends based on purchases. Many new societies sprang into existence in the 1860s and 1870s, a time when CWS was still at an early stage of development and simply unable to meet the needs of these new societies. These societies were therefore compelled to find their own local and national supplies of produce, a fact which inspired a powerful sense of independence among many local societies. In fact, fierce local loyalties among co-operative members and a sense of the needs of the local society, trumped all abstract notions of wider co-operative loyalties. This proved to be a serious barrier for the CWS leaders who saw the organization as the natural vehicle for the creation of the “Co-operative Commonwealth”. Furthermore, the tough realities of retail competition in the growing urban centers made customer loyalty to CWS seem like an unaffordable luxury to many society buyers and managers.

It is important to remember that the co-operative movement of the late nineteenth century took off in what was already quite a crowded urban environment. By 1850 northern Britain's towns and cities already hosted sophisticated business and retail communities which offered fierce and sometimes hostile competition to the co-operative societies. Wilson and Popp and Carnevali show that these northern industrial cities and towns were populated

43 CWSBM (25 September 1945), p. 70.

by many small businesses, serving and supporting each other through business networks.⁴⁴ Local co-operative retail societies were integrated into these business landscapes, and to survive they had to nurture relationships with local wholesalers and the local business community. Local supply chains were vitally important, especially in food, as co-operative societies needed to maintain good relations with local wholesalers, farmers and their communities. Fierce competition with rival retailers forced local co-operatives to prioritize low prices and high quality. They had to be sensitive to local opinions and interests. Retail societies faced considerable and growing hostility from private retailers, many of whom regarded the co-operative dividend on purchases as unfair trading. Such local private retail hostility on the one hand spurred societies into creating the cws; but paradoxically the realities of day-to-day competition with private retailers, and the need to minimize local opposition, meant that it was prudent for societies to direct a substantial portion of their trade to local wholesalers, brokers and manufacturers.

This was a source of real concern for cws, whose leaders tended to believe that they had a moral right to expect member customer loyalty – especially as members would be rewarded in dividends. The great cws leader of the later nineteenth century, J T W Mitchell even embarked upon a speaking campaign across the country in the late 1880s to plead, cajole and bully society managers into buying more from cws.⁴⁵ But it was to no avail. In 1890, member societies sourced only 36.9 percent of their supplies from cws.⁴⁶ In fact, many societies pursued a calibrated policy of “spread purchasing” their supplies between the cws and private, local wholesalers.⁴⁷ In contrast to the perception of cws leaders that customer loyalty to their organization was the only rational and moral course for society managers to follow, a large proportion of co-operative society managers saw loyalty to cws as being heavily contingent upon the wholesale being competitive in price and quality. If co-operative societies were to successfully hold their own in local competition for customers, and to be able to retain their own members through healthy dividends, cws would have to show its ability to surpass the efforts of private suppliers. Loyalty to cws was trumped by the demands of the market.

44 Wilson and Popp, “Introduction”, pp. 1–18; Carnevali, “Crooks, Thieves And Receivers”, pp. 533–50.

45 Webster, “Building the Wholesale,” pp. 883–4.

46 “Co-operative Societies and the Wholesale”, in *Co-operative Wholesale Society Ltd Annual* (1892), p. 489, held by NCA.

47 Webster, “Building the Wholesale”, p. 887; see also Purvis, “Stocking the Store”, pp. 55–78.

While many CWS leaders balked at this, and continued to claim the moral high ground in debates with co-operative society managers at quarterly meetings and a host of other events, in fact the organization had no choice but to respond to this pressure. CWS simply had to become more formidable in providing cheap, high quality goods which societies would choose to buy. CWS was effectively trapped in a competitive “hothouse”. Unlike its private competitors, under the terms of its own constitution CWS was only permitted to trade directly with co-operative societies – a condition which was upheld in all but highly specific circumstances. Private wholesalers suffered no such constraints, and could sell to co-operative and mainstream customers alike. Funneled into supplying this limited market – which had the right to go elsewhere if better terms were to be had – CWS simply had to be competitive in order to survive, let alone even remotely aspire to its aim of becoming the principal or sole supplier of the British movement. Fortunately, the considerable capital resources which co-operative mass society membership bestowed on CWS lent CWS the means to meet this challenge. It was helped by the fact that the vast majority of retailers were either sole traders or small firms, which had not yet grown into the giant and formidable multiple retailing organizations which emerged in the twentieth century. CWS’s plentiful capital (compared at that time to most of its private sector competitors) enabled it to construct not only modern productive capacity and depots across the country to feed its market, but also to reach overseas to capture the best quality imports at highly competitive prices. It was this combination – plentiful capital resources coupled with severe market pressures – which drove CWS to build its global commercial empire.

CWS: The Antecedents of Modern Supply Chain Management?

How then did CWS manage its expanding global operation from the 1870s? To what extent did it pioneer methods of managing its suppliers and supply chains to meet organizational goals? Of course, a brief chapter like this can only outline some useful insights and set an agenda for further enquiry. Nonetheless, as shall be seen, there were some startlingly sophisticated strategies employed which amounted to an early form of SCM – some 100 years before the discipline was supposedly invented.

An important point to make here is that the whole experiment in the formation of a wholesale society by the large number of emergent co-operative societies was, in itself, evidence that co-operative societies were acutely aware of a need to manage their sources of supply. CWS itself can therefore be seen as the first step towards SCM by retailing organizations in Britain. Why were

co-operative societies so unusually attuned to the need to exercise control over the supply of commodities upon which the movement depended? There were two main reasons for this. The first was a mixture of ideology and pragmatism. A key idea which underpinned British consumer co-operation, as enshrined in the Rochdale principles, was the notion of supplying pure, unadulterated food and goods of the highest possible quality. The corollary was that co-operative societies, from the outset, had a stronger interest in the fitness of their supply chains to deliver these objectives than was the case in respect of “pure profit” seeking private retailers. Indeed, how could purity and high quality be assured *without* some form of supply chain management?

Secondly, it became clear from the 1850s that co-operative expansion was seen a threat by many private retailers. Throughout the later nineteenth century there were various organized attempts by private traders to stifle co-operative growth by persuading wholesalers, merchants and suppliers not to do business with co-operative societies. Thus in April 1886, the *Co-operative News* condemned a campaign by Scottish private traders to persuade wholesalers not to sell to co-operatives. This turned into a newspaper led attack on co-operation in general.⁴⁸ By 1900, journals such as *The Tradesmen and Shopkeeper* were vilifying co-operative societies and the “divi”.⁴⁹ In 1902, there was an attempted manufacturers’ boycott of the St Helens Co-operative Society, led by the local chapter of the Traders Defence Association.⁵⁰ Other private traders chose to attack active co-operators by trying to persuade their employers to discipline or sack them. Other tactics were more crude, as when a formative meeting for a co-operative society in Salisbury, Wiltshire was broken up by a gang of youths and shopkeepers in January 1887.⁵¹ This climate of hostility and the nature of some of these attacks brought home to local society leaders just how vulnerable their supply chains were to intimidation. In this context, CWS was seen as a vehicle for challenging supplier boycotts, and effectively forcing wholesaler and suppliers to deal fairly with co-operatives. Thus local society leaders became commercially aware of the importance of supply chains because there was a continuing undercurrent of threat against them.

Fully aware of these developments, CWS efforts to establish itself as the best supplier for co-operative societies were accordingly strengthened. As shown, CWS’s position in the market meant that it had to be better at supplying societies than its private competitors. The growing importance of imported

48 *Co-operative News* (17 April 1886), p. 372.

49 Winstanley, *The Shopkeeper’s World*, pp. 85–7.

50 Winstanley, *The Shopkeeper’s World*, pp. 85–7.

51 *Co-operative News* (5 February 1887), p. 137.

foodstuffs and commodities (tea, sugar, butter, bacon, etc.) on the British market meant that management of these supply chains were crucial to CWS competitiveness. To accomplish this, CWS adopted a number of tactics which in total amounted to a strategy to manage supply chains for at least some of its most popular commodities. Some of these were redeployed subsequently in different contexts, and there is evidence of successful strategies being communicated by CWS managers to peers likely to be well placed to use this knowledge to advantage.⁵²

An important CWS strategy in procurement was wherever possible, to source commodities directly from the producer rather than through middlemen. CWS officials learned early that brokers were frequently unreliable both in terms of price and quality. In 1880 CWS became so disenchanted with the service it was receiving from brokers in Liverpool that it forbade its buyers to do business with them. When two CWS officials disobeyed this edict, they were sacked.⁵³ The example of John Andrew cited at the beginning of this chapter is an excellent example of the procurement strategy CWS developed in several places. By dealing directly with farmers in purchasing butter, Andrew effectively signaled to the brokers in Copenhagen that CWS was not only finding an alternative to their services, but was also acquiring crucial intelligence about the quality of produce available. The latter was achieved not only by dealing directly with farmers on an individual basis. Andrew assiduously built political relationships to embed CWS in its relations with the Danish farming community. In April 1882, less than a year after the Copenhagen branch had been opened, Andrew met the President of the Royal Agricultural Society of Denmark and a deputation of farmers, to discuss how relations with CWS might benefit the Danish farming community.⁵⁴ In December, Andrew agreed (with permission from Manchester) to accept an invitation from Tesdorf, the President of the Royal Society, for CWS to join its ranks. Andrew agreed to provide the Royal Society with intelligence about the British butter trade.⁵⁵ In this way, Andrew secured real leverage over the Danish butter supply chain for CWS, establishing important formal and informal relationships with key political and commercial actors. Andrew acquired a formidable reputation as an expert on the Danish butter trade, even writing occasionally for the Danish farmers' journal

52 For example in February 1885, Dilworth, manager of the Hamburg branch, visited Andrew in Copenhagen to be briefed on how best to deal directly with farmers, a field in which Andrew had built up expertise. *GPCM* (11 February 1885), p. 169.

53 *GPCM* (13 September 1880), p. 13; (21 December 1880), p. 68.

54 *GPCM* (12 April 1882), pp. 312–3.

55 *GPCM* (28 December 1882), p. 87.

about the trade.⁵⁶ What is interesting is that Andrew did not opt to trade solely with the farmers; rather he continued to purchase the bulk of supplies from the brokers – but confident now in the knowledge that they were unable to offer him less than the very best service.

Moreover, Andrew and the CWS were helped in developing their relations with the Danish farmers by the fact that co-operative methods of organization were starting to become well established in the Danish dairy industry. From the 1870s Danish farming had undergone major changes in response to the challenge posed by large imports of cheap American grain into Europe. Danish farmers had switched from arable into dairying and butter, adopting revolutionary methods of “winter feeding” which produced high quality milk and butter all year round.⁵⁷ Crucial for the new system were the co-operative creameries established by Danish farmers. These provided centralized facilities for processing milk and for promoting new techniques of production.⁵⁸ As a result, Danish butter acquired an unparalleled reputation for reliability and high quality. This reputation was fiercely defended after 1888 by the Danish Agricultural Commissioner in London, who zealously denounced those suspected of passing off sub-standard butter from other sources as Danish.⁵⁹ CWS’s commitment to high quality produce complimented the Danish industry’s obsessive protection of the quality of Danish butter. In this respect, it produced a “double lock” in ensuring supply chain reliability.

Andrew reinforced this natural alliance by building links with the Danish co-operative movement. In March 1885 Andrew secured the custom of Herr Donnersgaard, a leading farmer, MP and in Andrew’s description, President of the Danish Co-operative Wholesale Society. This led to closer relations between the English and Danish wholesales.⁶⁰ Within weeks, on behalf of the CWS, Andrew addressed the annual meeting of the Danish wholesale.⁶¹ This organization could not have been the national Danish co-operative wholesale society FDB, which was established in 1896, and must have been one of the regional organizations which emerged before then.⁶² Interestingly the Grocery and Provision Committee minutes do not provide a clear identification. But

56 GPCM (27 June 1883), p. 223.

57 Henriksen and O’Rourke, “Incentives, Technology and the Shift to Year Long Dairying”, pp. 520–54.

58 Henriksen and O’Rourke, “Incentives, Technology and the Shift to Year Long Dairying”, pp. 547–8.

59 Higgins and Mordhorst, “Reputation and Export Performance”, p. 195.

60 GPCM (4 March 1885), p. 182.

61 GPCM (31 March 1885), p. 203.

62 On co-operation in Denmark see Chapter 6.

whatever its true title and status, cordial relations were cemented in December 1885 when CWS shipped a large consignment of rice to this Danish organization.⁶³ Intriguingly, when CWS opened its Hamburg branch in 1884, strenuous efforts were made by its new head to learn from Andrew's experiences and methods in Copenhagen.⁶⁴

John Gledhill, head of the CWS depot in New York from the mid-1870s until 1918, also strengthened his leverage with American producers by building peerless commercial insight and intelligence, together with a reputation for their possession. Like Andrew, Gledhill embedded himself in key local institutions linked to the supply chain. In June 1882 he was elected as a manager on the New York Produce Exchange (NYPE).⁶⁵ In 1883 January Gledhill moved the New York CWS office into the NYPE building, bringing him even closer to the heart of the city's dealings in primary produce.⁶⁶ Then in June 1888, Gledhill's deputy, Percival, was also elected as an NYPE manager, reinforcing CWS's pre-eminence in the center of New York's food and primary commodity trade.⁶⁷ Such positioning was hugely advantageous both in terms of CWS's reputation and in the ability of the branch leaders to get a strong sense of which merchants, producers and brokers would be best to deal with – and when.

The NYPE was, in fact the hub of all commodity and foodstuffs transactions in the city, and indeed much of the eastern USA and Gledhill's involvement in it was considerable.⁶⁸ For a number of years he sat on the Exchange Lard Committee, at the time a very important foodstuff.⁶⁹ He was also sent as part of an NYPE deputation to the annual Butter and Cheese Convention in Chicago in 1885, making contacts which almost certainly proved valuable for CWS activities in that city.⁷⁰ Gledhill and Percival were perfectly placed to ensure the best possible deals for CWS in its American procurement operations, just as Andrew's political and commercial connections in Copenhagen put him in a most advantageous position to secure optimum arrangements for buying butter. Positioning key CWS personnel in strategically advantageous commercial or political institutions with access to key business intelligence

63 GPCM (16 December 1885), p. 404.

64 GPCM (24 April 1884), p. 428; (25 March 1885), p. 195.

65 GPCM (21 June 1882), p. 353.

66 GPCM (17 January 1884), p. 356.

67 GPCM (20 June 1888), p. 361.

68 Carhart, "The New York Produce Exchange", pp. 215–6.

69 *Report of the New York Produce Exchange* (New York: DeLeeuw, Oppenheimer and Myers, 1886); see http://www.archive.org/stream/report56unkngoog/report56unkngoog_djvu.txt [accessed 1 June 2016].

70 GPCM (November 1885), p. 384.

was a hallmark of the organization's strategy, and remains an important factor in modern SCM. The great nineteenth century historian and commentator on the movement G J Holyoake noted Gledhill's success in annually purchasing \$2 million of US produce for CWS, and attributed this success at least in part to his position on the NYPE.⁷¹

Only further research will reveal the extent to which successive generations of CWS officials around the world replicated this strategy of institutional placement to optimize what is called SCM today. But perhaps the best measure of the success of Gledhill was the fact that from the mid-1880s, non co-operative firms involved in procuring American foodstuffs requested that Gledhill and the CWS New York depot supply them with produce. As early as September 1876 Gledhill had observed that bulk buying would facilitate the best purchase prices for CWS, and that it might be pragmatic for Manchester to make an exception to its general rule that CWS should only serve co-operative organizations. Significantly, he was given permission to proceed.⁷² Subsequently CWS New York supplied numerous non-co-operative British firms. By 1882, the lard firm Kilverts imported Chicago hog fats through CWS.⁷³ In 1885 CWS began to supply American cheese to Fowlers, a Liverpool firm and to a Mr Marples.⁷⁴ A similar deal was struck with Dixon & Co. of Manchester.⁷⁵ Gledhill welcomed both the commissions generated and the market knowledge gained through this work. It facilitated the purchase of larger quantities of commodities, in the process enabling the negotiation of lower prices from which the co-operative movement as a whole would benefit.⁷⁶ These activities were extended again in December 1886, when CWS New York began supplying several British firms with sugar purchased on the NYPE. These included McFie's, probably the leading sugar brokers in Liverpool.⁷⁷ Gledhill also shipped resin to the firm of Goodwin Bros in 1888.⁷⁸ Such pragmatism maximized the negotiating position of CWS New York in supplying societies in the UK and itself constituted an important fact of SCM. Success in wooing private firms to buy from CWS is perhaps the best evidence of just how effective CWS New York was in managing its supply chain connections.

71 Holyoake, *Travels in the United States and Canada*, p. 129.

72 GPCM (27 September 1876), p. 78.

73 GPCM (5 April 1882), p. 311.

74 GPCM (1 July 1885), pp. 264–5.

75 GPCM (30 July 1885), pp. 287–8.

76 GPCM (30 July 1885), p. 285.

77 GPCM (2 December 1886), p. 280.

78 CWSBM (31 August 1888), p. 55.

An important reason for the success of both Gledhill and Andrew was their expert knowledge of the tastes of co-operative society members, acquired whilst they were CWS travelers, moving between societies trying to sell CWS produce, in competition with private firms.⁷⁹ This intelligence informed their purchases of food supplies, both in terms of price and quality. By combining this consumer knowledge with their influential positions in the supply chain, both Andrew and Gledhill could aspire to ensuring a successful marrying of supply procurement activities to the actual demands of consumers in the co-operative stores. This is what is known in the current SCM jargon as ECR (Efficient Consumer Response), albeit without the advantages of modern information technology, transport or indeed the conceptual frameworks of retail logistics in the early twenty-first century.⁸⁰ CWS tried to achieve this through the promotion and empowerment of suitably experienced individuals, rather than through changes in the organization of culture of SCM, as modern analysts would prescribe. But the effect was approximately the same. An even more striking example of this was Charles Fielding, head of the tea department in London. Fielding's task was an unenviable one. Co-operative societies demonstrated a hugely diverse range of tastes. To meet it, by 1890 CWS supplied 350 different blends of tea and employed 300 people.⁸¹ Fielding could boast real success in his work. Tea sales by CWS to societies grew from 3,199,111 lbs (£287,344) in 1884, to 5,785,406 lbs (£476,109) in 1889, while coffee sales (organized by the same department) rose from 759,490 lbs (£39,541) in 1884 to 1,113,234 lbs (£61,539) in 1889.⁸² Response to consumer demand guided Fielding's strategies. He frequently accompanied CWS travelers on visits to retail society committees, from which he gleaned vital intelligence about what would and would not sell. For example, in September 1885 he visited societies in Haslingden, Warrington, Runcorn and Ramsbottom, at Haslingden engaging in debate about the respective qualities of CWS and (private rival) Hornimans tea.⁸³

The example of tea highlights another important and developing facet of CWS overseas SCM in the nineteenth and twentieth centuries: the entry of CWS into overseas production. This is an area where further research is certainly needed, and comments here on the strategies behind these initiatives can only be speculative. Certainly the acquisition of tea plantations in Ceylon in the

79 In respect of Andrew, see GPCM (25 March 1879), p. 127.

80 Fernie, "Relationships in the Supply Chain", pp. 35–40.

81 *CWS Annual* (1892), pp. 460–7.

82 Taken from Quarterly Reports of the CWS for this period, held by NCA.

83 GPCM (28 September 1885), p. 332.

early 1900s was a major initiative, requiring very significant outlay of capital. As late as 1889, Fielding had set his face against the acquisition of tea plantations by CWS on the grounds that the blends of tea it had to supply were so diverse that CWS owned plantations would not possibly be able to meet the organization's requirements.⁸⁴ But by the late 1890s, even Fielding had changed tack, and in June 1897 he sent to the Board details of a tea plantation for sale.⁸⁵ A few months later the question was formally tabled to the Tea Committee, and in 1898–9 a deputation was dispatched to the east to explore possibilities. The net result was the purchase of the Ceylon tea plantations.

This was not of course the only such example of CWS acquiring assets for its own production. The Sydney tallow factory and the West African branch palm oil and cocoa facilities were other major examples. In the US, the New York depot even considered establishing its own factories to produce cheese.⁸⁶ The real question is why CWS made the ultimate decision in SCM terms – to effectively take over a supply chain completely – in some cases but not others? In addition to the obvious motive of securing supply, it seems more than likely that it was competition for resources with private firms which was a leading motive in the move into production. During the 1890s competition with private tea firms was fierce, and it is likely that this enabled private tea growers to charge premium prices. By entering into production, CWS gained some leverage, as well as growing expertise, which enabled it to prevent the imposition of exploitatively high prices by private producers. In the case of the West African palm oil operations, the move to enter production was at least partially due to similar efforts by Lever Brothers to establish its own West African productive facilities.⁸⁷

Recent academic studies of supply chain management stress that the migration of control of the branding of commodities from manufacturer to retailer is a feature of retail development since the 1980s.⁸⁸ But long before this, CWS piloted branding in its own name, not just of its own produce, but also of some of its suppliers. One of the most notable examples involved what is still one of the leading American brand names of tinned meat, Armour and Company. In July 1884 CWS struck a deal with Armour under which Armour would produce tinned meats using CWS labels.⁸⁹ Three years later, CWS had a range of its own

84 "Tea Gardens and Tea Growing", *CWS Annual* 1892, pp. 467–8.

85 Tea Committee Minutes (21 June 1897).

86 CWSBM (4 February 1887), p. 22.

87 See Wilson, Webster and Vorberg-Rugh, *Building Co-operation*, pp. 131–3.

88 Ferrie, Sparks and Mackinnon, "Retail Logistics in the UK", p. 900.

89 CWSBM (26 July 1884), p. 256.

branded products produced by American packing and manufacturing firms under the Pioneer label.⁹⁰ Such was the scale of the market offered by CWS, that most prominent producers were happy to comply.

These are just a few examples from the pre-First World War period of the ways in which CWS so arranged its overseas operations as to ensure the highest quality at the best possible price. In so doing, the contention is that it anticipated the principles (if not the methods) of SCM a century before that branch of retail logistics management properly emerged. As will be clear in the next section, such innovation was to continue into the twentieth century.

1914–1950: Politics and the Development of CWS's Global Operations

For much of the later nineteenth century, the British co-operative movement largely adhered to the principle of political neutrality in order to attract as wide a spectrum of members as possible. But over time, the hostility of private traders to co-operation, and their efforts to use the law and political allies against the movement, eroded this aversion to engagement in the political process. The movement's infamous legal clash with Lever Brothers over co-operative societies refusing to stock Lever's soap is well documented.⁹¹ Clashes with the wartime government over taxation of dividends, and the relative inability of the movement to shape state policy, ultimately prompted the formation of the Co-operative Party and the development of an uneasy relationship with the Labour Party.⁹² As Britain entered the extremely turbulent global circumstances of the inter-war period, a rethinking of CWS's domestic political strategy had its parallels in the need to adapt CWS's global operations to the problems of the 1920s, and the even greater ones of the 1930s and 1940s. While this section raises more questions than it can offer answers in respect of CWS policy, it will try to offer some pointers for further research.

CWS's role in helping its European counterparts to recover from the First World War has been mentioned, but there is much scope for further analysis of its developing relations with the European and global movements, not least

90 GPCM (13 January 1887), p. 325; CWSBM (4 February 1887), p. 22.

91 Wilson, Webster and Vorberg-Rugh, *Building Co-operation*, pp. 119–20.

92 On the formation of the Co-operative Party, see: Carbery, *Consumers in Politics*; Adams, "The Formation of the Co-operative Party Re-considered", pp. 48–68; and Manton, "The Labour Party and the Co-op", pp. 756–78. See also Chapter 3.

through the ICA. Then there is the question of the ambitious plans to develop the ICWS, the huge purchasing power of which would give co-operatives a commercial advantage over their private trade rivals.⁹³ Why did this initiative, in the end, produce such disappointing results? Why, in the face of such trenchant economic difficulties, not to mention the threats posed by communism and fascism to the international order, did CWS and the wider movement prove so incapable of realizing these ambitions? Perhaps the most ideologically motivated aspect of CWS overseas commercial strategy in the 1920s and 1930s related to its collaborative initiatives with the Soviet Union. The formation of the Russo-British Grain Export Company in 1923, to import Russian wheat at a time when the Soviet regime was seeking to rebuild the economy after war and civil war through its New Economic Policy, has already been mentioned. But CWS's relations with the regime went further. Although CWS wheat purchases from the Soviet Union fell off during the 1930s, especially after Stalin's collectivization policy brought disaster and famine to Soviet agriculture, other CWS dealings with the USSR were important, notably CWS Bank advances to the Moscow Narodny Bank and the Soviet butter organization Soyusprodeksport to promote Soviet exports of butter to Britain. Some of these dealings reveal the full complexity of CWS's overseas dealings. Under CWS negotiated arrangements with these Soviet organizations, the latter were also contracted to supply NZPA, CWS's New Zealand partner organization with butter.⁹⁴ In 1931, CWS and NZPA received 30,000 casks each, while between 1926 and 1933, 690,000 casks of Siberian butter were supplied to them – made possible by CWS advances totaling over £3.5 million.⁹⁵ Between 1924 and 1933 the CWS Bank earned £975,364 in interest on its dealings with the Soviet Union.⁹⁶ Key questions which require further research include the extent to which these relations were guided by ideological affinity or shrewd business calculation, and indeed whether these were the only such deals.

The role of the CWS Bank here, in what again was effectively an exercise in SCM that utilized the CWS's unique banking facility, raises the question of whether other such examples of financially directive SCM stratagems were in evidence. The answer is yes. In 1933 a deal was struck between CWS New York and the New England Fish Company. Under this, the CWS Bank lent the company \$500,000 at 5 percent per annum. At the time US banking system was still in disarray in the wake of the Wall Street crash of 1929 and the ensuing

93 See Chapter 9.

94 CWSBM (11 April and 2 May 1933).

95 CWSBM (12 February 1934).

96 CWSBM (17 October 1933).

banking collapse – desperate circumstances for a company like New England Fish which badly needed credit. CWS turned a straightforward banking opportunity and arrangement into an exercise in SCM. The New England Fish Company was owner of all the shares in the Canadian Fishing Company, a firm which caught and canned sockeye salmon on the Pacific coast, at the Carlisle Cannery on the Skeena River. CWS insisted that a term of the loan to New England Fish would be its own exclusive right to purchase all of the output from this cannery. Furthermore, if New England Fish defaulted, CWS would be entitled to all of its shares in the Canadian company. By this arrangement, CWS secured an exclusive supply of tinned salmon for the tables of British co-operators, regarded at the time as a high status delicacy in many working class households. There was an additional advantage in the deal, which demonstrated an astute measure to overcome one of the difficulties of trading internationally in the 1930s, as countries around the world imposed ruinously high tariffs on international commerce. Since imports into Britain from Canada benefitted from the British policy of imperial preference, the salmon could be repatriated under the best possible tax circumstances. Add to this that it is likely that the interest on the loan substantially covered the costs of CWS purchases from the Canadian Fishing Company, and the full sophistication of this exercise in transcontinental SCM and financial dealing becomes clear.⁹⁷ The question which remains is whether or not the CWS archive holds further examples of such complex and nuanced business transactions to preserve access to essential commodities.

CWS's presence in the British Empire proved increasingly advantageous in the inter-war period as the world slipped into protectionism and global trade slumped. New Zealand and Australia were especially important. In both countries, CWS's principal strategy for securing its supply chains was by working through organizations which collectively represented a larger numbers of producers and interests seeking to sell to CWS. Both NZPA and Westralian farmers were examples, and in both cases CWS incentivized collaboration through loans and other favorable deals. But again, there is still much work to be done on the development of these relationships. It is clear from the importance of the CWS presence in the empire to the economic strategies of the wartime government, that in spite of the difficulties of the inter war period, CWS global trade seems to have held its own. But this phenomenon, like the wider global role of CWS in the British war effort needs much further exploration.

97 CWSBM (24 February 1942).

Conclusion: An Agenda for Further Research?

This chapter has shown that the global reach of CWS is a much under-researched field of historical enquiry, which offers to reveal more about the difficulties of managing international commerce in the unstable global environment which appertained from the late nineteenth century. It also suggests that claims that supply chain management is a very recent phenomenon badly need to be revisited – at least in the case of co-operative wholesales. The need for the study of retail logistics management to look before the 1980s for the origins of SCM is clearly signaled here. Also, having focused predominantly on the “high period” of CWS global activity, a major area for further research is how those international connections fared in the post war period of decline which beset the British movement politically, socially and commercially. But it is important to understand that this is a chapter based upon an incidental, rather than a systematic survey of the CWS’s records, and as such can only offer some anecdotes and examples which seem to point the way to other avenues of research.

But even from this brief and patchy survey, some key questions loom large. Why, given its ethos of fellowship and working with others, not to mention potential mutuality of interests between national movements, did internationalism in the co-operative movement produce such paltry results, at least in narrowly economic and commercial terms? Why didn’t a really effective ICWS emerge in a period when the existing capitalist order seemed so completely discredited, and the feasibility of a radical or even leftist alternative seemed more credible than ever before? The ravages of the Great Depression, and the transparent shortcomings if not outright failure of global capitalism, in the wake of a period of unprecedented working class advance internationally (seemingly – if dubiously – epitomized by the rise of international communism) would on the surface, appear to offer the ideal circumstances for the emergence of a formidable, globally coordinated co-operative alternative. So why did it not happen? For those who see in the post 2008 crisis and the current interest in co-operatives, mutuals, social enterprises and social innovation a new and more co-operative path for future socio-economic development, this earlier failure should give pause for thought. It certainly needs to be researched.

Consumer Co-operation in Italy: A Network of Co-operatives with a Multi-class Constituency

Patrizia Battilani

On 4 October 1854 a friendly society from Turin opened a small shop, called a social dispenser, *Magazzino di previdenza*, which made 24 kg of pasta, 82 kg of flour, 91 kg of rice and 50 liters of wine available for members. It adopted the principles of both open membership and one member one vote. From the beginning, its goal was to take care of the cultural and moral growth of its members by opening a library and organizing conferences. It could not however be described as a Rochdale style co-operative, because the shop traded only with members, it sold at cost and therefore did not distribute any dividend at the end of the year. The most important co-operative journal of the time spoke of this kind of undertaking as Italian-style consumer co-operation.¹ Thus began the history of the Italian co-operative movement.

160 years later, many things have changed. The *Coop consumatori* (the unified brand of the Italian consumer co-operatives) is a market leader in mass retailing and boasts 7.9 million members. In addition, it has often been at the forefront of social corporate responsibility and actively promotes the cultural and social development of local communities in which its members live. What became of the Italian style from the early days? In the end, did the Rochdale model prevail over the model from friendly societies? How important have foreign models been in shaping and re-shaping the Italian consumer co-operatives?

The chapter will answer these questions by exploring both the distinctiveness of the Italian movement and the foreign influences from the early days to the present. After describing the variety of cultural views and idealistic inspirations which have fostered the Italian movement in Section one, Section two will trace the evolution of the consumer co-operatives and the factors which contributed to their development. Finally, Section three will place this history in an international context, exploring the many influences from abroad and the way they were adapted to the Italian context. What emerges is a movement deeply connected to the international co-operative world, with the only

¹ Ferraris, C. "I Magazzini cooperativi di previdenza dell'Associazione generale degli operai di Torino", *La cooperazione italiana*, 1 January 1887.

exception coming from the years of dictatorship. It is also a movement which during the 1980s turned its attention to conventional enterprises abroad, especially in America, searching for innovative forms which would allow it to remain a market leader despite the severe crisis of many European consumer co-operatives. The distinctiveness of Italian consumer co-operatives in the early twenty-first century could be identified in the way it is able to combine mass retailing with a co-operative identity.

The Main Features of the Italian Co-operative Movement

Two features stand out in the experience of the Italian co-operatives: the multitude of cultural views that fostered their development and the adoption of a social economy model with specialized customer, production or farmer co-operatives.² Co-operative ideals were first promoted in Italy by a cosmopolitan group of intellectuals from various fields: liberal-minded, lay thinkers such as Viganò, Rabbeno, Luzzatti and Wollemborg (see table 23.1). They all perceived co-operatives as enterprises that reconciled capital with labor, and as such, were capable of guaranteeing a greater commitment from their workers.³ From the 1880s onward, the continued economic crisis and the increasingly difficult process of industrialization saw a flourishing of Catholic and socialist associations. It is widely acknowledged that the greater social and economic involvement of the Catholics can be attributed to the 1891 publication of the encyclical *Rerum Novarum*, written by Pope Leo XIII, which was to shape the Catholic Church's social doctrine. At the same time, there was a growth in socialist-inspired associations, with the creation of the Camere del lavoro (Trades Councils) and the Leghe di resistenza (Resistance Leagues). Here we see the emergence of two important new theoretical and practical approaches to the creation of co-operative undertakings. It is important to note the founding fathers of the Catholic co-operative movement – Chiri, Sturzo, Guetti, Portaluppi and Rezzara – all of whom contributed to the expansion of co-operatives and in particular of co-operative banks throughout Italy's rural areas.⁴ They defined a co-operative's principal tasks as the improvement of the

2 For an overview of Italian co-operatives after the Second World War see Battilani and Zamagni, "Co-operatives (1951–2001)", pp. 273–93.

3 Rabbeno, *Le società co-operative di produzione*; Wollemborg, "L'ordinamento delle Casse di Prestiti".

4 On the history of the Catholic-oriented co-operatives see Cafaro, *Una cosa sola* and Zaninelli, *Mezzo secolo di ricerca storica*.

TABLE 23.1 *The founding fathers of the Italian co-operative movement*

Name	Year of birth	Region of birth	Formal education and profession	Cultural background	Journeys to or connection with people living in foreign countries	Type of co-operative promoted by them
Aurelio Saffi	1819	Emilia Romagna	Degree in law	liberal	Switzerland and London	all
Enea Cavalieri	1848	Emilia Romagna	Degree in law	liberal	Travel around the world	farmer
Andrea Costa	1851	Emilia Romagna	Degree in Humanities	socialist	Paris	all
Giovanni Raineri	1858	Emilia Romagna	Degree in forestry and	liberal	–	farmer
Camillo Prampolini	1859	Emilia Romagna	Degree in law	socialist	–	consumer and worker
Antonio Vergnanini	1861	Emilia Romagna	He attended for some years the faculty of humanities	socialist	Switzerland	consumer and worker
Nullò Baldini	1862	Emilia Romagna	Self-taught with no formal training	socialist	Greece and France (political exile)	worker
Ugo Rabbeno	1863	Emilia Romagna	Professor in economic policy at the university	liberal	Relationships with universities in many countries	worker
Giuseppe Massarenti	1867	Emilia Romagna	Degree in chemistry	socialist	Switzerland (political exile)	farmer
Romeo Galli	1872	Emilia Romagna	Secondary school; he worked as librarian	socialist	–	consumer
Alberto Basevi	1882	Emilia Romagna	Degree in law	liberal	–	all

Name	Year of birth	Region of birth	Formal education and profession	Cultural background	Journeys to or connection with people living in foreign countries	Type of co-operative promoted by them
Alberto Trebbi	1892	Emilia Romagna	Metal worker	socialist	–	worker
Francesco Viganò	1807	Lombardia	Secondary school teacher in accounting	liberal	France	consumer and bank
Luigi Buffoli	1850	Lombardia	White collar	liberal	–	consumer
Ambrogio Portaluppi	1863	Lombardia	Priest	Catholic	–	bank
Ercole Chiri	1890	Lombardia	Lawyer	Catholic	–	all
Luigi Sturzo	1871	Sicilia	Priest	Catholic	London (political exile)	bank and farmer
Lorenzo Guetti	1847	Trentino	Priest	Catholic	Austria	farmer
Emanuele Lanzerotti	1872	Trentino	Degree in physics	Catholic	Graz and Wien	consumer and bank
Augusto de Gasperi	1893	Trentino	Degree in law	Catholic	Wien	consumer
Luigi Luzzatti	1841	Veneto	Professor in statistics at the university	liberal	Relationships with universities in many countries	all
Nicolò Rezzara	1848	Veneto	Secondary school teacher	Catholic	–	farmer
Leone Wollemborg	1859	Veneto	Degree in law	liberal	Germany (in touch with Raiffeisen)	bank
Luigi Cerrutti	1865	Veneto	Priest	Catholic	–	bank

living standards of the poorer classes, and above all the creation of an economic order capable of overcoming the distinction between wage earners and capitalists. The founding fathers of the socialist co-operatives, on the other hand, included the likes of Costa, Baldini, Vergnanini and Prampolini. They considered co-operative undertakings to be the first step towards the complete

transformation of the economy and society; in other words, they saw the co-operative as a form of enterprise that re-established the dignity of labor and helped to create a fairer, more egalitarian society.

All these different cultural and political approaches contributed to the construction of a positive view on co-operatives in the public discourse and characterized the Italian co-operative movement in the long run, while making it impossible to create a unified co-operative movement.⁵ In 1886 the first apex organization, the Federazione nazionale delle co-operative (National League of Co-operatives, which became the Lega nazionale delle cooperative in 1893), was founded by joining together all the co-operatives regardless of their cultural inspirations. However, after the attack on the co-operatives in 1898 by the reactionary Di Rudinì government, the League turned to more leftist positions. As a consequence many of the Catholic and liberal-oriented co-operatives abandoned it. In the following years, the Catholic-inspired co-operatives began to organize their own associations and in 1919 the Confederazione cooperativa italiana (Confederation of Italian Co-operatives) was created. The advent of the fascist regime resulted in the forced closure of both these apex organizations. After the Second World War however, the three ideals inspired three new apex organizations: Confcooperative (the Catholic), Legacoop (the left minded) and Agci (the liberal), which were still in existence in 2016. Only in 2011, after 60 years in existence, did these three apex organizations began to collaborate with each other in the Alleanza cooperativa italiana ACI (Italian Co-operative Alliance).

Despite their differences and the existence of long lasting separate organizations, at least one characteristic was common to all three cultural routes taken by Italian co-operatives: namely the idea that this is the only form of enterprise capable of associating monetary remuneration with the humane and cultural growth of workers, of consumers and of co-operative members in general. This profound theoretical formulation, focusing both on the technical aspects and on the strengthening of the cultural-ideal aspect of the movement, took some fifty years to come together in the form of legislation. In fact, while the 1865 Italian Civil Code avoided any reference to co-operatives, the 1882 Commercial Code introduced a highly generic definition of co-operative undertakings. The only elements referred to by the Civil Code were the one-member-one-vote scheme and the non-transferability of membership shares. The tax legislation of the 1870s also deserves some attention as the first to make a reference to mutuality, even though this was defined in very restrictive terms.

5 For a comparison between the different cultural routes to Italian co-operation, see Battilani, "The Creation of New Entities", pp. 157–76.

Only at the beginning of the twentieth century do we find the first full definition of co-operation taking into account the interests of the various stakeholders, in the laws governing public tenders. In particular, the Royal Decree 278 of 12 February 1911 established the basic characteristics of co-operative enterprises: a minimum number of members (9); open access; the sharing of profits (profits were shared out among members only, although it was emphasized that those profits made from the labors of non-members had to be set aside into a reserve fund or used for insurance, mutuality, co-operation and education); the dignity of labor (non-member workers were to be paid no less than the current wage); the possibility to employ non-members and thus facilitate the growth of the enterprise.

In brief, Italian legislation slowly acknowledged a type of enterprise different from the investor-owned business corporation and based on the principle of final control exercised by the members. They exercised this control jointly on the basis of the one-member-one-vote principle, while other stakeholders (first and foremost the non-member workers) were also granted a role; in fact, they were duly paid a fair wage, and their presence meant that a part of the profits had to be utilized for the purposes of mutuality.⁶

Even before the appearance of specific legislation, between 1854 and 1884 all the various forms of co-operatives, which had been experimented with in the other European countries over the previous decades, made their appearance in Italy. The year 1854 saw the foundation of Italy's first ever consumer co-operative, Turin's *Magazzino di previdenza della società generale degli operai* (General Worker's Society Storehouse), which will be described in some detail in the following section. In 1856, a group of glaziers from the town of Altare in the province of Savona set up the first workers' co-operative. Despite an early start, this form of co-operative developed rather slowly before the last two decades of the twentieth century when a number of farm laborers' co-operatives were founded. The first of these was set up in 1883, under the name of the *Associazione generale dei braccianti agricoli di Ravenna* (General Association of Farm Laborers of Ravenna), by one of the founding fathers of the Italian co-operative movement, Nullo Baldini. The number of people in the poorest rural class, the uneducated masses living on the edge of society, had grown enormously during the last two decades of the nineteenth century, as a result of changes within the sector and in the contracts governing farm management, and the farming crisis in general. These co-operatives specialized in public works, ranging from land reclamation to the construction of bridges and

6 For a survey of the Italian legislation on co-operatives, see Bonfante, *La legislazione cooperativa* and Bonfante, *La nuova società cooperativa*.

roads. Although, as such, they encountered all of the problems associated with a highly cyclical and unstable sector, they represented one of the most original forms of Italian co-operation, which was largely unknown in other countries.⁷

The third sector in which co-operative enterprises were to emerge was the banking sector. These followed the German model but were adapted to account for the specific cultural and economic conditions of the country. The first was the Banca popolare di Lodi (1864), a co-operative bank based on the model created by Hermann Schulze at Delitzsch. Unlike the German model, Italy's co-operative banks began life as public limited companies, in keeping with the express wishes of Luigi Luzzatti. He believed that the urban middle classes would be discouraged from joining if co-operative banks were based on unlimited liability, which in turn would have hindered the success of the Banca popolare. Overall, the co-operative banks constituted one of the most successful sectors of Italian co-operation right up until the First World War, both in terms of their market share (18 percent in 1914) and their ability to affect positively local economic growth. Two decades later in 1883, the first Cassa rurale (rural bank) was founded at Loreggia near Padua, faithfully inspired by Raiffeisen ideas. Despite the small market share, which never exceeded 1 percent before the First World War, they played an important role in channeling credit towards geographical areas, economic sectors and families that would never have had access to credit otherwise.⁸

To complete the picture there is one last sector to mention, agriculture. Farmer co-operatives included a vast range of different business activities, from the running of *latterie* (dairies) and *cantine sociali* (wine co-operatives) to *affittanze collettive* (communal lease holdings).⁹ In brief, since their origin, Italian co-operatives have operated in a variety of sectors without any connection between one sector and another. Consumer co-operatives did not usually buy products from farmer co-operatives and rural banks as a rule did not lend money to other kinds of co-operatives. Nevertheless, people could be members of more than one co-operative.

The great variety of cultural and philosophical inspirations certainly helped co-operatives across Italy become deeply entrenched, despite the

7 For the history of worker co-operatives see Fabbri, *Da birocciai a imprenditori* and Muzzioli and Rinaldi, *Un secolo di cooperazione*.

8 For the history of co-operative banks see Cesarini, Ferri and Giardino, *Credito e sviluppo*; Cafaro, *La solidarietà efficiente*; Ferri, *Appunti per una storia della cooperazione di credito*; Abbadessa and Fusconi *Mutualità e formazione del patrimonio nelle Casse Rurali*; de Bonis, Manzone and Trento, *La proprietà cooperativa*; Leonardi, *Una stagione «nera»*; A'Hearn "Could Southern Italians Cooperate?".

9 See Raineri, *Le affittanze collettive in Italia* and *Latteria Soresinese 1900–2000*.

great regional divide both in terms of economic development and degree of urbanization.

The Origins and Evolution of Italian Consumer Co-operation¹⁰

Before the First World War

The origin of Italian consumer co-operatives dates back to the middle of the nineteenth century. Consumer co-operatives appeared for the first time in Italy in 1854 as transformations of pre-existing self-help or mutual aid societies. Generally speaking, these first co-operative stores, including the one set up in Turin in 1854, differed from the Rochdale model in that they only sold goods at cost to co-operative members, and were thus not in a position to accumulate wealth or pay out dividends. The member-only stores were fairly widespread during the 1870s and 1880s and constituted the first step in the process of transition from charity (the mutual aid societies being part of this sphere) to real co-operation; that is, to the model of a business enterprise based on the principle of mutuality.

It is no coincidence that the early pioneers of consumer co-operation, Francesco Viganò (from Lombardy) and Luigi Luzzati (from Veneto), encouraged the transformation of such institutions into open co-operatives along the lines of the Rochdale model. In 1874, Viganò wrote that:

It is a better idea if we convert our stores into true co-operatives, without saving anything with the exception of those small deposits that form almost of their own accord by setting aside the dividends. Every three months the co-op members reap the benefits of the savings made on the difference between cost price and sale price, a difference which grows by the hour and which rendered the Honest Pioneers of Rochdale wealthy and educated, while in our stores the said difference is eaten away, a priori. In this way the members will never be able to accumulate capital, but on the contrary will get accustomed to consuming more, and if the difference is whittled away or eliminated altogether, they shall suffer the worst possible disillusion¹¹

10 There are a considerable number of works on Italian consumer co-operatives: Battilani, *La creazione di una impresa moderna*; Zamagni, Casali and Battilani, *La cooperazione di consum*; Ferrucci, *Coop centro italia*; Tognarini, *Dalla Proletaria a Unicoop Tirreno*; Baravelli, *La cooperazione di consumo ravennate*.

11 See the two reports from Viganò and Schulze Delitzsch, *Movimento cooperativo e rendiconto delle banche*.

During the last fifteen years of the nineteenth century, the closed associations – descendants of the mutual aid societies – were flanked by white-collar consumers' co-operatives, particularly in the Lombardy region. The members of these co-operatives were white-collar workers employed by banks, railway companies, the state, and in some cases army officers. These co-operatives were situated, as expected, in the nation's major towns and cities. Some of these co-operatives proved capable of forcing the consumer co-operatives to come to terms with Italy's larger, more innovative retailing businesses. It is worth mentioning a few of them, such as the *Unione cooperativa di Milano*, (the Milan Co-operative Union), which was headed by Luigi Buffoli and was the largest consumer co-operative in Italy, and the *Unione militare* (Military Union) in Rome. Founded in 1886, the *Unione* sold everything from food to clothes to pots and pans in its 24 departments run by 400 employees (1892). The *Unione militare* was founded in Rome by an Army lieutenant, Tito Molinari, following the experience of the London "Army and Navy" (see Table 23.2). By the end of the 1890s, the co-operative had established branches in ten different Italian towns.

Starting in the 1880s, consumer co-operatives also began to expand into Italy's smaller towns and in the countryside, with the emergence of a range of associations founded by artisans, farm workers, factory workers and other categories of workers. The success of the co-operatives in smaller towns and rural areas can be partly explained by the growing commitment and involvement of the Catholic world, with its capillary network of parish committees, and partly by the growth of socialist associations and institutions, ranging from the resistance leagues to the trades councils. At the beginning of the twentieth century, the prevalently working-class co-operation laid the foundations for the construction of several large-scale co-operative groups, including the *Alleanza cooperativa di Torino* (Co-operative Alliance in Turin) and the *Co-operative operaie di Trieste* (Workers' co-operatives in Trieste). This growth continued until the outbreak of the First World War, with the official data from that period revealing there were more than 2300 co-operatives in 1915 (see Table 23.3).

One aspect shared by all the consumer co-operatives was the goal of providing members with a variety of services. Both large and small co-operatives often provided additional services along with their normal sales activities, namely the running of recreational clubs designed to promote the socialization and education of members. In Lombardy, there were frequent cases of "conglomerated" consumers' co-operatives, consisting of a number of different co-operatives and associations that met the various needs of their members. These included social insurance, consumption, the provision of recreational facilities and even housing.¹²

12 Zamagni, Casali and Battilani *La cooperazione di consumo*.

TABLE 23.2 *Turnover from the top three Italian co-operatives (constant prices in 2009 €)*

	1893	1902	1914	1920
Unione cooperativa di Milano	12,098	26,918	39,222	113,410
Unione Militare di Roma	12,098	32,295	27,607	103,105
Alleanza cooperativa di Torino	–	13,666	37,413	51,561

SOURCE: AUTHOR'S REWORKING OF ZAMAGNI, *DINAMICA E PROBLEMI DELLA DISTRIBUZIONE COMMERCIALE*.

TABLE 23.3 *Consumer and other forms of co-operatives operating in Italy, 1915–1921*

Co-operatives	1865	1893	1910	1915	1917	1921	1927	1937
Consumer co-operatives	58	1013	1652	2312	2499	6481	3333	3609
All kind of co-operatives, credit sector excluded	–	1768	4960	8251	8764	17,976	7776	11,233

SOURCE: AUTHOR'S REWORKING OF DATA FROM BRIGANTI, *LE ORIGINI DELLA COOPERAZIONE*; ZAMAGNI AND FORNASARI, *IL MOVIMENTO COOPERATIVO*; CAROLEO, *IL MOVIMENTO COOPERATIVO IN ITALIA*.

Sixty years after the founding of the first Italian consumer' co-operatives the results were positive in terms of territorial coverage. There were still however certain weaknesses which one of the fathers of European co-operation, Charles Gide, highlighted in a study of European consumer co-operatives: firstly a high degree of fragmentation (turnover per company was lower than that of other European countries) and secondly the absence of any central purchasing organization.¹³

The spread of consumer co-operatives throughout Italy did not follow any particular homogeneous pattern, and as a rule they were concentrated in six specific northern and central Italian regions, namely Piedmont, Liguria, Lombardy, Emilia-Romagna, Tuscany and Veneto. It proved much more difficult to get any kind of foothold in the south with the exception of Lazio, where there was a number of consumer co-operatives primarily for office workers.

13 Gide, *Les sociétés coopératives de consommation*.

One last aspect of the origin of Italian consumer co-operatives – and of co-operatives in general – deserves mention: the close ties with other European countries and in particular with the more advanced nations such as Britain, Germany and France, thanks to the international relations of the founding fathers. Being a part of an international debate, however, did not encourage individual co-operatives to formulate plans for foreign market penetration, which would have required much greater financial and human resources than those actually available. One of the few exceptions was the *Unione Cooperativa Milanese*, headed by Luigi Buffoli, which in 1900 opened a branch (or rather, a large warehouse) in Berlin, in order to market Italian products (specifically wines) to a wider public.¹⁴

To summarize, we can say comfortably that the period from the mid-nineteenth century to the outbreak of the First World War saw the emergence and consolidation of Italian consumer co-operatives and the co-operative movement in general. After a rather troubled start, the movement grew substantially during the 1890s, both in the number and the size of certain co-operative undertakings, which were to constitute a kind of leading group within the movement itself. In general, however, the multiplication of co-operative enterprises was not accompanied by any real consolidation of the entrepreneurial culture, as can be seen from the difficulties encountered by numerous early co-operatives. In fact, this was a generalized problem throughout Italy at that time; the country was very late in its attempt to close the gap with the richer European nations.

From the First World War to the Fascist Era

The outbreak of the First World War marked the beginning of a particularly troubled period for the Italian co-operative movement. During the war the Italian government adopted a rationing policy and consumer co-operatives became distribution points. The result was both an increase in size of the already established co-operatives and the emergence of numerous new undertakings. The war not only affected the natural development of consumer co-ops but also strengthened their link with the state. The idea that state support was necessary to develop this kind of enterprise began to emerge at that time. After the war, the government provided new incentives to co-operatives such as fiscal exemptions and low interest rate loans, in order to give co-operatives a means of keeping inflation low.

In 1920 the consumer co-operative movement seemed solid and it included many small enterprises, some very large co-operatives and, for the first time, a group of successful consortia for wholesale operations. The creation of a

14 Buffoli, *L'organizzazione delle società co-operative di consumo*.

wholesale society, following the English experience, had always been an ideal of the Italian co-operative movement. Even though a provincial structure began activity in 1886 and many other experiments were attempted after that, these all proved short-lived and not viable due to the high number of small outlets, too great a variety in foods based on long lasting local traditions and inadequate skills especially among those in executive positions. For these reasons, co-operative wholesale organizations proved unsuccessful for many decades.¹⁵ After the First World War a handful of wholesale organizations, operated in the northern and central Italian regions based on the consortium model (see table 23.4). Co-operatives interested in pooling wholesale activities became members of a second level organization, which provided them with these kinds of services.

The year 1921 was a turning point in the history of consumer co-operatives. For the first time ever, a negative view emerged in the public discourse and vandalism against co-operatives by Fascist Party supporters grew significantly. Lastly, their growth over the previous years had occurred without any real improvement in the organizational capabilities and technical skills of the members, which resulted in the wave of expansion from the period 1914–21 being quickly followed by the bankruptcy of many co-operatives.

The so-called stabilization period began in 1925, with co-operatives becoming part of the corporate economy being created by the Fascist dictatorship. After the disruption of the democratic apex organization, in 1925 the Ente nazionale fascista per la cooperazione was set up, strictly tied to the Ministry of the Economy. The *part construens* of the dictatorial regime began. Regarding the overall size of the co-operative movement at that time, it is important to note that a new phase of reconstruction began after a decline between 1921 and 1925 and thus the Fascist period generally failed to cause any real reduction in the movement. Rather there was a sectorial transformation: while the number of co-operative banks fell, there was an increase in the number of agricultural, manufacturing and labor co-operatives. At least two other aspects from that time deserve mention, namely the purging of senior management and members from the previous liberal period and the substantial change in the nature of the co-operative movement.¹⁶

With respect to this first aspect, there are documents showing that the old anti-fascist members of many co-operative enterprises managed to keep their

15 For the history of co-operative wholesale enterprises in Italy see Casali, *I consorzi nella cooperazione di consumo* and Battilani, *La costruzione di un moderno sistema di impresa*.

16 For an overview on the evolution of the Italian co-operative enterprises in the interwar period see Menzani, *Il movimento cooperativo fra le due guerre* and Casali, *La cooperazione di consumo fra le due guerre*.

TABLE 23.4 *Main wholesale consortia in Italy, 1920*

Name	Location	Turnover (000 €, current prices)	Number of co-operatives linked to the consortium	Average purchases per co-operative (000 €, current prices)
Consorzio cooperativo di consumo	Naples	5.6	115	0.049
Consorzio Toscano cooperativo di consumo	Florence	4.9	46	0.107
Consorzio cooperativo di consumo	Parma	4.8	47	0.103
Federazione cooperativa di consumo	Ravenna	4.5	26	0.173
Federazione coop. di consumo	Cremona	4.3	110	0.039
Federazione coop. di consumo	Verona	4.3	113	0.038
Federazione cooperativa di consumo	Novara	3.1	117	0.027
consorzio romano coop. di consumo	Rome	2.9	46	0.063
Consorzio coop. di consumo	Genoa	2.9	233	0.012

SOURCE: BATTILANI, *LA COSTRUZIONE DI UN MODERNO SISTEMA DI IMPRESE*, P. 91.

jobs, offering passive resistance to the process of “Fascistization”, until the regime eventually forced the co-operatives to close. However, the real restriction the Fascist regime imposed on the co-operative movement concerned its ideology and the creation of new business models. As Antonio Casali rightly points out, “the real damage caused by Fascism was the lack of ideas being thought out, the absence or poverty of theoretical debate [in the] forced isolation of the movement from the international scene”.¹⁷ Rather than supporting the

17 Casali, *La cooperazione di consumo fra le due guerre*.

continual invention of new co-operative models, or identifying new requirements that co-operative enterprises needed to respond to, the Fascist period in Italy simply produced a regimented form of co-operation intrinsically woven into the fabric of the corporate state, and as such incapable of producing any form of institutional innovation.

Rebirth after the Second World War

The end of the Second World War marked a watershed in the history of the co-operative movement, which thereafter tried to return to its nineteenth century roots and to forget the trials and tribulations of the Fascist period.

The immediate postwar years witnessed a general “co-operative reawakening”, with the creation of thousands of new undertakings, most of which were small and with limited capital. In addition, new democratic apex organizations were set up, the first two of which were the socialist/communist organization La Lega (the League of Co-operatives) and the more Catholic-inspired Confederazione delle Co-operative (the Confederation of Co-operatives). In 1952 these two were joined by the Alleanza Generale delle Co-operative Italiane (the General Alliance of Italian co-operative, or AGCI), a republican/liberal organization that never, however, attained the size of the other two.

This co-operative “renaissance” was closely interwoven with the post war social, economic and political reconstruction of the country, and was encouraged by the Comitato Nazionale di Liberazione (CNL, National Liberation Committee) – exclusively in central and northern Italy – in order to facilitate the re-integration of partisans into the social and civil life (see Tables 23.5 and 23.6). At the same time, however, it was also the result of the spontaneous efforts made by the population as a whole, as people searched for viable solutions to the massive unemployment crisis that afflicted Italy during the immediate postwar period. To illustrate the scale of this new co-operative reawakening, one only has to note that the legally founded enterprises (both active and inactive) associated with La Lega delle cooperative increased from 4,722 in September 1945 to 8064 in July 1946, while membership rose from 1.5 million to 2 million during that same period. In the meantime, the Catholic-orientated consumer co-operatives also re-organized themselves, spreading especially into small villages and rural or mountain areas. The CNL itself quickly began to worry about the survival of those co-operatives that had been set up in good faith but without any real firm economic footing. This “euphoria” or “reawakening” nevertheless led to the creation of the framework for the Italian co-operative movement, which was to remain more or less constant for the following 20 years or so.

TABLE 23.5 *The evolution of consumer co-operatives in Italy, 1937–1946*

	No. of co-operatives (000)	Members	Shops	Turnover current euro	% of Italian private consumption*	% of traded consumption*
1927	3333	827		877,977	1.9%	2.8%
1937	2938	600	–	1,032,914	2.7%	4.1%
1942	2807	–	–	–	–	–
1946	5043	2244	8168	15,493,707	1.6%	–

* The traded consumption has been estimated as 2/3 of total consumption. – not available
 SOURCE: AUTHOR'S REWORKING OF DATA FROM "NOTE SUL CENSIMENTO DELLE CO-OPERATIVE DI CONSUMO"; "INDAGINE STATISTICA SULLO SVILUPPO DEL REDDITO NAZIONALE DELL'ITALIA DAL 1861 AL 1956," *ANNALI DI STATISTICA*, SERIE VIII, VOL. 9.

TABLE 23.6 *Geographical breakdown of consumer co-operatives in Italy, 1937 and 1946*

Area	1937	1946	Inhabitants per each co-operative 1937	Inhabitants per each co-operative 1946
North (including Emilia Romagna)	79%	60%	6661	8395
Central	18%	21%	7653	14,435
South and Islands	3%	19%	17,704	173,360
Italy	100%	100%		

SOURCE: AUTHOR'S REWORKING OF DATA FROM "NOTE SUL CENSIMENTO DELLE CO-OPERATIVE DI CONSUMO".

The Long Way to the Top

The second half of the twentieth century can be depicted as the golden age of the Italian consumer co-operative movement. In 2016, Coop consumatori was number one in terms of market share in Italy for mass retailing. This position, acquired at the end of the 1970s, remained unchallenged for decades (see table 23.7). This success has been the result of a profound change that transformed thousands of small and independent co-operatives in a network of

TABLE 23.7 *Market share in the Italian mass retailing sector*

	2009	2010	2015
Coop	14.9	15.2	19.0
Conad	9.6	9.6	12.8
Esselunga	7.6	7.9	11.8
Selex	7.9	8.3	10.8
Auchan	8.2	7.9	8.5
Carrefour	8.2	7.9	7.2

SOURCE: COOP ITALIA ARCHIVES.

nine big co-operatives and almost 170 small and medium co-operatives tightly connected and integrated in terms of the chain name, store brand goods,¹⁸ wholesale and purchasing operations (see table 23.8). The change has been so deep that one no longer refers to the “consumer co-operatives” but instead to the “Coop consumatori”. How and when this transformation occurred is the fascinating story of the next section.

This process was headed by the consumer co-operatives associated with the Lega, the left-oriented apex organization. However in 1994, the Catholic-oriented co-operatives Famiglie cooperative (co-operative families), joined the wholesale organization created by the left-oriented consumer co-operatives. 140 years after the creation of the first undertaking, all the Italian consumer co-operatives had become part of the same network.

The turning point in the history of Italian consumer co-operation was the decision to make the renewal and modernization of retail outlets the movement’s main goal, that is to say the opening of self-service supermarkets in the 1960s and hypermarkets in the 1970s and 1980s. This strategy was developed towards the end of the 1950s and was underpinned by the fear that the entry of large Italian industrial companies and foreign capital into the retail sector would have rendered traditional retail shops obsolete within a few years and endangered the presence of the consumer co-operatives. The organizational models which inspired consumer co-operation were generally private western European firms, where the renewal process was at a much more advanced stage.

18 Store brands can be called also private labels, private brands or house brands. Those brands or labels can be the chain’s own name or a brand name specially created.

In the 1950s, Italian retail trade was characterized by backwardness and scarce diffusion of modern outlets. Transformation began slowly in the mid-1950s, when a period of rapid economic growth finally increased consumer purchasing power, contributing to the spread of cars and refrigerators. The conditions were slowly being created that would allow Italian families to start buying in modern retail outlets. In 1957 some Italian and foreign companies opened the first grocery supermarkets, leading to the conviction that within a few years the commercial sector would have changed so radically that small shops would be substituted by large supermarkets. Even if this was an erroneous prediction, it drove entrepreneurs' and co-operation's choices in that era. Since 1949, the Lega's journal, *La Rivista della Cooperazione*, had been editing articles about American-style supermarkets,¹⁹ but it was only in 1957 that theoretical considerations were followed by concrete facts: in 1957 the first self-service shop in the Italian movement was inaugurated in Bologna, and in the following two years similar places were established in small towns.²⁰ In 1958 Service-Coop was founded, a company whose task was to supply technical assistance to co-operatives that wanted to open modern retail shops. Service-Coop also organized courses for technical qualifications in shop modernization and took the responsibility of preparing a group of specialists.²¹ In spite of these efforts, by 1963 the modern style of distribution was still only being used by a small minority: of a total of 4715 shops, only 655 (14 percent) were completely or partially self-service, 57 (1 percent) were large outlets with a whole range of groceries and some kinds of additional product.²² Being region and province dependent, the panorama obviously varied widely.

The 1960s saw a key turning point with the resolution to enter into the mass distribution sector and to start a new phase of company mergers. These decisions were interdependent. In fact, while the small size of the co-operatives did not hinder the creation of self-service shops, the construction of new supermarkets needed large enterprises. As a consequence mergers became a fundamental strategic element for the modernization of the co-operatives. A new wave of mergers started that led to the creation of provincial co-operatives so that by the end of the 1960s there was only one co-operative firm in provinces

19 "Per il self-service entusiasti e prudenti", *Cooperazione italiana*, 8 July 1953; "Il self-service negli spacci presenta rischi e difficoltà", *Cooperazione italiana*, 16 September 1953.

20 "Il primo spaccio self-service del movimento italiano", *Cooperazione italiana*, 17 July 1957.

21 "L'assistenza del Service Coop per l'arredamento degli spacci", *Cooperazione italiana*, 14 January 1959; "A Meina dal 19 febbraio al 5 marzo corso di qualificazione tecnica nell'ammmodernamento degli spacci", *Cooperazione italiana*, 4 February 1959.

22 Cesari, *Relazione*.

where the consumer co-operative was stronger, arising from the merger of dozens of smaller ones. Whereas there were over 3700 co-operatives in the 1950s, by the beginning of the 1970s the group had been restructured, producing ten large co-operatives and less than 1600 medium and small sized co-operatives (see Figure 23.1).

To sum up, the modernization of the whole network of consumer co-operatives took about twenty years from the beginning of the 1950s to the end of the 1960s and therefore the results could only be seen in the 1970s, when the slow battle of consumer co-operation to take the lead in the mass distribution sector began (see Table 23.8).

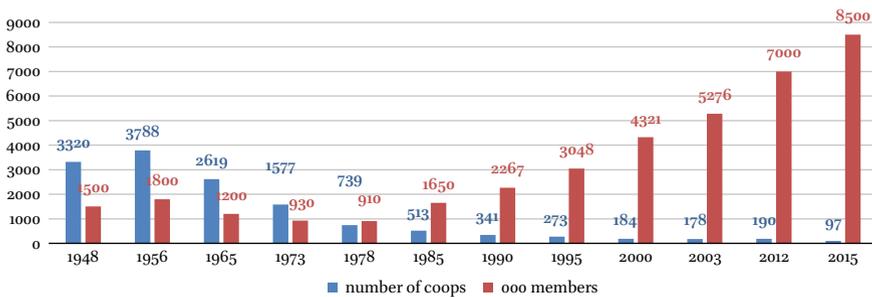


FIGURE 23.1 *Italy a) co-operatives b) members*

SOURCE: ANCC ARCHIVE AND LEGACOOP ARCHIVE.

TABLE 23.8 *Comparison between the Coop consumatori and the two leading conventional enterprises in mass retailing, 1975–1984, millions of €*

	<i>Standa turnover</i>	<i>Rinascence turnover</i>	<i>Coop consumatori turnover</i>
1975	252	234	196
1976	303	292	230
1977	386	342	276
1978	449	392	382
1979	355	470	484
1981	423	690	840
1984	911	1066	1723

SOURCE: AUTHOR’S REWORKING OF *SECONDO RAPPORTO CESCO*, PP. 150, 153, 159 AND ANCC ARCHIVES.

TABLE 23.9 *Members' loans as share of total liabilities, consumer co-operatives in Italy, 1980–2002*

Year	% members loans
1980	42
1985	51
1990	52
1995	51
2000	53
2002	55

SOURCE: ZAMAGNI, BATTILANI AND CASALI, *LA COOPERAZIONE DI CONSUMO*

One last aspect should be mentioned: the role members' loans played in the transformation of the Italian consumer co-operatives. In order to finance investments in large outlets, any merger strategy would have been insufficient if not accompanied by an increase in members' loans. In the 1980s and 1990s, as shown in Table 23.9, at least 40 percent of the total assets of consumer co-operatives were member loans.

At the end of this story, it is important to highlight the factors that made it possible for the consumer co-operation to become the number one in mass retailing. The next two sections will be dedicated to two crucial aspects: the form of enterprise adopted by Coop consumatori and the image or set of values it chose to communicate.

Consumer Co-operation Becomes a Network of Big Co-operatives

The Italian co-operative movement that was part of the Lega, has always stood by its conviction that only by creating "a system of firms", in other words a network which guarantees collaboration and exchange of experiences among single co-operatives able to formulate long-term strategies, would it be possible to create competitive enterprises that are viable in the market. Since the beginning of the nineteenth century, aware of the need for closer coordination between co-operatives, the Lega tried to create a vertical network. In 1917, three national federations were established, each of them grouping only one type of co-operative: the Federation of Consumer Co-operatives with headquarters in Milan, the Federation of Workers' Co-operatives with headquarters

in Rome; and the Federation of Agricultural Co-operatives with headquarters in Bologna. All of these disappeared during the fascist regime.

After the Second World War, the Lega gradually built a new network along two dimensions: geographic and sectorial specialization. The Lega was naturally at the summit, with all of its provincial federations (*Federcoop provinciali*). It fulfilled a political representative function for the movement, while it was also supplying the executives of the single co-operatives with technical, legal and accounting assistance as well as supervising their balance sheets.

Between 1945 and 1949 a new set of consortia – organizations pursuing economic aims – were set up. In the consumer sector one national consortium, the AICC (*Alleanza italiana delle cooperative di consumo*), subsequently called *Coop Italia*, was established together with many local provincial groups. They were responsible for coordinating purchases for single co-operatives and for managing common warehouses. The aim was, “to create an organization... able to develop a range of operations that the single co-operatives would neither have been capable of or known how to do themselves.”²³ Soon, the AICC and provincial consortiums were not considered sufficient to give a common base to such a variegated and fragmented consumer co-operation. For this reason, between 1952 and 1955 the co-operatives were regrouped into three sectors and a national association for each of them was created: the *Associazione Nazionale delle cooperative di consumo*, ANCC (*Association of the Consumer Co-operatives*), the *Association of Agricultural Co-operatives* and the *Association of Production and Work Co-operatives*. Soon after, provincial associations were also founded to give a strategic approach to the local co-operatives.

All in all, during the 1950s the network of consumer co-operatives began to take shape. It was driven by a national governing body promoting the renewal of various aspects of consumer co-operation and also by provincial bodies delegated to achieve such renewals. This network was organized on three levels: strategic management and nation-wide service centers (*Lega*, ANCC and AICC), a second level composed of provincial structures (provincial consortia and provincial associations), and lastly the single co-operatives as a whole (3235 in 1957 with 1.5 million members).

This network of firms rendered the consumer co-operatives competitive: none of the large co-operatives would have been able to initiate a change of such proportion. The central bodies – *Lega*, ANCC and AICC – brought attention to the need for updating the sales network, logistics and commercial

23 “Il consiglio direttivo della Lega decide la creazione di grandi organismi economici (Aicc, Aica, Consorzio scambi con l'estero)”, *Cooperazione italiana*, 29 November 1947.

strategies. In particular, the AICC occupied itself not only with centralized purchasing but also became a sales and marketing strategies decision center, and a reference point for managers involved in commercial operations in single co-operatives. The provincial bodies managed the transformation process on the basis of organizational capabilities and of locally acquired know-how. For this reason, the modernization of the consumer co-operatives progressed at different paces in different areas of the country. While provincial associations of consumer co-operatives tried to standardize the different management aspects of the co-operatives and stimulate the process of company mergers, the provincial consortia created all the competence and tools for managing the unified firms. These played an important role in at least three ways: rationalization of the warehouse structures and logistics, unification of warehouse accounting and the control of stock turnover, and the introduction of a network approach to the management problems of stores and co-operatives. It was the consortia that started the first provincial sales campaign, which began to propose the first unified advertising campaigns and that began to relate the supplies strategies to the sales policies. In other words, they accompanied the modernization process of consumer co-operation by supplying the necessary structures to govern large co-operatives and supermarkets.

To complete this analysis, the role played by the single co-operatives in the whole system of firms has to be clarified. This process resulted in many different strategies. Some co-operatives, generally the medium-sized ones, were in the avant-garde of the modernization process. In fact, the first self-service shops and sometimes even the first supermarkets were opened by medium-sized co-operatives, generally in small towns. Between 1963 and 1965, the first supermarkets were opened: in central Italy by the Sassuolo Co-operative, although without much success, and by Castelfranco Emilia Co-operative whose executives were revealed to have surprising management capabilities in the sector of mass distribution, in Reggio Emilia by a consortium including both consumers and medium-sized agricultural co-operatives, and by the Empoli Co-operative. Smaller co-operatives did not, however, have the necessary capital at their disposal to play an active role in the process of modernization. Their presence turned out to be important above all for their contribution to the growth of the net capital of major co-operatives with which they merged, and for their strong hold on the territory which was the basis of customers' loyalty to the modern retail shops.

The position of the major co-operatives – such as the *Alleanza cooperativa modenese*, ACM, in Modena, *La Bolognese* in Bologna, the *Co-operative Unità* in Ferrara, the *Union of Consumer co-operatives* in Piacenza, the co-operative of blue-collar and white-collar workers in Parma, the *Nullò Baldini* in

Ravenna – was widely different. Their long-term fragility should nonetheless be emphasized since some of these co-operatives – for example the consumer co-operatives in Ferrara, Parma and Piacenza – went bankrupt in 1949, 1953 and at the end of the 1960s, respectively. Others survived only because of the help they received from the co-operative movement. For instance the ACM was saved at the beginning of the 1950s by the intervention of Modena's Federcoop which organized a merger with some other small co-operatives with the aim of providing the ACM with the necessary capital to overcome the serious crisis they were facing. Similarly, the Bolognese co-operative was able to overcome a grave crisis in the mid-1960s only due to the radical restructuring that was financed by co-operation from the Bologna area. There were also larger co-operatives able to maintain a certain economic and financial stability, for example, the Nullo Baldini Co-operative in Ravenna, though this was smaller than the others were. In brief, the history of major co-operatives shows the importance of a system of firms that, in this case, intervened to resolve company crises. It is important to emphasize that all rescue operations were followed by a change of top management and by significant changes in company organization.

The creation of large provincial co-operatives represented the arrival not only of the merger process, but of all the strategies developed in the years after the Second World War. At that point there was no longer any reason for the consortia and provincial associations to exist and consequently they were replaced by higher-level bodies.

In 1968, the provincial consortia and the AICC merged into a single national consortium called Coop Italia, which managed the warehouses, the coordination of purchasing and private label policies. Coop Italia also concentrated a large quantity of resources. Regional associations replaced the provincial associations. In the 1970s the creation of regional-based co-operatives was attempted through the merger of provincial-based co-operatives. Hence began the expansion towards southern Italy, where consumer co-operation had always been weak or indeed entirely absent.²⁴ These two projects were achieved only in part. Penetrating southern Italy proved to be very problematic and the

24 At the beginning of the 1970s the expansion programme of consumer co-operation elaborated by the ANCC stimulated middle-sized co-operatives to invest in the surrounding provinces. So Coop Bologna invested in the provinces of Ferrara and Rovigo, the ACM of Modena in the other provinces of Veneto, the Coop La Proletaria from Livorno to Rome, the Tosco-Coop in Umbria, the Coop Ravenna in the province of Forlì and in the Marche Region, the Coop Reggio in the provinces of Mantova, Parma and Piacenza, Coop Lombardia in all the Lombardia Region and Unicoop and ACT in Piedmont. See "Impegno unitario per lo sviluppo dei settori agricoli e di consumo", *Cooperazione italiana*, 20 May 1971 and ANCC Vth Congress, *Proceedings*.

process of company mergers continued rather slowly, following a different path from that which the ANCC had originally planned.²⁵ In fact, the association was unable to convince large co-operatives of the effectiveness of the creation of regional-based co-operatives. As a consequence when the economic crisis of 1974–7 shook the foundations of some important co-operatives such as Coop Liguria, Coop Piemonte and Coop Romagna Marche, the project was completely abandoned. By 1979, therefore, a different route to that of mergers had already been sought,²⁶ meaning the progressive introduction of a unification of the management by sales channels, such as the hypermarkets, supermarkets, etc. In other terms this was, once again, a resort to the logic of the consortium.

The balance of power had of course changed within the system. In fact, in the 1970s, the large co-operatives were able to accumulate financial resources in order to consolidate the necessary know-how within their organization and to develop growth strategies. As a consequence, in the 1980s and 1990s a system based on large co-operatives was forming, some of whom were trusted to guide the further modernization of the sales network and the development strategies. In 1979, they decided to reduce the role played by Coop Italia, though it continued to operate as the purchasing center of consumer co-operation, and to manage the private label and the advertising strategies. The management of the warehouses and property was given to the large co-operatives. With this change *Coop Italia* returned to its role as a services consortium, while the ANCC assumed a strategic position and extended its operations. It became the place where large co-operatives discussed fundamental choices, such as the opening of hypermarkets and, above all, the place where their presidents met. In other words the ANCC acquired the role of mediating and approaching these large firms in order to accomplish common projects.

Consumer Co-operation Re-evaluates Its Role in Society

It is common knowledge that both in Italy and in other European countries consumer co-operation was founded over the course of the nineteenth century with the objective of increasing workers' purchasing power. Low salaries and difficulties buying the bare necessities pushed groups of workers to form co-operative shops which quoted lower prices than competitors or distributed

25 The transformation of the consumer co-operative system during the 1970s has been studied by Battilani and Lolli, "Dinamiche e percorsi".

26 Ivano Barberini, *Relazione*, ANCC VIth Congress, 1979.

the profits among their members in the form of a dividend proportional to the purchasing carried out. In the Italian context two characteristics of consumer co-operation should be pointed out. Firstly, it was not only the working class but also the middle class who devoted themselves to the creation of co-operatives. In fact, up to 1914 the most successful co-operatives were those created in large cities by members of the middle class, such as civil servants, railway men and many others. Secondly, the aim of these co-operatives was not only that of augmenting the purchasing power of their members through lower prices or distributing dividends, but also to guarantee product quality, as the history of private labels has illustrated.²⁷ In conclusion, Italian consumer co-operation developed around two principles: to better the quality of life of workers and the middle class, and to protect consumers from grocery fraud.

After the Second World War the co-operatives pursued a very clear goal, namely that of helping to contain inflation and, hence, to safeguard the purchasing power of the workers. This goal was based on the conviction that prices were high in proportion to employees' salaries owing to the speculative actions of industry, wholesalers and private retailers. Co-operatives which were part of the *Lega* set themselves the objective of defeating large monopolistic companies, which they firmly believed maintained high product prices.

During the 1970s and 1980s, however, the role of consumer co-operation was re-defined, placing its commitment to consumer health and subsequently environmental protection at the forefront of expectations: "Consumer co-operation ... will have to extend its action ... to the protection of the environment against water, soil and atmospheric pollution to the preservation of natural resources... [In addition] the safeguarding of health cannot be limited to food education or the control of health and hygiene in co-operative stores, but it will have to cover a larger field including ... all merchandise handling operations."²⁸ The "social and civil responsibilities" towards both members and consumers characterized the strategies of the consumer co-operatives during the last two decades of the twentieth century. This commitment had strong implications for the implementation of information campaigns directed at consumers and for the development of projects in schools about the awareness of health, hygiene and environmental protection.

In conclusion, at the beginning of the 1980s Italian consumer co-operation was the most innovative Italian retailer and had developed a market strategy based on the safeguarding of consumer health and the protection of the environment.

27 Battilani, "I marchi commerciali della cooperazione di consumo".

28 Skuk, Alessandro. "Definire gli obiettivi della nostra politica regionale e quelli strategici nazionali del Movimento per gli anni '80". Opening presidential speech to ARCCER (Regional Association of Emilia Romagna Consumer Co-operatives) II. Regional Congress, Rimini, 1979.

The time had passed when a consumer co-operative simply aimed to increase working class purchasing power. In the new economic environment of the 1980s, consumer co-operation would act as a supermarket for all social classes. What makes it different from other companies was not the income of its customers but a different sensitivity to issues of consumer health and environment protection. The main problem became how to communicate this different view to consumers. The solution was to organize two series of television advertisements, the first in 1985 and the second in 1991. The Italian consumer co-operatives had financed a national advertising campaign in 1973 that was based on traditional Italian work songs. In 1985 a completely different approach was chosen. Peter Falk, the actor who played Lieutenant Columbo, provided the testimonial in an important advertising campaign aimed at diffusing the image of a consumer co-operation interested in common people more than in the working class. In 1991 the transformation was completed by a second advertising campaign directed by Woody Allen. Table 23.10 reports these results and describes the social status and the income level of consumer co-operative customers. In the 1990s the consumer co-operatives could be defined as a supermarket for everybody.

To conclude, let us examine the factors which made it possible to acquire the leading position in the Italian market. Without doubt this is a consequence of the decision made by consumer co-operatives in the 1960s to drive the modernization of the Italian retailing sector, at least in some regions. It can be added, moreover, that the winning card was the variety of synergies established by the co-operative movement. The creation of networks among co-operatives was crucial for a variety of reasons. First of all, the huge investments which the modernization process required were much higher than the financial

TABLE 23.10 *Social status and income level of consumer co-operative customers in Italy*

	Consumer co-op customers (%) 1983	Consumer co-op customers (%) 1992
Social status		
Working class and farmers	43%	16%
Manager and entrepreneurs	3%	16%
Income level		
Low level	56%	35%
Middle level	12%	21%

SOURCE: ANCC ARCHIVE

capital of any Italian co-operative. The existence of networks made it easier for co-operatives to merge, which in turn allowed for an accumulation of assets which could be used in a limited number of large strategic investments. However, economic modernization alone was not enough to maintain the top position in the market. Parallel to the establishment of supermarkets and hypermarkets, a new social function of consumer co-operation was emerging, namely the change from price competition to competition on consumers' health protection and respect for the environment. In other words, when Italy became a well-off country, the Italian consumer co-operatives tried to cover a different set of needs that were emerging in an affluent society.

How Important Were Foreign Models in the Evolution of Italian Consumer Co-operation? Some Concluding Remarks

The history of the Italian consumer co-ops can provide interesting insights on the issue of imitation and/or adaptation of foreign models. In this final section, therefore, the following questions will be addressed: How important were foreign models in shaping and re-shaping the Italian consumer co-operation? Furthermore, which countries served as the reference point for innovation?

Two premises can help in the development of the argument. The first is that the modern co-operative movement took shape during the first wave of globalization and its ideals and models crossed the world together with migrants, religious networks, scholars' connections and the international workers' movement. Therefore, countries that in some way participated in the globalization of the nineteenth century were also involved in the international debate on co-operative undertakings. As a consequence the innovative models created by one country were soon made suitable for many others.

The second premise relates to Italy and its unique long history of early development between the fifteenth and sixteenth centuries and its subsequent decline. When the first co-operatives emerged, Italy was a latecomer, which had not yet begun to catch up with the more developed European countries, even though it shared some features of developed countries. Firstly, the degree of urbanization was quite high even in comparison with the wealthy nations and secondly, a long lasting network of cultural and scientific institutions, for instance through the universities, allowed Italy to maintain strong ties with the most dynamic European regions.²⁹ Politicians, scholars, and entrepreneurs

29 Zamagni, *The Economic History of Italy*.

had a variegated formal education including experiences and contacts with the rest of the world.

As might be expected, the founding fathers of the Italian co-operative movement also had direct connections with scholars, professionals or politicians promoting the creation of co-operatives in other European countries. In addition, for a variety of reasons many of them lived for months or even years outside Italy or made journeys to foreign countries, as illustrated in Table 23.1. As a consequence, Italy participated actively in the on-going international debate in Europe at that time. Between the eighteenth and nineteenth centuries the founding fathers of Italian co-operation used their many European connections to introduce this new form of enterprise into Italy. They spread the ideas of Charles Gide (usually among the socialist inspired co-operatives), Léon Walras and Schulze-Delitzsch (among the liberal inspired co-operatives), Friedrich Wilhelm Raiffeisen (within the Catholic world) and many others across the country and in doing so they contributed to the creation of a multifaceted movement.³⁰

However, they never simply imitated the foreign model but adapted the general model to the Italian context. Consumer co-operation is a good example of this. Even though the Rochdale model prevailed in the end, a variety of co-operative typologies continued to be into existence until the First World War. Foreign scholars visiting Italy at that time never forgot to highlight this feature. For instance Gide considered this variety the signal of a vivid and prosperous movement, while according to Fay it was the result of the country's backwardness.³¹

The founding fathers promoted Italian co-operation all over the world. Specifically, the Italian version of the co-operative banks for the people became very popular around the world, both in Latin America and in Australia. Between 1888 and 1889 on the occasion of the First Report on the Italian co-operative banks, many Australian newspapers dedicated at least one article to this successful Italian experience, which was considered a sort of hybrid of the Raiffeisen and Schulze Delitzsch models.³²

The link with the other countries weakened during the interwar years, when the Fascist party took over the co-operative movement. From the beginning, the founding fathers and the representatives of the democratic Italian

30 On the history of the socialist inspired co-operation see Degl'Innocenti, *Storia della cooperazione*; Zangheri, Galasso and Castronovo, *Storia del movimento cooperativo*; Zamagni and Felice, *Oltre il secolo*; Ammirato, *La Lega*.

31 Gide, *Les sociétés coopératives*; Fay, *Co-operation*.

32 "To the editor" *South Australian Weekly Chronicle* 11 February 1888; "Saving bank. To the editor" *The South Australian Advertiser* 9 February 1888; "People's bank" *Zeehan and Dundas Herald* 30 September 1904, p. 2; "A co-operative guild" *The Brisbane Courier* 4 May 1891 p.4.

co-operative movement maintained their international networks and through them made the world aware of what was going on in Italy. In 1922 the message of Antonio Vergnanini, the general secretary of the Italian apex organization (La Lega delle cooperative) protesting against the Fascist vandal attacks and asking for the support of all co-operators was sent across the world by the International Co-operative Alliance. Even the Australian journals published it.³³ After 1925, however, Italian co-operation no longer had representatives on the ICA Executive Committee because the previous democratic apex organization had been disrupted by the government and the new one created by the Fascist regime never received ICA recognition. As a result Fascist co-operation remained quite isolated in the European context, despite many attempts to build good relationships with other countries.

Describing what happened in second half of the twentieth century is more complex. At that time, the Italian co-operative movement was re-created around three different apex organizations, each of them representing a different ideology and therefore with distinct international networks. Because the left-oriented apex organization was the most successful in the retailing sector, it makes sense to focus on its network and the main journal of the League, "Cooperazione Italiana". The first articles presenting and analyzing self-service techniques appeared in this journal during the 1950s. In 1953 two articles were published discussing advantages and disadvantages of self-service techniques, using the experience of the Société générale coopérative de Bruxelles and the German co-operative union as reference points.³⁴ In 1957, a short article reporting the spread of self-service shops and supermarkets in various countries around the world concluded by advising readers to contact the Swedish Kooperativa Förbundet for more details and statistics.³⁵ For more than two decades afterwards, many articles provided information and details on supermarkets and the like operated by what they considered the most successful consumer co-operatives in Western Europe. Take for example the 1960 article on the English undertakings and their ability to collect members' loans to finance the renovation of outlets.³⁶ The aim was clearly to create benchmarks for the

33 "Black shirted Italian Huns", *Co-operative News*, 1 February 1922.

34 "Il self-service negli spacci presenta rischi e difficoltà", *Cooperazione italiana*, 16 September 1953; "Gli spacci self-service sono preferiti nelle zone industriali", *Cooperazione italiana*, 21 October 1953.

35 "I self service nelle cooperative", *Cooperazione italiana*, 17th July 1957.

36 "Gli stessi soci in Gran Bretagna finanziano l'ammodernamento degli spacci", *Cooperazione italiana*, 7 December 1960.

renewal of Italian consumer co-operatives. During the 1960s, when investment in supermarkets started, the relationships with the other co-operative movements became closer. As mentioned, in 1958 the consumer co-operatives set up Service-coop, an enterprise providing technical assistance to supermarkets. Service-coop quickly became a collector of experiences and information about the organizational model and selling techniques used in the retailing sector in Western Europe. For instance, it organized a conference in April 1963 in order to gain information about the operations of the Swiss consumer co-operative union's warehouses and outlets.³⁷ Then at the beginning of the 1970s, when hypermarkets started to spread over Europe, many articles focused on French consumer co-operation which in 1973 could already count 13 hypermarkets.

In conclusion, until mid-1970s the European consumer co-operatives were the reference point. However, things changed when the Coop Consumatori became the market leader and its managers turned towards conventional foreign enterprises, specifically the USA. In its central pages *Cooperazione italiana* of 10 February 1980 reported that a group of Italian co-operative managers working for Coop Italia had participated in a two day seminar in Dayton (Ohio) on various aspects of the US retailing system, from electronic payments to merchandising, from selling strategies to productivity. The seminar was followed by visits to malls and outlets in Dayton, Chicago, San Francisco and Los Angeles. In addition, one meeting was organized at the Food and Drug Administration to gather information on its activities and another at the Center for Study and Response Law (set up by Ralph Nader). At the end, the managers also visited a co-operative outlet at Savage in Maryland. We could say they had a real full immersion in the US retailing world! It is also extremely interesting that the seminars were organized by the Modern Market Methods Club of the French subsidiary of National Cash Register, a corporation based in Dayton which operated in the electronics sector and at the time was involved in the production of mainframes and minicomputers.³⁸ This is not the only scent of America

37 "Accurati gli studi dell'usc prima di aprire un self-service", *Cooperazione italiana*, 2 May 1962; "Coop-Svizzera: una grande realtà del movimento europeo", *Cooperazione italiana*, 26 April 1973.

38 "Esponenti del Coop Italia ad un seminario negli Usa", *Cooperazione italiana*, 10 February 1980. It is curious to notice that the same page also contained a second article about the important achievements of Soviet co-operatives. It was not the first time this has happened. In the past decades, alongside news about western European co-operatives articles have appeared describing the great achievements of co-operatives in Eastern Europe and the Soviet Union although, in the end, following a very pragmatic approach the reference point was chosen elsewhere, initially in Western Europe and later on in the US.

which appeared during the 1980s, as mentioned earlier in the discussion of the *Coop Consumatori* advertising campaigns.

To sum up, it can be said that Italian managers have always paid attention to the innovations and achievements of other west European co-operative movements, as usually happens in backward countries. However, since the 1980s the attention moved not only from Europe to the USA but also from co-operative to conventional enterprises. This new perspective can be explained by many reasons. First of all, there was a disruption in what had been considered the strongest and most successful European co-operative experiences thus far. Secondly, there was a third wave of Americanization in the world economy. Since the 1980s, all European enterprises, including co-operative ventures, began to look to the US for innovative forms of marketing, organization, finance etc. The result was an original mix between mass retailing strategies and co-operative distinctiveness. In other words we could say that the Italian co-operation found its way to the consumer society. The question remains whether this experience and this mix can become a model for the consumer co-operatives of other countries.

Consumer Societies in Switzerland: From Local Self-help Organizations to a Single National Co-operative

Bernard Degen

With a market share of around 17 percent, in 2016 Coop was the second largest grocery and general merchandise retailer in Switzerland and among the top 50 worldwide. Highly centralized, the company's core business still builds on co-operative structures which formally depend on three million members. Although at the time of writing in 2016 Coop effectively nominates the members of its various boards, contrary to capitalistic enterprises it does not aim at maximizing the shareholder value. Moreover, compared to a private company of similar size, Coop's managerial salaries remain low. These and other characteristic features grew out of its long history going back to the 1830s.

As will be shown in this chapter, after difficult beginnings the co-operative movement spread widely across Switzerland. By the 1950s the movement counted an all-time maximum of 572 member societies, only to be merged some years later into one single co-operative. Only a few of these Konsumvereine (consumer societies) – as co-operatives in Switzerland were initially called – may be viewed as genuine working-class organizations. In general, their membership included a broad spectrum of social groups. Initially, these societies sold only a few staple foods such as bread, flour and milk, but over the course of the years the range of products increased and ultimately included most consumer goods. This article sheds light on the history of Switzerland's co-operative movement, from its precursors in the first part of the nineteenth century to the formation of consumer societies in the middle of the century and their transformation into genuine co-operatives from the 1880s. Also discussed is the push for central organizational bodies after the creation of the Verband schweizerischer Konsumvereine (Union of Swiss Consumers' Societies, USC)¹ in the 1890s, the high points of the interwar and early post-Second World War period as well as the structural changes in retail in the 1950s and 1960s which led to the merger into the single Coop.

¹ In French its name was Union suisse des sociétés de consommation; in Italian Unione svizzera delle società di consumo.

During the past few decades, there has been very little historical research on consumer societies in Switzerland. Most accounts are dated. The period from the 1940s to 1960s has been the most prolific. Amid a culture of *geistige Landesverteidigung* (spiritual defence) the co-operative idea attracted wide interest, albeit more at the ideological than the practical level. At that time, a number of consumer societies also celebrated their 50th, 75th or 100th jubilees. Moreover, as shown in this article, USC provided particularly favorable institutional conditions. Numerous booklets on local and regional consumer societies were published. Whereas some of these publications dealt with specific issues most were published outside academia. Marcel Boson's comprehensive synopsis draws from this material.² While in general interest in co-operatives has declined, since the mid-1960s the focus has moved from historical enquiries to economics and social science. With jubilees being shortened to a few pages of the annual reports, most new historical accounts rehash the same old narratives, providing no insights from new sources.

Precursors of Consumer Societies

In the mid-nineteenth century, self-help organizations got involved in distributing food in both rural and urban areas. The supply of bread and other grain products proved particularly difficult, not least due to speculation. To put an end to such schemes, workers and philanthropists from across the country joined forces. For example, in Schwanden in the rural industrial area of the Alpine canton of Glarus a teacher initiated a joint-stock bakery or *Aktienbäckerei* in 1839.³ Similar initiatives followed in other industrial villages of the region. These clearly all had the same goal: the supply of healthy and affordable bread. Although driven by the co-operative spirit, these bakeries and stores were formed as joint-stock companies. The various cantonal legal systems provided little or no legal provisions for co-operatives. As a result, co-operative pioneers were forced to draw on different types of business forms such as joint-stock companies or, frequently, associations. The movement also spread to other areas of Switzerland such as Schänis (St. Gallen), Siebnen (Schwyz) and Berne and, in the form of a *boulangerie sociale*, in Ste-Croix, Lausanne and Geneva.⁴ The authorities occasionally also supported such endeavors, for example in the

² Boson, *Co-op in der Schweiz*.

³ Schwerz, *Der Kampf um billiges und gutes Brot*.

⁴ Boson, *Co-op in der Schweiz*, pp. 81–5, 109.

municipal council of Fontainemelon in 1852. In this small industrial village, nestled in the hills of the Jura mountains in the canton of Neuchâtel, the local watch manufacturer also granted financial support.⁵

In the aftermath of the crop failures of the late 1840s, another form of self-help organization emerged in the shape of so-called *Fruchtvereine*, mostly in provincial towns and urban centers.⁶ These associations issued stocks, received funding from wealthy donors and used the capital to avoid intermediaries and purchase grain in large quantities. Members could then purchase cheap bread and flour, particularly in winter. For example, during the winter of 1846–7 a *Fruchtverein* from Basel distributed between 35 000 and 45 000 pounds of bread every week. More than half of the city population had ration cards.⁷ The Société de prévoyance pour l'hiver (Provident Society for the Winter), founded in 1851 in Geneva, functioned in a similar way.⁸ Generally, however, Fruchtvereine ceased to exist once grain shortages were over.⁹

Since the early nineteenth century, local government authorities and other benevolent institutions had also set up soup kitchens in rural and urban industrial centers.¹⁰ Some of these organizations are part of the early history of consumer co-operation, such as the one founded in 1868 in Glarus which delivered 750 soup rations daily. Founded as a joint stock company under the leadership of wealthy members of the community, the organization soon also offered other products and developed into an ordinary consumer society. In 1873 the soup kitchen ceased to exist.¹¹

Early forms of self-help organizations were frequently initiated and funded by philanthropists. By using joint-stock companies, they attempted to get the labor force involved and foster their propensity to save. Although workers carried significant weight at general meetings, the donors' wishes could hardly be opposed. Structurally, these joint stock companies initially served the purpose of generating sufficient funds to purchase goods in bulk. They were not class-based and did not adhere to any doctrine prevalent in the Swiss labor movement. Ultimately, as the examples of the joint stock bakery in Fontainemelon

5 Grandjean, *100 Jahre Konsumverein Fontainemelon AG*.

6 The term *Fruchtverein* (literally "fruit associations"), refers to associations dealing primarily in provisions such as grain.

7 Joneli, *Die ersten Konsumvereine in Basel*.

8 Boson *Co-op in der Schweiz*, pp. 106–7.

9 Pettermand, "Die schweizerische Konsumgenossenschaftsbewegung", p. 54.

10 Moynier, *Les institutions ouvrières de la Suisse*, pp. 133–4.

11 Konsumverein Glarus, *Festschrift*, pp. 5–13.

or the soup kitchen in Glarus illustrate, they cannot be clearly differentiated from genuine consumer societies.

Early Consumer Societies

Switzerland's industrialization began comparatively early. There were clusters of cotton-spinning and weaving, linen-spinning and weaving, silk industries and watch-making already at the end of the eighteenth century, when independent small states or cantons ruled the territory on the basis of a complicated alliance system. Production was almost exclusively based on the putting-out system which provided small-scale subsistence farmers – that is the majority of the population in the pre-modern era – a welcome additional income. This type of proto-industrial production peaked in the 1860s.

The first manufactories were built during the first short-lived Swiss state, the Helvetic Republic (1798–1803). In the textile industry the factory system spread rapidly during the first half of the nineteenth century. Due to the lack of coal and the high costs of transportation prior to the construction of railway networks, Switzerland's manufactories had to be built along suitable waterways and not primarily in towns and cities, though these also experienced a considerable boom and attracted craftspeople, especially builders. Thus a growing number of rural and urban factory workers and tradespeople increasingly depended on the market for food. However, given their meagre wages, many were unable to buy food in sufficient quantity and quality and relied on private and public pauper relief.¹²

The second part of the nineteenth century saw the farming population become a minority. In industry factories increasingly replaced the putting-out system. For a population of 2.8 million people, the first factory census in 1882 showed around 135,000 workers, half of them women. From 1844 Basel was connected to the international railway system and from 1855 railway companies built up a network on the Swiss plateau, where the majority of the population lived and most of the industry had developed. Once the plateau was connected to the international railway system in 1858, crops or coal could be transported relatively cheaply to Switzerland's most important industrial centers. The cities were still small: as the largest city in 1880 Basel had around 60,000 residents. In 1848 a new constitution laid the foundation for an enduring Swiss nation state. Over the next few decades, the new federal authorities put in place a

12 Gruner, *Die Arbeiter in der Schweiz im 19. Jahrhundert*, pp. 185–273.

unified system of law such as the Code of Obligations passed in 1881 and in operation since 1883. The Code provided the legal basis for the regulation of co-operatives and meant that for the first time consumer societies were able to operate as genuine co-operatives. The federal commercial laws of 1881 provided the first nationwide legal basis for co-operatives, yet they continued to be viewed as joint stock companies. Only from 1902 did the statistics of the commercial registry list co-operatives separately.¹³

Important cultural barriers cast a shadow over the spread of Switzerland's working-class organizations and co-operatives. The German-speaking districts – the largest part of the country in many ways – looked to neighboring Germany. However, in the nineteenth century the English influence remained strong, in particular in the industrialized regions where the textile and machine industry continued to look to England for innovations. The French-speaking part received impulses from France and its different organizational culture. The Italian-speaking part naturally looked towards neighboring Lombardy, but after the 1880s the construction of the Gotthard transalpine tunnel led to increased influence from the Swiss-German part. Also in religious terms Switzerland remained fragmented throughout the nineteenth century. The Protestant areas stretched across the central plains and along the Jura mountains, while the Catholic areas centered on the Alpine mountains. Industries first spread in the Protestant areas which, however, became increasingly mixed as a result of a heavy influx of Catholic migrant labor. In the second half the nineteenth century new political currents gained ground in Switzerland, including liberalism, socialism and conservatism. These linguistic, religious and political fragmentations had an important impact on the country's organizational culture.¹⁴

In 1847, shortly after the liquidation of the above-mentioned Fruchtverein, Basel's silk ribbon weavers established the Allgemeine Arbeitergesellschaft [General Worker's Society] with the aim to produce and sell bread. While at first the local trade regulations prohibited such endeavors, in 1855 the authorities allowed the production and sale of 300 loaves of bread. According to the first available data, in 1853–4 the society's sales amounted to nearly 86,000 francs, of which two thirds came from bread and flour. Important sales items also included coffee, chicory, sugar, rice, soap, tobacco, bacon and wine. According to the charter of 1854, members paid 20 francs per share. However, by

13 Ritzmann-Blickenstorfer, *Historische Statistik der Schweiz*, p. 906.

14 Seitz, *Geschichte der politischen Gräben in der Schweiz*.

the end of the 1850s the Allgemeine Arbeitergesellschaft was in decline and in 1861 the society sold its property.¹⁵

Consumer co-operatives in Switzerland were called *Konsumvereine* (consumer societies) until well into the second half of the twentieth century. The Konsumverein Zürich (KVZ), founded in 1851, was the first consumer society with a broad public appeal. The Grütliverein – which at that time mainly organized tradespeople – had initiated its foundation, but the driving force had been the Fourierite Karl Bürkli, a pioneer of the Swiss labor movement. Bürkli proposed the name consumer society, following the example of the early French socialist *société de consommation*.¹⁶ Operating as a joint stock company, at first the society only sold cigars but other products followed soon. In January 1853 the society opened a bakery and in 1854 it started selling milk and cheese.¹⁷ In 1854 there were 2352 members on record, among them 253 workers, 209 farmers and 292 with no indicated occupation. All others signed on with occupations such as cobbler, joiner, locksmith, weaver, tailor or carpenter.¹⁸ The list included both master craftsmen and journeymen. The KVZ evolved into a capitalist enterprise outside the growing co-operative movement.

In the 1860s, an initiative in the industrial village of Schwanden proved seminal to the ideological development of the co-operative movement in Switzerland. A quarter century after the joint stock bakery mentioned above, Schwanden's Arbeiterverein or Workers' Association, founded in 1863, started to operate a food business. Behind it was the textile industrialist Jean Jenny-Ryffel who had gone to Britain on business trips and seen England's already well-developed co-operative system. He wrote the charter of the Arbeiterverein based on the English model, translating in part verbatim. The association issued participation certificates to raise capital. It only sold products to members and only accepted cash payments. All members had equal voting rights. Net earnings were placed into a reserve fund and interest was paid for the participation certificates. The rest of the money was distributed among the members every quarter, based on the number of stamps obtained through purchases. In effect, the association shared net earnings based on the Rochdale model and thereby set the standard which the co-operative movement in Switzerland later widely adopted.¹⁹

15 Joneli, *Die ersten Konsumvereine in Basel*. At the time, a Basel bricklayer earned just over 2 francs a day.

16 Schiedt, *Die Welt neu erfinden*, p. 104.

17 Schiedt, *Die Welt neu erfinden*, p. 107.

18 Schiedt, *Die Welt neu erfinden*, p. 110.

19 Boson, *Co-op in der Schweiz*, pp. 132–3.

The Basel-based Allgemeiner Consumverein (ACV, General Consumer Association) was another important foundation in 1865. In late July the Einkaufs-Genossenschaft (Group Purchasing Association) established by the Schweizerischer Arbeiterverein (Swiss Workers' Association) started operations. Concurrently, more ambitious plans were being developed, serving more than just the working-class population. In early September the Einkaufs-Genossenschaft and its store were successfully incorporated into these plans. Similar to other consumer societies, the ACV also started out as a joint stock company, although each member had only one vote regardless of the investment put in. Following the Rochdale principles, the ACV accepted cash payments and paid out refunds which initially remained minimal in order to build up the operating capital and reserves.²⁰ The first membership list of summer 1865 showed the ACV as an association of workers and tradespeople, but already in 1870 it included a much broader membership. At the beginning organized labor took little interest in the ACV. Only after 1893 did working-class and middle-class representatives compete in the election to the board of directors.²¹ Membership grew from 555 in 1866 to 36,844 at the beginning of the First World War when ACV ran 119 stores. Bread remained at the core of the business for a long time: while in the early 1870s it made up nearly 30 percent of the sales, in 1914 it was still almost 7 percent. Introduced in 1884, milk grew in importance and in 1914 became the greatest source of income with nearly 30 per cent of the sales.²²

The KVZ's success spawned the foundation of a series of new consumer societies.²³ Already in late 1853, the canton of Zurich counted more than 40, with an additional 30 new foundations in the 1860s and 1870s. With time a handful of other consumer societies developed in the city of Zurich, most importantly the Lebensmittelverein Zürich (LVZ, Groceries Association Zurich). A woman's advertisement in a newspaper calling for action against the high vegetable prices sowed the seeds for a new organization. In late 1877 the woman had gathered sufficient dissatisfied people around her to establish a vegetable society. A few months later this became the LVZ, a joint stock company with shares for five francs each, selling vegetables and a few other staple foods. Initial problems led to the loss of nearly all the capital stock, but after 1883 the LVZ developed into a stable consumer society. In 1890 the LVZ evolved into

20 Gruner, *Die Arbeiter in der Schweiz im 19. Jahrhundert*, pp. 1037–8.

21 Haeberli, *Die Geschichte der Basler Arbeiterbewegung*, pp. 180–5.

22 Pettermand, *Der Allgemeine Consumverein in Basel*, pp. 272–3.

23 Heeb, *Hundert Jahre Konsumgenossenschaften*, pp. 251–2.

a co-operative and thereafter played a leading role in Zurich's co-operative movement.²⁴

In Berne a consumer society was formed in 1853, apparently with the backing of radicals and conservatives. Shopkeepers responded by founding the Anonyme Konkurrenzgesellschaft (Anonymous Competition Society) and immediately entered into a pricing battle. As a result, already in 1855 the consumer society had to cease operations.²⁵ In Olten, the center of Switzerland's railway network, the founders met with the right pre-conditions and in 1862 established a stable society.²⁶ In the 1870s, the textile industries of the cantons of St. Gallen and Appenzell Ausserrhoden also provided a fertile ground for new societies.²⁷

In Switzerland's French-speaking part consumer societies had less success, except in Geneva and in the watch-making regions of the Jura mountains.²⁸ In 1867 debates in the International Workingmen's Association influenced the founding of Geneva's consumer society La Fidélité. Set up as a joint-stock company with equal voting rights for all shareholders, the society's members received refunds in line with the Rochdale model. In 1886 it evolved into a co-operative. In 1904 the society ran seven stores, but four years later it had to be dissolved.²⁹ The Société coopérative Suisse de consommation (SCSC) founded in 1868 in Geneva played a more important role. Also based on the Rochdale principles, the society, similar to the ACV, attracted members beyond the working class. As indicated by the society's name, membership was initially restricted to Swiss citizens. Moreover, in marked contrast to La Fidélité it was probably the first society which explicitly barred discussions of political and religious content in its charter.³⁰ The principle of cash payments probably impeded the society's growth as Geneva's watch-making workers had longer pay periods.³¹ Nevertheless the SCSC played an important role as a model in the watch-making regions of the Bernese and Neuchâtel Jura mountains. There a string of new societies was founded besides the pioneering enterprise in Fontainemelon mentioned above, including in La-Chaux-de-Fonds (1854),

24 Boson, *Co-op in der Schweiz*, pp. 161–3.

25 Mühlemann, *Anfänge der schweizerischen Konsumgenossenschaftsbewegung*, pp. 103–22.

26 Boson, *Co-op in der Schweiz*, pp. 110–1.

27 Boson, *Co-op in der Schweiz*, pp. 163–4.

28 For co-operation in the French Jura region see Chapter 5.

29 Renaud-Richli, *Les institutions alimentaires et les coopératives de consommation*, pp. 164–76.

30 Wyss, *Die konsumgenossenschaftlichen Grundsätze*, p. 111.

31 Boson, *Co-op in der Schweiz*, pp. 140–3.

St-Imier (1867), Sonvillier (1872), Travers (1868) and Fleurier (1876). In the canton of Vaud the Société vaudoise de consommation de Lausanne operated a successful business, after initially struggling following its foundation in 1854. In the same canton, the Société veveysanne de consommation was founded in 1874 as a joint stock company, operating for several decades.³²

In the Ticino – the Italian-speaking canton in southern Switzerland – only the Società Cooperativa di Consumo degli operai della città di Bellinzona gained some importance. Although the name referred to workers, radical intellectuals had founded the society. A progressive canon led the society for a long time. Founded in 1867 as a joint stock company, the co-operative ran into difficulties and in 1883 was sold to a private trader.³³

Besides all these new societies described here in detail, there were numerous other foundations during this early stage. In 1853 26 consumer societies from Zurich, three each from Basel and St. Gallen, two from Berne and one from each Lucerne and Aargau first met at a conference, though nothing came out of it at this point.³⁴ As of 1870, the movement increasingly spread across Switzerland, with the exception of the original cantons as well as the Valais, the Ticino and the rural areas of the cantons of Berne and Graubünden. In general, the movement was less successful in the French-speaking part. In 1867 a contemporary observer noted that Switzerland had been the first country on the continent to follow the English example.³⁵ For 1883 the SCSC identified 121 consumer societies.³⁶ By then numerous short-lived societies had already been dissolved and others had likely been missed in the count.

It was rising prices in particular that led to the formation of the early consumer societies. Numerous projects were ill-conceived and rapidly vanished. The Rochdale principles were adopted relatively late.³⁷ The principle of refunding the surplus to members as periodical dividend payments in proportion to patronage was little known. Many consumer societies sold at the lowest possible net price and thus failed to generate reserve funds, meaning that the slightest crisis posed an existential threat.³⁸ Commercial ties between consumer societies already existed. Thus, due to its large size and favorable location with a direct connection to the international railway network, the ACV

32 Bosen, *Co-op in der Schweiz*, pp. 108–9, 165–6.

33 Poli, *Non di solo pane*, pp. 27–37.

34 Handschin, *Die erste Versammlung schweizerischer Konsumvereine*.

35 Moynier, *Les institutions ouvrières de la Suisse*, p. 137.

36 Handschin, “Die Konsumgenossenschafts-Bewegung ausserhalb des v.s.k.,” p. 114.

37 Gruner, *Die Arbeiter in der Schweiz im 19. Jahrhundert*, pp. 1025–30.

38 Pettermand, “Die schweizerische Konsumgenossenschaftsbewegung”, p. 64.

acted as an intermediary to smaller societies. Entrepreneurs also played an important role. For example, in 1875 the shoe manufacturer Bally helped set up the consumer society in Schönenwerd.³⁹ Others helped in different ways, providing, for example, free floor space for stores. Two factors explain the entrepreneurs' interest in consumer societies: firstly, the favorable interest rates on the societies' stocks, and secondly, the lower wages they could pay as a result of lower food prices.

The Rise of Genuine Consumer Co-operatives

A new economic era dawned at the end of the nineteenth century. Agriculture was rapidly losing ground, whereas crafts and industry boomed as never before. In the 1880s, crafts and industry employed the largest share of the working population. By the First World War, homework in industry was reduced to less than 100,000 employees, while the number of factory workers grew to 330,000.⁴⁰ Moreover, whereas growth rates in the textile industry barely increased, the metal and machine industries, the watch, wood, food, drinks, tobacco and clothing industries grew tremendously. The craft industry also increased, especially in construction, which benefited from the cities' unfettered growth. This included Geneva, Basel, Berne, Zurich and Lausanne, and such small and medium-sized cities as Biel/Bienne, Winterthur, Lucerne and others. By the 1870s, a dense national railway network existed. By the 1880s, Switzerland had changed from being a country of emigration to a land of immigration. Despite lax naturalization laws, by 1914 the share of foreigners in the population had grown to over 15 percent, representing roughly 600,000 individuals.⁴¹

Central government institutions became increasingly consolidated. The new constitution of 1874 moved more powers from the cantons to the federal government. The path-breaking Code of Obligations was passed in 1881 and came into force in 1883. Among other things, it regulated the legal form of companies. However, except for a few basic principles, the code had little detail about co-operatives and only regulated membership, equal voting rights, termination and the entry in the commercial register.⁴² Even so, despite its succinct and very liberal wording, the code set a solid legal basis. Consumer

39 Gruner, *Die Arbeiter in der Schweiz im 19. Jahrhundert*, p. 1045.

40 Ritzmann-Blickenstorfer, *Historische Statistik der Schweiz*, pp. 647, 653.

41 Bickel, *Bevölkerungsgeschichte und Bevölkerungspolitik*, p. 166.

42 Forstmoser, "Hundert Jahre schweizerisches Genossenschaftsrecht", pp. 314–6.

societies were henceforth in a position to adopt a legal form according to the co-operatives' most basic principles. They widely took advantage of this new legislation, including existing consumer societies which frequently changed their legal status. In 1904 the commercial registry listed 287 consumer societies, 228 of which were co-operatives. After the First World War, only the consumer society in St. Gallen and a dozen of smaller societies, notably in the French-speaking part of Switzerland, kept the joint stock company as the legal form.⁴³

The spread of the railway network undermined traditional farming; in particular cereal farmers had to compete against considerably lower world market prices. Following the example of Germany, the Swiss authorities introduced tariffs which protected the farmers' production and income but led to an increase in the price of foodstuffs. Subsequent tariff amendments led to the formation of the USC.⁴⁴ After some hesitation, the federal government's tariff policy prompted the ACV to call a conference in Olten on 11–12 January 1890. Only 27 of the 143 consumer societies listed in the commercial registry attended. Although they agreed to oppose the tariffs in a submission to the federal parliament, the resolution to create the USC proved of far greater importance. Only five consumer societies joined the union which initially was only intended to

TABLE 24.1 *The largest and smallest consumer societies within the USC 1889–90*

Name	Membership	Year founded
Allgemeiner Consumverein Basel	8952	1865
Lebensmittelverein Zürich	3706	1879
Konsumverein St. Gallen	2847	1872
Société Coopérative Suisse de Consommation Genève	2652	1868
Société de Consommation Fleurier	1200	1877
Allgemeiner Konsumverein Luzern	1000	1890
Konsumverein Arbon	55	1885
Aktienkonsumverein Bischoffszell	55	
Arbeiterverein Veltheim	45	c. 1870
Konsumverein Goldach	42	1881

SOURCE: HANDSCHIN *DER VERBAND SCHWEIZERISCHER KONSUMVEREINE*, P. 49.

43 Künzle and Bänninger, *Geschichte des Konsumvereins Zürich*, p. 106.

44 Gruner, *Die Arbeiter in der Schweiz im 19. Jahrhundert*, pp. 1045–6.

target economic policy. The formal founding required the membership of at least ten societies.⁴⁵ This was achieved a few weeks later, when more than ten consumer societies came forward and on 1 February 1890 formally founded the USC. According to the union's first data sheet for 1889–90 the organization had 48 member societies.

Many of the small societies soon wanted the USC to go beyond economic policy and start trading foodstuffs. Already in late 1892, a central office began trading, at first with a selection of 24 goods, soon with many more. Given its activities, the USC had an inadequate and legally questionable form of business. As a result, in late 1893 the USC was listed as an umbrella co-operative of the local consumer societies. Not all members accepted this more binding legal form so that by the end of the year membership dropped from 51 to 34 societies.⁴⁶

The USC quickly widened its operations, although the member societies garnered the bulk of the revenues. Some of them held considerable stocks and production sites. After a brief consolidation period, the USC opened its own sites. The new storage facility in Pratteln near Basel in 1907 blazed the trail and included a coffee-roasting factory, a corn and a spice mill as well as a fat rendering plant. In 1910 the USC opened a printing shop. Following the bakeries' repeated calls on the mills to boycott consumer societies, in 1912 the USC bought the Zürcher Stadtmühle which, at the time, was the largest mill in Switzerland. Similarly, in 1913 the USC opened a shoe factory after the shoe manufacturers had boycotted consumer societies. This new shoe factory operated first as a branch of the USC and only in 1925 was it transformed into a purpose-made co-operative.⁴⁷ From the 1890s, USC officials worked towards coordinating the appearance of their goods on the market. In 1914 they registered CO-OP as a trademark.⁴⁸ The USC's involvement with the meat retailer Bell led to fierce discussions. As a joint-stock company, Bell was USC's main rival in the meat sector, running 120 branches across Switzerland. When the USC became Bell's main shareholder in 1914, representatives of the co-operative movement strongly opposed this.⁴⁹

45 Plettermand, "Die schweizerische Konsumgenossenschaftsbewegung", pp. 68–9; Handschin, *Der Verband schweizerischer Konsumvereine*, pp. 44–7.

46 Handschin, *Der Verband schweizerischer Konsumvereine*, pp. 54–8.

47 Handschin, *Der Verband schweizerischer Konsumvereine*, pp. 132–49.

48 Handschin, *Der Verband schweizerischer Konsumvereine*, pp. 132–5.

49 Müller, *Bell-Allianz oder Mesallianz?*

Since its foundation the USC had, in principle, adopted political and religious neutrality. However, there were exceptions, most importantly with regard to tariffs. The USC clearly advocated free trade. In 1896 the board members participated in the campaign for the nationalization of the railways, which the subsequent delegates' meeting opposed.⁵⁰ In addition, there were issues which directly affected consumer societies such as co-operative law and legislation on foodstuffs. Although the standard charter of member societies had included a reference to political and religious neutrality since 1900, only in 1909 did the USC incorporate this principle into its charter.⁵¹ In 1907 the USC's secretary summed up this position from two different angles: "...namely, first, that in the Marxist theory of class conflict there is no room for the consumer co-operative movement and, second, that in the consumer co-operative movement there is no room for class conflict."⁵²

The USC worked towards improving conditions for new consumer societies. It was not only able to deliver cheap goods but could also offer help in other fields. For example, the USC drafted standardized charters for new societies based on the experience of successful consumer societies. It also offered support in terms of book keeping, storage and other operational aspects, triggering a remarkable upsurge.

TABLE 24.2 *USC before the First World War*

	Co-operatives	Membership	Number of stores	Number of municipalities with stores
1890	43	32,666		
1897	71	53,365	279	119
1900	116	83,549	419	179
1905	204	141,349	671	303
1910	328	213,018	1008	493
1913	387	263,034	1310	610

SOURCE: KELLERHALS, *COOP IN DER SCHWEIZ*, P. 27; RITZMANN-BLICKENSTORFER, *HISTORISCHE STATISTIK DER SCHWEIZ*, P. 917. IN 1914 THERE WERE AROUND 3.8 MILLION RESIDENTS. MEMBERSHIP REFERRED TO HOUSEHOLDS, HENCE IN GENERAL SEVERAL PEOPLE.

50 Gauer, *Die politische und konfessionelle Neutralität*, pp. 83–4, 109.

51 Gauer, *Die politische und konfessionelle Neutralität*, pp. 63–4.

52 Müller, *Die Klassenkampftheorie und das Neutralitätsprinzip*, p. 49.

The USC's support also led to the rise of new consumer societies in areas which had remained apart from the co-operative movement, for example in 1903 when the Gotthard railway workers set up consumer societies in Bellinzona and Chiasso and thereby triggered the spread of the movement in southern Switzerland.⁵³

There were also some attempts to link consumer societies more closely to the labor movement. Developments in the federal capital are a case in point. After several attempts, a stable consumer society emerged in 1890, the Konsumgenossenschaft Bern (KGB). Since 1892, the Arbeiterunion (workers' union) – a local umbrella organization mainly of craft unions – had owned a co-operative bakery.⁵⁴ Some of the leading figures of the labour movement in Berne deemed the KGB to be too commercial and in 1898 they attempted to form a fully-fledged co-operative modelled on Ghent's Vooruit.⁵⁵ However, the Genossenschaft Vorwärts (Co-operative Forward), as it was named, never succeeded in developing beyond a consumer society and competed against the USC-supported KGB. In 1901 an attempt to merge failed and a year later the Genossenschaft Vorwärts had to file for bankruptcy. Numerous suppliers and workers lost a substantial amount of money.⁵⁶ In La-Chaux-de-Fonds the labor movement similarly opposed the joint-stock Société de consommation. In 1907 the local trade unions opened the Coopérative des Syndicats with the goal of incorporating existing co-operatives, a goal it achieved with the exception of the Société de consommation. In 1914 it was renamed Coopératives Réunis and covered the watch-making region of La-Chaux-de-Fonds, Le Locle and Noirmont.⁵⁷

Around the turn of the century, the first Catholic consumer societies were established in connection with the formation of Catholic labor organizations. In 1902 the first such consumer society, the Konkordia, was founded in St. Gallen, followed by others in Schaffhausen (1903), Baden and Zurich (1904), Rorschach (1905) and Diepoldsau, Herisau, Thalwil, Widnau and Winterthur (1907).⁵⁸ As of 1905 attempts were made to form a central umbrella organization. In 1907 Konkordia became the standard name for Catholic consumer societies. In November 1908 a central office started operating in Zurich even

53 Poli, *Non di solo pane*, pp. 60–8.

54 Boson, *Co-op in der Schweiz*, pp. 247–9.

55 For Vooruit see Chapter 4.

56 Aemmer, *Die Sozialdemokratie im Kanton Bern*, pp. 61–3.

57 Kohler, *Fusionen und Separationen von Konsumgenossenschaften*, pp. 72–4.

58 Verband der Genossenschaften Konkordia der Schweiz, *Ein geschichtlicher Rückblick*, pp. 6–8.

though the official formation of the Verband der Genossenschaften Konkordia der Schweiz with eleven stores altogether came about only in early 1909. Soon after further societies joined and as a result Konkordia counted 28 member societies with 47 stores in 1913–4.⁵⁹ In 1912 the organization opened a storehouse near Zurich train station.

Economic as well as cultural motives and tastes in food were behind the formation of Italian consumer societies. In 1906 immigrants from Italy founded the Società cooperativa di Winterthur which started to run a restaurant. The following spring, the society added a grocery store. Customers soon abounded as it imported wine, salami, cheese, pasta and other food items directly from Italy. For this purpose the Società cooperativa in 1908 joined the Federazione nazionale delle co-operative di consumo italiane, based in Milano. Branches opened in Winterthur and elsewhere. By 1910 around 30 Italian consumer societies had been founded across Switzerland.⁶⁰ In 1909 these 18 societies allied and formed the Federazione delle co-operative italiane di consumo in Svizzera. The society based in Winterthur, which was also the largest member, ran the federation. However, it was short-lived. With the outbreak of the First World War most Italian immigrants returned home. Many of them had not paid back debts towards consumer societies. The Società cooperativa di Winterthur lost 20,000 francs winding-up the Federazione.⁶¹ But it continued to operate: the shop until 1973, the restaurant until 1976.

Farming circles also built up a network of co-operatives. However, the threat that this posed to the important alliance with the craft industry, the sales of foodstuffs and other everyday goods inevitably bore risks. Most agricultural co-operatives therefore opposed such sales. The Verband ostschweizerischer landwirtschaftlicher Genossenschaften (VOLG, Association of Farming Co-operatives in Eastern Switzerland) was an exception. In a survey the Winterthur branch identified a need for the sale of coffee and sugar. In 1886/87 VOLG started to sell consumer goods, although with little success at first due to complicated organizational procedures. Generally, before expanding the range of products, farming co-operatives first sold coffee and later sugar and soap. In 1892 a central purchasing office started supplying 25 local VOLG co-operatives. Membership was open to farmers as well as workers. Calls from the trades craft industry for boycotts repeatedly failed.⁶²

59 Verband der Genossenschaften Konkordia, *Ein geschichtlicher Rückblick*, pp. 8–9, 23.

60 Leibrich, "Cronaca della Società cooperativa di Winterthur", pp. 86–92.

61 Leibrich, "Cronaca della Società cooperativa di Winterthur", pp. 90–4.

62 Küng, *Der VOLG als Produktions- und Absatzgenossenschaft*, pp. 120–32.



ILLUSTRATION 24.1 *Shop of the Allgemeiner Consumverein in Basel, c. 1890*
ARCHIVES OF COOP SWITZERLAND.

Despite differences the USC initially maintained amicable relations with the farming co-operatives. As a result, in 1898 representatives from 176 co-operatives, most of them USC or VOLG members, founded the Schweizerischer Genossenschaftsbund (Swiss Federation of Co-operatives). It was supposed to foster favourable conditions for a co-operatively organized economy. However, it was short-lived. While the USC primarily sought to get cheap foodstuffs, VOLG aimed at protecting farmers. Debates on new customs tariffs exacerbated this contradiction. In 1902 VOLG withdrew and sealed the end of the federation.⁶³ The customs tariffs of 1902 imposed higher tariffs on sugar and meat among other commodities and prompted the USC to intervene actively in politics. Joining the Liga gegen den Zolltarif (League against the Customs Tariff), the USC helped launch a referendum. Yet, lacking the full support of the trades and industry torn between the support of free trade and the protectionism of the farmers, the referendum failed.⁶⁴

63 Stadelmann, *Die Beziehungen der schweizerischen Konsumgenossenschaften*, pp. 27–30.

64 Stadelmann, *Die Beziehungen der schweizerischen Konsumgenossenschaften*, pp. 52–6.

Operating in different markets, co-operatives were seldom in conflict with industry and finance. In terms of food supply they shared common interests and also actively collaborated on central political issues. Both supported free trade because tariffs on foodstuffs and commodities increased living and production costs. However, by the turn of the century free traders had lost ground in business circles and increasingly sought to collaborate with farming and craft organizations.

Around the turn of the century, small businesses dominated the Swiss retail market despite the spread of consumer societies. Department and variety stores employed only around 3150 staff members. Meanwhile the retail food industry included 17,660 businesses with 29,770 employees.⁶⁵ Statistics of the USC based on a different set of data show only 2147 employees for the same time period.⁶⁶ After several isolated attempts, small retailers began campaigning against consumer societies and started to build up interest organizations, first at the regional level. In 1900 the *Verband der Lebensmitteldetaillisten* (Association of Grocers) was founded, in 1909 also the *Detaillistenverband* (Shopkeepers' Association). It was the grocers in particular that fought against consumer societies, farming co-operatives and department stores. Once it became a member of the *Schweizerischer Gewerbeverband* (Swiss Association for Small and Medium-sized Enterprises) in 1901, the association sought to gain the support of all the trades and small businesses.⁶⁷

Too small for a direct confrontation, the association opted for a political solution which proved difficult. The rural population frequently clung to local farming co-operatives, while in the cities many tradespeople were members of consumer societies. New methods were required after attempts to vilify consumer societies as socialist or communist organizations had failed to mobilize the membership. Increased taxation for co-operatives also proved counterproductive, for it affected farmers too. As consumer societies initially recruited qualified staff for supervisory or managerial roles from the educated middle classes, the shopkeepers and grocers' associations attempted to ban clerics, teachers or civil servants from such posts, although to no avail. Soon thereafter the federal authorities allowed civil servants to accept (again) additional part-time offices and employment.⁶⁸

65 *Ergebnisse der eidg. Betriebszählung vom 9. August 1905*, pp. 28–31.

66 Ritzmann-Blickenstorfer, *Historische Statistik der Schweiz*, p. 917.

67 Wunderle, *Der Detailhandel mit Lebensmitteln*, p. 29.

68 Wunderle, *Der Detailhandel mit Lebensmitteln*, pp. 87–8.

Consumer Societies at the Height of Success

In military terms the First World War did not affect Switzerland directly, yet its impact was huge. Like in other countries, economic preparations for war had been scant. As a country with no direct access to the sea, Switzerland had to import foodstuffs and commodities from overseas and depended for this on the belligerent countries which strictly controlled foreign trade. Not surprisingly, while food and commodity prices soared, Switzerland suffered a massive shortage of food. According to the national consumer price index, living costs rose from 100 to 244 points between 1914 and 1919.⁶⁹ A significant part of the population depended on state support for food.

During the war years, a deep gap opened between the increasingly impoverished working-class population and a section of the entrepreneurs plus the farmers. The latter group greatly benefitted from increased prices and demand as did some entrepreneurs who turned in huge profits. However, the working class also realized its potential. The army's occupation of the border and prospering companies led to shortages in the labor market. Labor organizations, which the authorities had thus far ignored, quickly realized that work stoppages would put pressure on the government. Strikes had good prospects for success and after 1917 the number of strikes did indeed rapidly increase. In autumn 1918 the collapse of the old order and the rise of labor movements in Germany and Austria were more than obvious. In conservative circles concerns grew that similar developments would unfold in Switzerland. In early November the army command had troops march into Zurich. Organized labor responded first with a one day protest strike and then with an unlimited general strike, in which 250,000 workers took part. As the government had issued an ultimatum, the strike ended after three days.

Amid such upheavals consumer societies played a crucial role. While workers made up a large share of the membership, consumer societies also had a strong middle-class base. They therefore avoided social conflicts and focused – also during the war – on feeding the needy and poorer sections of society. At the outset of the war, the USC briefly considered lobbying for the removal of tariffs on staple foods, following the example of the countries at war. However, the USC dismissed this measure. Until 1916 the federal government levied no taxes and operated practically exclusively on the revenues generated by the customs office. As a result, the tariff question was postponed to the post-war period.⁷⁰

69 *Statistisches Handbuch des schweizerischen Geld- und Kapitalmarktes*, p. 225.

70 Stadelmann, *Die Beziehungen der schweizerischen Konsumgenossenschaften*, p. 67.

Given the extraordinary level of inflation, workers wanted to be informed about prices in order to justify their wage claims. In April 1915 the USC published the first nationwide periodic consumer price index. Listed in Swiss francs, the index included only a third of the total household expenses, however.⁷¹ Employers refused to negotiate wages based on this index. Only in 1926 did the federal authorities publish a widely accepted consumer price index.

Moreover, given the difficult conditions, consumer societies tried first and foremost to ensure supply. In 1916 the USC established a milk-purchasing co-operative. Operating as an intermediary, the new organization made sure that the milk was delivered from the dairy farming association straight to the consumer societies.⁷² In 1916 the USC also became directly involved in agriculture and by 1918 had purchased eight large farms. Besides production, the USC used these farms to gain an insight into the pricing structure and be better prepared for negotiations with the farming organizations. With one exception, in the early 1920s, these farms were leased.⁷³ Days before the end of the war in autumn 1918, the USC launched the Schweizerische Genossenschaft für Gemüsebau (Swiss Market Garden Co-operative). Over the years, the co-operative's acreage expanded and soon reached 14 square kilometres.⁷⁴ For the war-induced shortages this initiative came too late. The same holds true for the Genossenschaft für Möbelvermittlung (Co-operative for the Procurement of Furniture) which was planned before the end of the war, but was then founded in mid-1919.⁷⁵

Finally, the USC also developed a new business line during the war. Preparations had been made since 1912, but it was in mid-1917 that the USC decided to establish the Schweizerische Volksfürsorge, Volksversicherung auf Gegenseitigkeit (Popular Swiss Benefit Society, Life Insurance Mutuality), renamed in 1942 Coop Lebensversicherungs-Genossenschaft (Coop Life Insurance Co-operative).⁷⁶ One year later, in 1918, the federal authorities granted the operating license. It grew only slowly. With 875 insurance policies by the end of 1927, the co-operative was by far the smallest of the eleven life insurance societies that the federal authorities had approved.⁷⁷

In general, consumer societies fared reasonably well during the war, as Table 24.3 shows.

71 Herzog, *Zur Entwicklung und zum heutigen Stand der Sozialstatistik*, pp. 109–10.

72 Handschin, *Der Verband schweizerischer Konsumvereine*, pp. 176–80.

73 Handschin, *Der Verband schweizerischer Konsumvereine*, pp. 174–6.

74 Handschin, *Der Verband schweizerischer Konsumvereine*, pp. 180–2.

75 Handschin, *Der Verband schweizerischer Konsumvereine*, pp. 206–7.

76 Handschin, *Der Verband schweizerischer Konsumvereine*, pp. 193–4.

77 *Schweizerisches Bundesblatt*, 80 (1928), vol. 2, pp. 914–5.

TABLE 24.3 *Swiss consumer societies during the First World War*

	USC			Konkordia
	Co-operatives	Membership	Stores	Stores
1914	396	275,700	1390	47
1918	461	342,500	1634	144

Figures for Konkordia are for 1913/14 and 1919/20 respectively.

SOURCE: RITZMANN-BLICKENSTORFER, *HISTORISCHE STATISTIK DER SCHWEIZ*, PP. 915, 917.

However, deflation in the early 1920s brought serious problems. To ensure supply, many consumer societies had stored goods at high costs. As the food supply stabilized, these goods rapidly lost value. Consumer societies which had retained little or no reserves struggled to survive. 14 co-operatives affiliated with the USC had to file for bankruptcy, 13 were liquidated at a loss and 18 concluded debt restructuring agreements with the USC.⁷⁸ Konkordia was even harder hit and its central warehouses and supply had to be abandoned in 1926.⁷⁹ Henceforth VOLG delivered the products.

After the war, agriculturalists and farmers sought to be compensated for supporting conservative policies. Not surprisingly, their demands found their way into the tariff amendments of 1920–21. No longer unconditionally in support of free trade, in the first phase the USC backed off. The director general of customs negotiated the new tariffs with the top-level officials of industrial and farming associations. They contained considerably higher duties on foodstuffs and were passed by emergency law which made a referendum impossible. This prompted the USC, together with the Swiss Federation of Trade Unions (SGB), the Social Democratic Party and other organizations, to launch a popular initiative for more favorable tariffs on foodstuffs. The initiative received only a quarter of all votes in 1923, however.⁸⁰ The opposing coalition of farmers, tradespeople and – with some reservations – export industrialists proved too strong. In the aftermath of this defeat the USC jettisoned the idea of free trade and pursued a strict policy of neutrality. It intensified its relations with farmers based on the collaboration between rural and urban co-operatives.⁸¹

78 Wunderle, *Der Detailhandel mit Lebensmitteln*, pp. 39–40.

79 Verband der Genossenschaften Konkordia, *Ein geschichtlicher Rückblick*, pp. 21–6.

80 Sigg, *Die eidgenössischen Volksinitiativen*, pp. 148–51.

81 Bruderer, “Konsumgenossenschaften und Landwirtschaft”, pp. 56–9.

In 1925 Gottlieb Duttweiler founded Migros, which was later to become the USC's main competitor.⁸² His business idea was first to keep costs low for storage and shops, second to set net prices with minimal sales margins and third to sell foodstuffs in larger packages. Initially Migros refrained from opening shops and opted for vans which sold six staple items, namely coffee, rice, sugar, pasta, coconut oil and soap. However, in 1926 Migros opened the first store and by 1937 already had 100 stores nationwide. In 1941 Duttweiler changed the joint stock company into regional co-operatives affiliated to the Migros-Genossenschafts-Bund [Federation of Migros Co-operatives]. In marked contrast to the USC, which emerged from small co-operatives across the country, it was an entrepreneur who had founded Migros. Despite the co-operative structures, Duttweiler dominated operations until the end of the 1950s.

In the 1920s the USC attempted to strengthen its position in the financial sector with the establishment of a bank. Since 1911 USC had an internal banking department which accepted savings from members and so strengthened its capital base. In collaboration with trade unions it opened a fully-licensed bank in which the USC held the majority of the participation certificates. Operations began in 1928, at first under the name Bank der Genossenschaften und Gewerkschaften (Bank of the Co-operatives and Trade Unions), but soon after as Genossenschaftliche Zentralbank (Co-operative Central Bank).⁸³

From the 1920s the USC's promotion of the co-operative system grew in importance. The Genossenschaftliches Seminar (Co-operative Education Centre), founded in 1923 in MuttENZ near Basel, played a central role, training staff and holding general courses on the co-operative system.⁸⁴ The co-operative library was expanded. In addition there was abundant publishing activity, producing for example the booklets of the Genossenschaftliche Volksbibliothek (Co-operative People's Library) or the *Genossenschaftliches Jahrbuch* (Co-operative Yearbook), launched in 1945. As of 1902 all members received the paper *Genossenschaftliches Volksblatt*. Finally, the International Co-operative Congress held in Basel in 1921 also contributed to the promotion of the co-operative idea.⁸⁵

82 More recent studies on Migros' history may be found in: Girschik et al. (ed.), *Der Migros-Kosmos*. Aimed at a broader public, Häsler, *Das Abenteuer Migros* offers an overview.

83 Meyer, "Die Genossenschaftliche Zentralbank", pp. 77–80.

84 Meyer, "Das genossenschaftliche Seminar", pp. 104–7.

85 *Guide through co-operative Switzerland*.

During the Great Depression of the 1930s, independent shopkeepers gained political clout. Under the pretence of defending the middle classes, in October 1933 they obtained an emergency federal decree prohibiting the new creation and expansion of department stores, one-price stores and chain stores. Migros, then still operating as a joint stock company, was equally targeted.⁸⁶ At first, consumer societies believed themselves to be outside the scope of the decree and remained neutral. In turn, the federal politicians saw this as a sign of weakness and strengthened the decree by issuing an implementation ordinance which gave the cantonal authorities the right to apply the prohibition to all enterprises with more than three branch shops. With the exception of Basel-Stadt all cantons implemented this ordinance. Henceforth cantonal authorities were able not only to ban new stores but also to prevent the expansion of existing stores and the product range. Those concerned fiercely criticized the decree in the press and collected over half a million signatures in a petition against it. Moreover, in 1934 the USC, farming co-operatives and Konkordia formed a Committee for Inter-Co-operative Relations (Ausschuss für zwischengenosSENSCHAFTLICHE BEZIEHUNGEN) in order to lobby against the branch-store prohibition. Yet it had little success. Although it had been issued for a period of two years, the decree was repeatedly extended until 1945. It hampered operations particularly for large co-operatives, but the decree did not prevent the formation of new co-operatives.⁸⁷ The non-renewal in 1946 triggered a wave of new openings and acquisitions.

In 1939 the shopkeepers' and grocers' associations also successfully lobbied for a compensation tax levied on retail companies with a turnover of more than 200,000 francs. Because the same project also included measures aimed at national defense and the creation of employment, the USC did not publicly endorse a recommendation at the polls. In 1954 the tax was revoked. By then, it had raised the targeted amount.⁸⁸

During the Second World War the idea of the co-operative system gained greatly in popularity. The transformation of Migros into a co-operative falls into this context. Once again, consumer societies struggled with food supplies, although a sophisticated rationing system abated problems. In 1942 USC joined the campaign to increase farming land, for example, by putting up a travelling

86 Häsler, *Das Abenteuer Migros*, pp. 56–62.

87 Wunderle, *Der Detailhandel mit Lebensmitteln*, pp. 95–7.

88 Boson, *Co-op in der Schweiz*, pp. 302–8.

exhibition which drew altogether 300,000 visitors. In addition, four out of five co-operatives joined farming projects and supported these with credits.⁸⁹

Staff relations were of crucial importance to consumer societies, for they aimed to be in favor of the working class. Yet there were regularly conflicts. In 1906 workers at ACV went on strike and in the early 1920s consumer societies were faced with work stoppages.⁹⁰ There was no strike pay for employees who had joined the general strikes of November 1918 and August 1919. In 1929 a strike at ACV in Basel drew international attention. An arbitration tribunal had brought the strike to an end and decided, on balance, slightly in favor of the workers.⁹¹ Even so, in general relations were hardly strained. A few consumer societies had already concluded a collective agreement before the First World War, such as in 1906 in Winterthur.⁹² In the Swiss context, this was very early.

TABLE 24.4 *Consumer societies in Switzerland 1920–1955*

	USC				<i>Konkordia</i>		All consumer societies (including independent ones)
	Co-operatives	Membership*	Stores	Staff	Co-operatives	Stores	
1920	493	363,400	1824	7202	79	174	639
1925	521	352,200	2010	7435	90	183	853
1930	523	363,000	2232	8137	54	133	867
1935	535	402,300	2423	9066	48	139	873
1940	546	430,300	2472	9527	44	112	898
1945	552	481,200	2571	10,586	45	107	927
1950	572	548,300	2916	14,133	55	126	986
1955	569	634,200	3171	16,642	54	119	1010

* Membership refers in general to households, i.e. several people.

SOURCE: RITZMANN-BLICKENSTORFER, *HISTORISCHE STATISTIK DER SCHWEIZ*, PP. 915, 917; VERBAND DER GENOSSENSCHAFTEN KONKORDIA DER SCHWEIZ, *GESCHÄFTSBERICHT 1956/57*, P. 23. FROM 1924 TO 1925 THE STATISTICS WERE REARRANGED; THUS A COMPARISON WITH EARLIER DATA SUGGESTS SEEMINGLY HIGHER GROWTH RATES. UNFORTUNATELY, THERE ARE NO DATA ON THE SIZE OF HOUSEHOLDS. IN 1945 SWITZERLAND HAD APPROXIMATELY 4.4 MILLION RESIDENTS.

89 *Die Tätigkeit des Verbandes schweiz. Konsumvereine (v.s.k.)*.

90 Wössner, *Das Angestelltenproblem in den Schweiz. Konsumvereinen*, pp. 25–30.

91 Gerster, *Die Basler Arbeiterbewegung*, pp. 204–6.

92 Wössner, *Das Angestelltenproblem in den Schweiz. Konsumvereinen*, pp. 43–4.

Consumer societies remained at a distance from the labor movement. In turn both the Social Democratic Party and the trade unions showed little interest in consumer societies at first. Social democrats were seldom in the majority on the boards of the consumer societies and only exceptionally received direct support given the societies' advocacy of political neutrality. But personal links existed; for example, four of the five first USC presidents were members of the Social Democratic Party.

All in all, during the inter-war period consumer societies developed favorably, as Table 24.4 illustrates.

Postwar Transformations in Retail and Coop's Adaptation Strategies

Compared to most other European states, Switzerland was in reasonably good shape after the Second World War. Housing and infrastructure were still intact and industry, though only slowly modernizing, increased production rapidly. Education and training among young men had suffered a great deal, as many had spent on average just over two years in the army. But the war generation had not been shattered by death, imprisonment, mutilation and forced migration. Life and work soon got back to normal, while Europe's destroyed economy turned into a seemingly insatiable export market. For nearly 30 years Switzerland experienced an unprecedented economic boom, attracting hundreds of thousands of immigrants. The economic crisis of the 1970s hit Switzerland harder than other industrialized nations and the subsequent decades were marked by ups and downs. As a result, Switzerland increasingly lost its advantage compared to other national economies.⁹³

Growing affluence considerably altered consumption patterns. In early 1948 Migros opened Switzerland's first self-service store in Zurich. Among USC member societies, the LVZ took the lead and later that year it too introduced this new form of retailing. For consumer societies such a change was not self-evident since traditionally they had valued the relationship between staff members and the clientele.⁹⁴ Before 1961 the USC turned 710 out of its 3250 stores into self-service facilities, Migros 240 out of 397.⁹⁵ With regard to supermarkets, the USC was quicker: the LVZ opened the first supermarket in 1950, Migros followed in 1952.⁹⁶

93 Müller and Woitek, "Wohlstand, Wachstum und Konjunktur", pp. 92–7.

94 Brändli, *Der Supermarkt im Kopf*, pp. 49–52, 63–9.

95 Winkler, *Coop und Migros*, p. 173.

96 Winkler, *Coop und Migros*, p. 171.

The removal of the resale price maintenance (RPM) agreement had far-reaching consequences. Already before the war, some retail businesses had breached this rule, which gave producers the right to bind retail businesses to a certain price for a product. In the 1960s these breaches became more frequent, particularly by the company Denner. In early 1967, following numerous conflicts and boycotts, the association for branded goods Promarca suspended the RPM agreement.⁹⁷ As a result, discount businesses such as Denner attempted to gain large market shares. Migros adapted swiftly to the new conditions, but they severely compromised the consumer societies' fundamental principles. Since the beginning of their existence, consumer societies had sold goods at the current daily price. For the members this had the advantage that every year net profits were refunded according to the volume of their purchases. During the 1960s refunds mostly amounted to 8 percent of the price of the purchased goods.⁹⁸ However, since competitors sold at net prices, consumer societies seemed more expensive to the public. Consumer surveys showed a rapidly declining appreciation for the refunds which led the USC to abandon the system in early 1974.⁹⁹ Henceforth, when purchasing at the society, non-members enjoyed the same privileges as members.

During the booming 1960s, the co-operative idea lost its attractions. Renamed Coop in 1970, the USC evolved accordingly. In 1964 it stopped the publication of its yearbook, the *Genossenschaftliches Jahrbuch*. In 1976 the Co-operative Education Centre was turned into a Coop training center. In 1998 Coop left the International Co-operative Alliance and the same year it shut down the library. In legal terms it has remained a co-operative. Konkordia failed to modernize and in 1970 stopped operating as an umbrella organization. Some individual member societies continued as small retail stores.¹⁰⁰ VOLG has continued operations and in 2016 ran around 550 village stores and other small businesses. In 2016 VOLG Konsumwaren AG (VOLG Consumer Goods Incorporated) belonged to the Fenaco group, a federation of farming co-operatives established in 1993.

Under the new circumstances Coop started operating like a capitalistic company. With the exception of regional warehouses, the structures were unchanged after the Second World War. In 1950 the USC reached the highest number of member societies with 572; thereafter the number fell, not least as a result of mergers. In 1959 USC operated the highest number of stores, namely

97 Winkler, *Coop und Migros*, pp. 209–13.

98 Meyer-Opharion, "Die schweizerischen Konsumgenossenschaften", p. 127

99 Kellerhals, *Coop in der Schweiz*, pp. 163–6.

100 Winkler, *Coop und Migros*, p. 205.

TABLE 24.5 *Mergers at Coop in Switzerland, 1965–2001*

	Co-operatives	Membership	Stores/sales points*
1965	491	828,448	3050
1970	296	899,320	2305
1975	133	928,339	1595
1980	66	1,031,209	1436
1985	40	1,175,854	1334
1990	28	1,306,714	1431
2000	14	2,033,545	1140
2001	1	2,082,387	1105

* Since 1990 including restaurants and petrol stations.

SOURCE: TABLE ACCORDING TO KELLERHALS, *COOP IN DER SCHWEIZ*, P. 137 AND COOP, *JAHRESBERICHT 2003*, P. 75.

3315. The creation of larger units explains the subsequent decline in numbers.¹⁰¹ As an enquiry showed, consumer societies varied greatly. The three largest societies generated almost a third of the total revenues, while the smallest 172 societies generated only three percent.¹⁰² New consumer habits, the suspension of the RPM agreement, the unfavorable development of sales – in 1967 Migros overtook USC in revenues – and the fading of the co-operative idea forced USC to undertake fundamental reforms.

The meeting of delegates in 1969 took a first step into this direction by mandating the management to commence negotiations with the various regions and groups. Three consecutive merger plans reduced the number of co-operatives first to 14, later then to a single one.

Similar to other businesses, Coop has continually been transformed by mergers and acquisitions. This facilitated the creation of a new management structure in 1996 which replaced the traditional collegial directorate with a management board and a CEO. In 2001 a full-time president of the board of directors was appointed. Coop Mineraloel AG (Coop Mineral Oil Incorporated) had already been founded in 1972 as a subsidiary to organize the fuel business run previously by various consumer societies. The subsidiary has also been operating petrol stations and shops. Since the mid-1990s the number of these

101 Ritzmann-Blickenstorfer, *Historische Statistik der Schweiz*, p. 917.

102 *Schweizerischer Konsum-Verein*, 5/12 1964.

shops – run under the name Coop Pronto – has increased considerably. Four fifths of the 250 Coop Pronto stores have been set up at petrol stations.

Acquisitions strengthened Coop's core business area. In 1991 Coop became the majority stockholder in the medium-sized and Zurich-based company KVZ. In 1995 Coop took KVZ over and in 1998 integrated it into the society, selling off KVZ's former discount chain Billi. With the acquisition of Waro AG in 2003 Coop obtained two dozen large-scale supermarkets, which were also integrated into the society. In 2008 Coop also took over twelve Carrefour supermarkets. Moreover, Coop also successfully introduced fair trade and organic products. Already in 1989 the society had launched the label Oecoplan and in 1992 the fair-trade label Coopéracion/Max Havelaar followed. With these two product ranges, Coop earned a total revenue of over 1 milliard francs in 2001 and clearly led the market in this sector.

Through further acquisitions Coop gained a share in previously neglected markets. In 1980 Coop entered the consumer electronics market with the purchase of Radio TV Steiner AG. Acquiring Interdiscount AG's domestic business in 1996, Coop became the market leader in this sector. Five years later the society integrated the entire consumer electronics range into Interdiscount. In 2007 Coop acquired Dipl. Ing. Fust AG, a leading provider of electric household goods and consumer electronics. Furthermore, in 1994 Coop acquired the furniture stores Top Tip, in 1998 the chain Import Parfumerie, in 2002 the variety store chain EPA and in 2006 the important watch and jewellery chain Christ AG. With the joint venture Coop Vitality AG which runs pharmacies across Switzerland, in 2000 Coop also successfully entered the healthcare sector.

Coop set up or restructured other business units. In 1974 the society integrated the department stores into Coop City AG. Ten years later, the society established the DIY chain Coop Baucenter AG. In 2001 all the real estate business was incorporated into Coop Immobilien AG. Business units which Coop deemed dispensable were sold, such as the printing firm to Birkhäuser AG in 1990, Bank Coop (formerly Co-operative Central Bank) to the Basler Kantonalbank in 2000 and the insurer Coop Leben AG (formerly Schweizerische Volksfürsorge) to the Schweizerische National-Versicherungs-Gesellschaft AG (now Nationale Suisse) in 2001. In 2000 Coop also sold off the Swiss Market Garden Co-operative.

Concluding Remarks

Since the end of the nineteenth century USC/Coop and its associated member societies have dominated the Swiss co-operative movement. Most other

co-operatives flourished briefly and thereafter often vanished. Until the mid-twentieth century, USC/Coop extended its presence by establishing new businesses. Thereafter a period of concentration followed until 2001 when Coop became a single co-operative operating over 1000 stores. In legal terms Coop has remained a co-operative. Consumer societies ceased to be genuine working-class organizations from early on. That the largest consumer society was called Allgemeiner Konsumverein (General Consumer Society) highlights this point. Membership was made up of working-class families as well as tradespeople. Within the craft organizations this led to conflicts, in particular from the beginning of the twentieth century when the shopkeepers' organizations lobbied against the consumer societies.

For most of the twentieth century USC/Coop promoted the co-operative idea, notably through the Co-operative Education Centre. The fact remains that Coop does not hand out profits to shareholders. This has set the ground for better labor relations, sealed already early on with a collective agreement. Fair trade and organic products were also introduced comparatively early. Yet, like other capitalistic enterprises, power rests predominantly with the upper management. Democratic structures still exist, though to a large extent only formally.

Co-operatives are still very important in Switzerland's retail market, in particular in the food sector. This is due to the fact that besides Coop the similarly-sized Migros also operates as a co-operative. Together they hold over a third of the market share. Initially, consumer societies were able to lower the financial burden for working-class families by providing cheaper foodstuffs. However, since the suspension of the RPM agreement several capitalistic businesses are capable of selling cheaper foodstuffs. Coop nevertheless still retains a certain function as a role model in terms of working conditions and labor relations.

Translated from German by Pascal Maeder

From Commercial Trickery to Social Responsibility: Marketing in the Swedish Co-operative Movement in the Early Twentieth Century

Pernilla Jonsson

Foreign observers of Swedish co-operatives have expressed surprise at the fact that the movement issues so much commercial advertising. They have observed in several other countries where co-operatives have made noteworthy progress that the central organization and the larger locals put out little advertising. Formerly this was also the case in Sweden. The opinion was held that advertising promotion was unnecessary – even unsuitable – for co-operatives. Nowadays this view has almost entirely disappeared from the ranks of leading co-operators in Sweden.¹

In the October 1938 edition of the American journal *Printers' Ink Monthly*, the Swedish co-operator Mauritz Bonow divided co-operative advertising into two main categories: educational work and purely commercial commodity advertising. In the 1930s, the co-operative movement in Sweden and the other Nordic countries was highlighted as an example of a progressive “middle way” in the Roosevelt Administration’s search for a new economic policy.² The image of Kooperativa Förbundet (KF, Swedish Co-operative Union), as a forerunner and, in an European perspective, an early adopter of new innovations such as self-service and centralized warehouses, makes the Swedish case interesting

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1 Bonow, “How Swedish Co-operatives Advertise”. See also reprint in Knut Krantz, *Co-op Reklam i Sverige*.

2 Hilson, “Consumer Co-operation and Economic Crisis”, pp. 181–6.

from the point of view of not only co-operative history but also the history of marketing and retailing.³

Bonow stated that shops and factories owned by consumer co-operatives were directed by consumers according to democratic principles. From this he concluded that co-operative advertisements spoke on behalf of the consumer. However, extensive marketing is not an idea associated with the early consumer co-operative movement. The co-operative movement questioned the ideas of the economy as a neutral sphere and attempted to reintroduce moral standards and an ethic of “improvement” into the concept, regarding co-operation as an alternative to capitalist consumer practice.⁴ The French economist and co-operative pioneer Charles Gide formulated this standpoint as the co-operative aspiration to provide its members with reduced costs of living through the removal of “all forms of commercial falsehood and trickery, thus raising the ethical standard of business life”. The foundation of co-operation should be the “fair price” and satisfying the needs of the consumer, with no place for “advertisement, lying, cheating, and inducements to extravagance”.⁵ Nonetheless, both Gide and the Rochdale principles stated the importance of informing the general public about the nature and benefits of co-operation, advocating propaganda for co-operation as a social movement.⁶

Around 1900 the culture and character of the co-operative movement had to respond to the challenge of an expanding capitalist consumer culture. The ideological pillars gave the co-operative movement special obstacles to overcome in its adoption of marketing innovations and how these were to be framed. On the one hand, the co-operative movement should be an alternative distribution channel, eliminating middlemen and “commercial falsehood”. On the other hand, more members and increased sales gave the movement its political and economic power. Thus, the combination of being a social movement with

3 Sandgren, “From ‘Peculiar Stores’”, pp. 734–53; Alexander et al., “Promoting Retail Innovation”, pp. 810, 814; Nyberg, *Innovation in Distribution Channels*; Kylebäck, *Konsumentkooperation i strukturomvandling*.

4 Gurney, *Co-operative Culture*, p. 198; Gurney, “Labor’s Great Arch”; Hilton, *Consumerism in Twentieth-Century Britain*, pp. 81–3.

5 Gide, *Consumers’ Co-operative Societies*, p. 8. See also Hilton, *Consumerism in Twentieth-Century Britain*, pp. 81–3.

6 Gide, *Consumers’ Co-operative Societies*, p. 150: “It is quite obvious that the appearance of the streets in our larger towns would suffer badly were their brilliant shop-fronts to be replaced by the sombre windows of the co-operative stores. In this matter a reaction has begun in England, and the co-operative stores are beginning to decorate their windows. If the co-operative store wishes to become the shop of the people it must learn to make itself attractive.”

social improvement as a goal and a centralized wholesale business with focus on increased sales makes the co-operative movement an interesting case when studying advertising and the discourse on it in the early twentieth century.

The move from consideration of an innovation as interesting to its adoption is not generally a linear process, but rather one typically characterized by shocks and setbacks. Innovations in retailing are dependent upon and influenced by technological, economic and social changes in the surrounding society. The implementation of an innovation could be the result either of diffusion (passive spread) or dissemination (active and planned efforts to persuade target groups to adopt an innovation). Diffusion of an innovation is unplanned, decentralized and mostly horizontal, while planned dissemination is more likely to occur through vertical hierarchies.⁷ Success, however, is dependent upon whether or not the adopters' needs and perspectives are considered, and on an appropriate framing of the innovation. To be successful the organization has to frame the new concept in a way that fits with existing values, norms, and goals of the organization. Here, metaphors and symbols that the members are well acquainted with are decisive.⁸ Thus, in order to take up the weapon of their adversaries, the co-operative movement, as a social movement, had to frame the new concept in a way that fitted with its existing values, norms and goals.⁹

The aim of this chapter is to study new marketing innovations¹⁰ with a focus on brand advertising and window display, and to analyze the discussions on them in the Swedish co-operative movement in the early twentieth century. Questions raised in this chapter include the extent to which the

7 Greenhalgh et al., "Diffusion of Innovations in Service Organizations", p. 593, figure 2, p. 601.

8 Rogers, *Diffusion of Innovations*; Snow et al., "Frame Alignment Processes"; Tarrow, *Power in Movement*; Zald, *Comparative Perspectives*, p. 262.

9 Snow et al., "Frame Alignment Processes", pp. 464–81; Zald, "Culture, Ideology and Strategic Framing", p. 262; Tarrow, *Power in Movement*.

10 Marketing innovations are here defined as the implementation of a new or significantly improved method for promoting goods or services in business practice. The spread of an innovation is a process where a new idea is communicated through certain channels among members of a social system before it becomes adopted or rejected. The principles of the Rochdale pioneers included the provision of capital by members at a fixed rate of interest; supply of unadulterated or pure food, with the full weight and measure given; market prices; cash purchases only and no credit; management to be based on democratic principles; profits to be divided among members in proportion to the amount of purchases; political neutrality; and a share of profits should be allotted to education and social transformation. For a further discussion of the Rochdale principles see Chapter 3.

co-operative movement adopted new innovations in window display and advertising; how these were discussed and framed and which channels were used. To answer these questions different sources have been used: newspaper advertising 1875-1935, available information in contemporary Swedish handbooks on marketing, images of window display, the minutes of KF's central board 1906-30, and its periodicals *Kooperatören* (The Co-operator) 1904-30 and *Vår Tidning* (Our Own Journal) 1929-30 targeting co-operative shop managers.

The Swedish Consumer Co-operative Movement

For most of the twentieth century the Swedish retail trade was dominated by a few actors. KF was one of these, alongside the retail buying group Ica (Inköpscentralernas AB) which was still dominant in 2016, with a third part consisting of grocery chains such as Axfood and their precursors.¹¹

Consumer co-operatives were founded in Sweden from the middle of the nineteenth century, with an increase toward the end of the century.¹² They rested on the principles of the British pioneers in the town of Rochdale, which functioned as a common reference point in the transnational co-operative movement. However, the practices that evolved in different national contexts varied widely.¹³ In Sweden the co-operative ideas of self-help and moral improvement were to some extent downplayed and the economic aspect of the movement became more emphasized during the first decades of the twentieth century.¹⁴

KF was established in 1899, in order to strengthen co-operation between local co-operative societies and to provide assistance to help these societies achieve sound economic conditions.¹⁵ In time, this also meant a more centralized organization of distribution, the mobilization of new members and guidance on the design of shops.¹⁶

11 Kylebäck, *Varuhandeln i Sverige under 1900-talet*.

12 On the early history of the co-operative movement in the Nordic countries, including Sweden, see Chapter 6.

13 See Ruin, *Kooperativa Förbundet 1899-1929*, pp. 143-6; Hilson, "The Consumer Co-operative Movement", pp. 73-6; Hilson, "A Consumers' International?" p. 211; Furlough and Strikwerda, "Economics, Consumer Culture and Gender", pp. 135-72.

14 Aléx, *Den rationella konsumenten*, p. 70.

15 Kylebäck, *Konsumentkooperation och industrikarteller*, pp. 64-5.

16 Aléx, *Den rationella konsumenten*, pp. 70-4; Ruin, *Kooperativa Förbundet*, p. 80.

TABLE 25.1 *The development of consumer co-operatives in Sweden 1908–1930*

Year	Local societies	Shops	Number of members	Turnover in million Swedish kronor in nominal value	Turnover in million £ in real value 1914
1908	394	360	68,000	22	1.3
1910	427	370	74,000	23	1.3
1912	524	490	95,000	33	1.8
1914	608	739	119,000	55	3
1916	792	1060	171,000	82	3.8
1918	843	1332	214,000	145	4.1
1919	914	1540	234,000	216	4.7
1921	922	1669	255,000	228	6
1923	898	1906	274,000	209	7
1925	898	2229	315,000	260	8.2
1927	893	2626	366,000	286	9.3
1929	865	3080	422,000	329	10.8
1930	837	4849	635,000	531	18.1

SOUCE: KYLEBÄCK, *KONSUMENT- OCH LANTBRUKSKOOPERATION*, PP. 14, 19 AND 23. CONSUMER PRICE INDEX 1914 MYRDAL, BOUVIN ET AL., 1933 ARE USED FOR THE ADJUSTMENT OF VALUES. SCB, [HTTP://WWW.HISTORIA.SE](http://www.historia.se), "FINANS OCH MONETÄRA FÖRHÅLLANDEN", 21 NOVEMBER 2008.

During the first decades of the twentieth century the movement grew and consolidated. Increased centralization was accomplished through KF's assumption of responsibilities in both the production and distribution of goods. The real breakthrough of the Swedish co-operative movement came around the First World War. Between 1914 and 1919, the number of members doubled (Table 25.1). In 1920 it had about 4 percent of the Swedish population as members. A decade later, one in ten Swedes was a member of a co-operative society. By the end of the 1920s KF had become the largest wholesaler in Sweden with about 20 percent of the market, or about 2 percent of GDP. A decade later its commercial ability had grown still further, to a turnover equivalent to 6 percent of GDP.¹⁷ In terms of annual trade, this growth made the Swedish

17 Ruin, *Kooperativa Förbundet*, pp. 4–11; Kylebäck, *Konsument- och Lantbrukskooperation*, pp. 14–5, 18–22; Kylebäck, *Varuhandeln i Sverige*, p. 67.

co-operative movement one of the ten largest members in the International Co-operative Alliance. Even though Sweden had a small population compared to many other European countries, the Swedish movement managed to achieve an impressive mobilization of members and sales, nearly on a par even with that of the British movement.¹⁸

In the 1910s and 1920s the competition between the Swedish co-operative movement and private trade intensified. In response to KF's strengthened position as a wholesale society, private trade became more organized and integrated horizontally, with associations for organizing retailers and wholesalers founded in 1908 and 1909. In 1917 the first private retail buying groups were established. The first initiative was taken by Hakon Swenson (Hakonbolaget), and the retail buying groups were unified into one organization – ICA – in 1939.¹⁹

The Swedish co-operative movement therefore faced competition and negative campaigns from private trade, and several controversies with cartels. It responded to these by integrating backwards into production.²⁰ In an attempt to fight a margarine cartel, KF acquired a plant for margarine production in 1909. The margarine cartel collapsed in 1911 and in 1913 this first plant was sold, but a new one was established in 1921. Production expanded and in 1923 KF became the largest margarine producer in Sweden. In the 1920s the movement also invested in grain milling and in shoe production.²¹ In this way the Swedish co-operative movement followed the same strategy as in other countries, such as that pursued by the English Co-operative Wholesale Society (CWS).²² In summary, the Swedish consumer co-operative movement expanded quickly, also in relation to other European countries.²³ In the 1920s the movement had become one of the main players in the Swedish food retail market with the production of its own brands.

18 Friberg, *The Workings of Co-operation*, pp. 24–5; Cole, *A Century of Co-operation*, pp. 371–5; Hilson, "A Consumers' International?" p. 209.

19 Kylebäck, *Varuhandeln i Sverige*; Blom et al., *Handelsbilder*, p. 211.

20 Kylebäck, *Varuhandeln i Sverige*, pp. 70–5.

21 Kylebäck, *Konsumentkooperation och industrikarteller*, pp. 102–3, 154–5; Aléx, *Den rationella konsumenten*, p. 76; Ruin, *Kooperativa Förbundet*, pp. 24, 83–91.

22 On the CWS in this period see Chapter 22.

23 Friberg, *The Workings of Co-operation*, pp. 24–5; Cole, *A Century of Co-operation*, pp. 371, 375; Kylebäck, *Konsument- och Lantbrukskooperation*, pp. 14, 19. The Swedish co-operative movement managed to achieve an impressive mobilization of members and sales. In the 1920s, annual sales per member were on a par with the British movement.

Contemporary Thoughts on Marketing and Co-operative Initiatives

The adoption of new marketing methods in the Swedish co-operative movement should be seen in the context of wider international and national developments in marketing in the early twentieth century, including the use of new techniques for advertising, window display and shop design. Advertising was not new to Swedish retailers, even though its development was slow compared to that in Britain for example. From around the mid-nineteenth century advertising became more commonplace in Sweden. The most frequent advertisers in Swedish newspapers during the second half of the nineteenth century were retailers and wholesalers in textiles, clothing and food. Following models developed in other parts of Europe and in America, diversified channels were eventually used to target specific groups and producers took more responsibility for their own marketing.²⁴

Modern brand advertising seems to have been the outcome of changes on both the supply side and the demand side. Consumer demand for prepackaged grocery goods has been interpreted as an important stimulant for the development of advertising techniques around brands.²⁵ However, this development has also been intimately associated with the development of oligopolistic markets and barriers to market entry, as well as with entrepreneurs taking risks.²⁶ Producers' advertising and advertisements for branded goods became more common from the mid-nineteenth century. As an innovation, the brand name contributed a non-descriptive and non-imitable product name that helped secure competitive advantage for first-movers in a particular sector. Branding gave the producer a medium for communicating directly with the consumer and was used to put retailers under pressure to hold producers' goods in stock. Early adopters of the new marketing method were seen especially in the food and drink trades.²⁷

24 About Sweden see Nyberg et al., "Trade and Marketing," pp. 85–102; Linton, "*Vägen lönar sig, spårvagn går förbi!*" About the development in other parts of Europe and in the US see for example Morgan, "Beyond the Boundary of the Shop", pp. 66–74; Laird, *Advertising Progress*, pp. 57, 72–6; Garvey, *The Adman in the Parlor* pp. 9–11; Ferdinand, "Selling to the Provinces", pp. 394–9; Nevett, *Advertising in Britain*.

25 See for example Fullerton, "Brands, Brand Management", p. 175; Wilkins, "When and Why Brand Names", pp. 15–27; Tedlow, *New and Improved*.

26 Church, "Advertising Consumer Goods", pp. 639–40; Tedlow, *New and Improved*, pp. 16, 344, 348; Chandler, *Scale and Scope*.

27 Mercer, "A Mark of Distinction", pp. 17–42; Laird, *Advertising Progress*, pp. 7, 34–7, 250–4; Wilkins, "When and Why Brand Names", pp. 15–27; Strasser, *Satisfaction Guaranteed*, p. 55; Fullerton, "How Modern is Modern Marketing?" pp. 108–25.

The display window was a hotspot in marketing in the early twentieth century and a rather new innovation. In Germany display windows were a common sight in larger cities in the 1870s, and several handbooks were published during the second half of the nineteenth century.²⁸ Textile businesses pioneered this type of advertising, but delicatessens and finer grocery stores were also early in adopting the practice. Over time the windows grew in size and changed in appearance. In the early twentieth century the shaping of a display was the product of a wide range of stakeholders, such as producers of branded goods, trade journals, shop fitters, display workers and shopkeepers.²⁹

Around 1900 the “selling” or “stocky” window still dominated, displaying a good sample of what the shop had in stock. These crowded display windows faced competition from the American “open” window, which exposed fewer items on one theme and was more easily re-arranged. However, the “selling” window had a stronghold, at least in Britain, and disappeared only slowly before the interwar period.³⁰

In Sweden the first uses of the word *skyltfönster* (window display) have been traced to the 1880s. Articles in journals and newspapers described the use of the decorative arrangement of goods in shop windows in Stockholm.³¹ Window display became a more common practice in Sweden during the first decades of the twentieth century.

The marketing concept, with its focus on how a firm’s goals could be achieved through identification and satisfaction of the customers’ needs and wants, was introduced in American handbooks from the mid-1910s.³² During the first decades in the twentieth century these new ideas also gained a foothold in Sweden, but the concept was mainly understood as referring to a range of marketing techniques. Around 1900 most Swedish advertisers took their inspiration from Germany,³³ but the first publication on the subject in Swedish, *Modern annonsering* (Modern advertising) by Henning Appelgren in 1908, used almost exclusively American examples characterized by more suggestive

28 Spiekermann, “Display Windows and Window Displays”, pp. 146–56.

29 Lomax, “The View from the Shop”, pp. 266ff; Spiekermann, “Display Windows”, pp. 139–71.

30 Lomax, “The View from the Shop”, pp. 268ff; Rappaport, *Shopping for Pleasure*, pp. 149, 156.

31 SAOB, *Ordbok över svenska språket*, vol. 27 (Lund: Svenska akademien, 1977).

32 Bartels, “Influences on the Development of Marketing Thought”, pp. 129, 132–8. Retailing and marketing was dealt with by pioneers such as Paul H Nystrom’s *Retail Selling and Store Management* (1913), *Economics of Retailing* (1915), and AW Shaw’s *An Approach to Business Problems* (1916).

33 Björklund, *Reklamen i svensk marknad 1920–1965*, p. 14; Hermansson, *I Persuadörernas verkstad*, pp. 31–2; Hermansson, “Att hantera en konsument”, p. 84.

consumer orientated brand advertising using images and arguments for the product. This was the first step towards a strong American influence fueled by Swedish students taking marketing courses at American universities.³⁴ A strong interest in American production and distribution practices could also be discerned in other parts of Europe, especially after the First World War. This has been called “the first wave of Americanization” of the European economy, emanating from a strong demand for rationalization.³⁵ However, it could also be interpreted in terms of cultural transfer and the globalization of the advertising industry in a long term trans-Atlantic dialogue.³⁶

Co-operative Channels for the Transfer of Knowledge in Marketing Techniques in Sweden

Along with the establishment of higher education programs in economics and marketing, interest in marketing increased both in the Swedish co-operative movement and in private trade.³⁷ As early as 1908, one year before the first Swedish higher education program in distribution was established at Stockholm’s School of Economics, KF and Kooperativa Föreningsledares Förening (KFF, the Co-operative Shop Managers’ Organization) initiated discussions on the establishment of education for co-operative store managers. From 1917, the same year that one of the newly established private department stores, NK, began to offer its employees education in shop management, the discussions in KF were turned into practice and window display was included in the curriculum of their courses for store managers. Two years later, one hour of training in commercial advertising was also included.³⁸ This development could be compared to the Co-operative Union in the UK establishing the Co-operative College for residential courses for co-operative employees in 1919. KF’s educational program expanded in 1924 with the foundation of its own residential study center Vår gård in Saltsjöbaden, which provided residential courses for

34 Jones and Monieson, “Early Development of the Philosophy of Marketing Thought”, p. 147. For developments in Sweden see for example Tufvesson, *Hundra år av marknadsföring*, pp. 32–9, 130–4, 166; Björklund, *Reklamen i svensk marknad*, pp. 12f; Törnqvist, *Om försäljning*.

35 Schröter, “Economic Culture and Its Transfer”, pp. 331–44.

36 Schwarzkopf, “Who Said Americanization”.

37 Kylebäck, *Konsument- och Lantbrukskooperation*, p. 81.

38 *Kooperatören* 1919, 5, p. 108. For the earlier plans and education see 1914, 1, p. 43; 1916, 3, p. 45; 1916, 2, p. 30; 1917, 8, p. 195; 1918, 12, p. 275. See also Aléx, *Den rationella konsumenten*, p. 81. On the department store NK, see Husz, *Drömmars värde*.

shop managers from all parts of Sweden.³⁹ Simultaneously, private retailers also emphasized the need for this kind of education. In the early 1920s, the Swedish association for private retailers Köpmannaförbundet started this kind of education, providing their members and their employees with courses in bookkeeping as well as good salesmanship, advertising, window display and how to design an optimal shop.⁴⁰

KF also made other investments in channels for the transfer of marketing knowledge. In 1919 KF established a special department responsible for mobilizing new members. Local societies were supplied with posters and other kinds of exhibition material, together with films for commercial marketing and mobilizing new members.⁴¹ This could be compared to the English CWS, where a publicity department was established in 1916.⁴²

In the mid-1920s the co-operative movement developed its own institutions for marketing, including a department for developing architecture and shop design in 1924. In this way local societies had access to professional services in planning their shops, where the display window was one important part. These modernistic specially designed shops were later also used in selling the image of the progressive Nordic co-operative movement and exhibited to foreign visitors.⁴³

In 1925 KF decided to continue this forward integration by investing in one of the larger advertising agencies, Svea in Norrköping.⁴⁴ Previously, discounts on advertising had been arranged through the exchange of advertisements between *Kooperatören* and commercial newspapers, which provided KF with opportunities for publishing its own advertising in other newspapers at a low cost.⁴⁵ This arrangement was threatened in 1925 by a new agreement between advertising agencies and the newspaper publishers' association that prohibited the exchange of advertisements between different publications. To overcome this obstacle the KF leadership decided to become the principal part-owner of one of the larger advertising agencies in Sweden. The minutes do not reveal conflicts or discussions about this integration into marketing; instead, the arrangement was praised by Bonow in his *Printers' Ink* article. The

39 Ruin, *Kooperativa Förbundet*, pp. 45–6; Aléx, *Den rationella konsumenten*, pp. 76, 81–2.

40 Kylebäck, *Konsument- och Lantbrukskooperation*, p. 81.

41 Ruin, *Kooperativa Förbundet*, pp. 74–5.

42 Gurney, *Co-operative Culture*, pp. 197–8.

43 Hilson, "Consumer Co-operation and Economic Crisis", p. 191.

44 KF minutes November 27 1925 §1122, KF archive, Stockholm. KF contributed a loan against 5 percent interest to Gösta Karlsson and Gumelius Advertising Agency to run the business.

45 Björklund, *Reklamen i svensk marknad*, pp. 711–6.



ILLUSTRATION 25.1 *The Swedish co-operative poster 1930*
 EVE was the Co-operative margarine brand.

SOURCES: HARRY BERNMARK AND KNUT KRANTZ 1930, © KF
 ARCHIVE AND LIBRARY, STOCKHOLM.

marketing of co-operative ideas and commodities could in this way be centrally directed by KF in close collaboration with influential Swedish art directors and illustrators, such as Gunnar Orrby, Harry Bernmark and Knut Krantz (Illustration 25.1).

The Swedish co-operative movement thus established its own channel for the dissemination of marketing ideas. Early co-operative periodicals dealt especially with matters such as marketing, “good salesmanship”, window display and knowledge of the products. In 1929 KF established a new periodical

targeting the employees of local co-operative societies, *Vår tidning*. Two years later another specialized co-operative periodical saw the light of day: *Kooperativa skyltfönstret* (The Co-operative Display Window), established by KF in 1931. The co-operative movement was also an early mover in this field. The private retail trade organizations started their own specialized periodicals first in 1932, including *Butikskultur* (Store culture) and *Skyltfönstret: special organ för Sveriges specialister och dekoratörer inom alla branscher* (The Display Window: special organ for Swedish retail trade and decorators in all trades). The first periodical in Sweden on advertising techniques and window display had however been published during 1920–23, *Reklamen: skandinavisk tidskrift för reklam och fönsterdekoration* (Marketing: Scandinavian Journal of advertising and window display).

The Co-operative Discourse on Advertising

Over a couple of decades the Swedish co-operative movement became one of the main actors using brand advertising to promote both specific products and the co-operative idea, with an established centralized organization for the spreading of marketing innovations among local consumer co-operatives. Concurrent with the growth of commercial capitalism in the late nineteenth and early twentieth century, in Sweden as in many other countries, distrust of advertisements and trusts arose. Claims were raised about the need to protect consumers against misleading and false advertising.⁴⁶

Swedish co-operators were part of a transnational co-operative movement and KF was a member of the International Cooperative Alliance (ICA) established in 1895. The ICA provided both a common foundation for ideals and channels for the transfer of new ideas. As co-operative margarine, flour and boots had to meet the competition of capitalist commercial practices, discussions on how to compete against the powerful culture of capitalism were initiated. Advertising and display of co-operative brands were intensively discussed in the British co-operative movement around 1900. In discourses on the co-operative use of commercial techniques, the proponents framed the usage as a purely defensive measure that had been deemed necessary in order to meet the competition from growing grocery chains. According to Peter Gurney, a negative attitude to new marketing methods remained in the British movement until the interwar years,⁴⁷ while Stefan Schwartzkopf states that

46 For the scepticism in Britain and Germany see Fullerton and Nevett, "Advertising and society", pp. 225–41; Schwartzkopf, "Respectable Persuaders", pp. 114–5.

47 Gurney, *Co-operative Culture*, pp. 196–8; Kelley, "The Equitable Consumer", pp. 297–9.

modern co-operative advertisement practices were established in the 1910s and 1920s.⁴⁸

It is not possible to discern any discussions of principle on marketing in the KF minutes, or how the concept might be framed.⁴⁹ These minutes report only the central leadership's decisions on expenses for advertising and committees dealing with commercial advertising and propaganda material for mobilizing members.⁵⁰ Later, in 1920, the minutes also bear witness to the fact that local societies took initiatives to urge more efficient marketing.⁵¹

A critical discussion on marketing did take place, but in KF's own periodical *Kooperatören*. KF had established the periodical in 1904 in order to mobilize new members and to keep the spirit up within the movement. In 1913 *Kooperatören* reached 20,000 households. In 1914, the periodical began explicitly targeting the business side of the movement, specifically shop managers and their employees, while the newly established *Konsumentbladet* (The Consumer Leaflet) was a weekly periodical that was aimed at members and other consumers.⁵²

The practice of advertising (in Swedish *annonsering* or *reklam*) preceded a discussion on the topic in KF's periodicals. The first articles on advertising were published in *Kooperatören* in 1910 and 1912.⁵³ They referred to advertising in negative or in neutral terms. In an attempt to increase the sales of *Kooperatören*, its editor Anders Örne⁵⁴ urged local societies to enroll their members for subscription:

Private trade sacrifices much larger sums on *advertising* than this will cost. *Kooperatören* offers the same benefits to the consumer society as a large reoccurring advertisement in the daily newspaper, and it not only provides marketing information but also *enlightenment* [in Swedish '*upplysning*'].⁵⁵

48 Schwartzkopf, "Innovation, Modernisation, Consumerism", pp. 197–209.

49 KF minutes register of the board 1906–1930; minutes 1919–1930; minutes of the executive committee 1918–1929.

50 KF minutes register 18 September paragraph 20 1907; 11 May paragraph 8 1908; 7 December paragraph 20 1910; 27 March paragraph 17 1912; KF archive, Stockholm.

51 KF minutes 19 October 1920 attachment 4, KF archive, Stockholm.

52 Aléx, *Den rationella konsumenten*, p. 87.

53 *Kooperatören* was published 1904–97. The first articles found on advertising were published in 1910, 31 and 1912, 27 and 35.

54 Anders Örne was one of the pioneers in the Swedish co-operative movement in the early twentieth century. He was KF's secretary from 1917 and later a Social Democratic MP.

55 *Kooperatören* 1912, 35, "Alla vederbörande". (Affärsmännen offra mångdubbelt större summor än här kan komma i fråga på *annonsering*. *Kooperatören* gör samma nytta som en

This quote exemplifies the way in which co-operative advertising was framed as something different. The advertisement of commercial goods and co-operative brands is presented as providing the reader with important information. However, co-operative advertising is referred to as more efficient because KF had its own agency and special arrangements with newspapers and was therefore able to cut the costs of private producers and the profit margins of the middlemen. In addition, co-operative advertisement is assumed to provide an added value – enlightenment – by informing the general public about the co-operative idea and benefits of consumer co-operatives.

In 1915 an article was published dealing with arguments against advertising: should the co-operative movement repudiate advertising or not? On the one hand, advertising was described as a way for private retailers to “tout” consumer goods people did not really need and to raise the cost of distribution. On the other hand, the author Axel Andersson concluded that co-operative advertising was inevitable in a competitive market, but the costs should be kept low and advertising should serve the consumers’ interests.⁵⁶

After this article the discourse on advertising changed and prominent people within the movement began to step forward and advocate advertising. In 1916, Anders Örne discussed marketing in positive terms. He stated that “agitation in speech and writing is not enough” and stressed advertising as a good complement. At the same time, however, he emphasized that this did not mean that the consumer co-operatives should produce commercial advertising “to make money”. Instead the purpose was claimed to be the enlightenment of people, informing them of the principles and advantages of the co-operative movement. This was a distinction made over and over again; co-operative advertising had to be separated from the “filthy lucre” of private trade, but it could still promote specific goods and co-operative brands.⁵⁷

One year later, in 1917, marketing was presented as an acceptable and desirable co-operative strategy. At a time when problems surrounding food supply were acute and the capitalist system was under political pressure, marketing in the hands of the co-operative movement was presented as a way to achieve a better society. This time the author was Axel Gjöres, later the editor of *Kooperatören*. He also took his departure from the distinction between the marketing attempts of the co-operative movement and those of the private retailers.

stor stående årsannons i dagspressen om föreningen, men den gör icke blott reklam, utan upplyser.) Emphasis in original.

56 *Kooperatören* 1915, 12, pp. 288f.

57 *Kooperatören* 1916, 3, p. 45. (Agitation i tal och skrift är icke tillräckligt: fakta måste tala. Vi behöva emellertid icke som den privata köpmannen göra reklam för att tjäna pengar, utan vi må endast agitera för själva saken).

The co-operator should serve the interests of the consumer, not exploit them. Here, however, Gjöres clearly states that the shops run by co-operative consumer societies ought to "...pursue a suggestive influence on the public". He claimed that marketing and good salesmanship were not only congruent with the co-operative spirit; they were also a way to achieve rational distribution in society as a whole through a general mobilization of members in the co-operative movement. The co-operative movement would provide society with a more rational organization of distribution, without middlemen. In this kind of argumentation, if co-operatives were to hold a larger share of the market, this would mean a gain not only for the members but also for all consumers and the whole of society.⁵⁸ Advertising as a means to raise sales was framed as a way to take social responsibility – the more co-operative goods sold, the lower the cost of distribution. It connected to a discourse on the rationalization of distribution that took a strong hold in Sweden and other parts of Europe around 1920, when retailers were urged to follow industry by rationalizing and mechanizing distribution.⁵⁹

During the years of severe economic distress and cut-throat competition in the early 1920s several articles took a more critical position. The authors claimed that the high costs caused by advertising, especially of branded packed goods, and fluctuations in taste were not associated with an efficient economy and therefore not anything the co-operative movement should be involved in. Co-operative ideology was consistent with the systematic organization of labor and standardization achieved by conducting studies and statistical analyses.⁶⁰ An article by the German sociologist Ferdinand Tönnies also referred to advertising as a waste of social resources. The article gave examples of the high costs of advertising and marketing in the US, and how this raised consumer prices. Thus, the co-operative movement was pointed out by Tönnies as an alternative way of making distribution more efficient.⁶¹

Nonetheless, in most articles from the mid-1920s co-operative advertising was described as practice that had already been adopted in Sweden, mentioned

58 *Kooperatören* 1917, 2, p. 31.

59 Östlund, "Gerhard Törnqvist", pp. 145–52, 160f.; Schröter, "Economic Culture"; Sandgren, "From 'Peculiar Stores'", pp. 738–40.

60 *Kooperatören* 1920, 6, pp. 94–103; 1920, 9, p. 145; 1923, 3–4, pp. 51–2. This critic was common also outside the co-operative movement and met with arguments that a good utilization of marketing would promote rational production, lower transport cost and lower other distribution costs, e.g. Björklund, "Reklamen i det moderna näringslivet", pp. 214–5.

61 *Kooperatören* 1926, 16, pp. 40–1.

en passant when other topics were dealt with. It was noted that the fact that co-operative societies could have many different names and no standardized name, color or logotype "...causes inconveniences in many ways. One of them is that the co-operative societies could not fully take advantage of KF's advertising [e.g. its own branded goods]".⁶² This kind of discourse was emphasized in the private retail buying group Hakon in 1934 to meet the competition from the co-operative movement.⁶³

The International Co-operative Alliance (ICA) also promoted the spread of marketing techniques. In conjunction with the ICA's congress in Stockholm in 1927 an international summer school on propaganda and education was held. In an article about the event, advertising was stated to be an important way to reach people who otherwise would not get in touch with the movement. Advertising was thus propaganda for the movement rather than a means to promote the sale of specific goods. In one of the main speeches, reproduced in *Kooperatören*, the Finnish representative Onni Toivonen emphasized the need for more commercial use of advertisements:

One now generally realizes that the benefits consumers' co-operative societies can provide households is preferably spread with the help of modern advertising techniques. If these are only employed by private trade, the co-operative will acquire an undesirable handicap.⁶⁴

Thus, rather than seeing the advantages of advertising as a way to receive higher goals, Toivonen's argument was more defensive: co-operatives should meet the competition from private trade with their own weapons or lag behind. He suggested that the ICA should gather and disseminate ideas on advertising in its periodical, as private trade journals already did, including examples of successful advertisements, window displays and exhibitions as well as articles on the psychology of advertising. Toivonen also stressed the importance of the production of films. The same year articles about successful co-operative marketing campaigns in Britain and Germany were published in *Kooperatören*.⁶⁵

62 *Kooperatören*, 1926, 4, p. 50.

63 The Centre for Business History, "AB Hakon Swensons Förvaltningsberättelser 1918–1953 (Blaa)", 1934.

64 *Kooperatören*, 1927, 21–22, pp. 352, 357.

65 E.g. *Kooperatören*, 1927, 17–18, p. 320. See also *Vår tidning* 1929 no. 1.

KF as an Advertiser in Practice

Advertising of branded goods occurred in Sweden from at least 1875. In 1900 more than one in ten advertisements in a provincial newspaper promoted branded goods (Table 25.2).⁶⁶ Certain goods in particular were promoted in this way, including imported and packaged groceries and new processed foods such as margarine. In 1904, consumer co-operative advertising accounted for between a fifth and a quarter of the advertisements in the co-operative periodical *Kooperatören*. After KF became a margarine producer in 1909, co-operative margarine was often referred to in the advertisements. However, it was not until the 1920s that the co-operative movement became a regular advertiser of branded food in the non-co-operative local newspaper that was studied. One decade later, in 1935, co-operative advertisements made up nearly half of the branded advertising for food.⁶⁷

There are no more general studies of the development of co-operative advertising, but according to a British case study, the Swedish movement's advertising of co-operative goods seems to have coincided with similar developments in Britain. Here, the co-operative movement expanded into production of flour, jams and pickles in the 1890s and used branding of its products even though other promotional techniques were not approved.⁶⁸ Co-operative brand advertising became a more widely used practice during the early twentieth century.⁶⁹

The early Swedish co-operative advertisements did not differ substantially from those of private wholesalers and retailers. Advertisements for food dominated and included both KF's unbranded products and its own trademarks. The goods and their price were in focus, sometimes with selling arguments such as "of good quality" and "homemade". However, the co-operative idea – that co-operatives promoted lower prices by competing in oligarchic markets, distributing without middlemen and redistributing a share of the profit to members – was also advertised.⁷⁰ A similar pattern, with advertisements

66 The newspaper in this study was a liberal provincial newspaper in the county of Västmanland. In 1909 2–4 percent and in 1929 8–10 percent were members of the co-operative movement according to Ruin: Ruin, *Kooperativa Förbundet*, p. 9. Thus, the co-operative movement had a stronger hold in Västmanland than the average for Sweden.

67 Jonsson, "Följ de omtänksamma husmödrarnas exempel...", pp. 205–34.

68 Kelley, "The Equitable Consumer", pp. 4, 297–8.

69 Gurney, *Co-operative culture*, pp. 196–8; Kelley, "The Equitable Consumer", pp. 297–305; Schwartzkopf, "Innovation, Modernisation, Consumerism", pp. 199–209.

70 Jonsson, "Följ de omtänksamma husmödrarnas exempel". See also Krantz, *Co-op Reklam i Sverige*.

TABLE 25.2 *Average percentage shares of branded advertising and KF's share of branded food advertising in a local Swedish newspaper 1875–1935*

	Total share of branded advertising (%)	Share of food in branded advertising (%)	KF's share of branded food advertising (%)	Number of advertisements
1875	7	5	–	623
1900	14	17	–	675
1915	13	16	0	952
1925	19	27	18	1418
1935	15	28	50	1320

SOURCE: VÄSTMANLANDS LÄNS TIDNING, NOTE: THE YEARLY AVERAGE OF ADVERTISING IS ESTIMATED FROM A PROPORTIONALLY STRATIFIED RANDOM SAMPLE OF 30 NUMBERS PER YEAR, WHERE DIFFERENCES IN THE APPEARANCE OF ADVERTISEMENTS BETWEEN WEEKEND AND WORKDAY HAVE BEEN CONSIDERED.

marked by commercial competence and with a strong link to the product as well as the co-operative spirit was also seen in the CWS's and in Australian consumer co-operatives in the early twentieth century.⁷¹

In the 1920s KF's own brands, for example of margarine, porridge oats and galoshes, were launched in advertisements made in co-operation between KF and local consumer co-operative societies. The advertisements were mainly promoting specific branded co-operative goods, sometimes with slogans such as "party in everyday life: co-operative coffee". Co-operative advertisements could easily be distinguished from those of private retailers: they were presented with more space, a modern typeface, often a short message in "a large bold, easily-read typeface" and often lower-case letters throughout (Illustration 25.2). Local co-operative societies' advertisements could vary, but just a few years later all societies had a uniform signature, "Konsum-Kooperativa". The private retail-buying group lagged behind and did not adopt a uniform trademark and layout in their marketing until the 1930s.⁷²

71 Kelley, "The Equitable Consumer", pp. 301–2, 306–10; Balnave and Patmore, "Marketing Community and Democracy", pp. 70–1.

72 Jonsson, "Följ de omtänksamma husmödrarnas exempel!"; Krantz, *Co-op Reklam i Sverige*.



ILLUSTRATION 25.2

An example of a Swedish consumer co-operative newspaper advertisement in the 1930s

SOURCE: VÄSTMANLANDS FOLKBLAD 28 JANUARY 1935.

The Co-operative Discourse on Window Displays

The display window was a hotspot in marketing in the early twentieth century and a rather new innovation. Already in the mid-1910s KF seems to have been rather explicit in its attempts to spread a more minimalist style in window displays. An American ideal emphasizing the “open” window was launched to rouse the viewers’ desire. The new ideal was only adopted gradually, however. How common and widespread strategic window display was among local Swedish consumer co-operatives is hard to uncover. The first article on window display was published in *Kooperatören* in December 1913. In an article dealing with the British co-operative movement, its use of display windows was described in positive terms. The same year, it was also announced that window display was going to be a theme in the periodical the following year.⁷³ However, the promise did not come true.

In 1915 the author Axel Andersson introduced the subject again, concluding that window displays were totally lacking, or beneath contempt, in Swedish consumer co-operatives. This article also referred to how English societies already worked actively with window displays with a positive result. However, this time the topic was discussed more on the level of principles. The message was that window display was economically profitable and did not contradict co-operative values. Andersson claimed that co-operative advertisements were essential to compete with private retailers. At a lower cost than other

73 *Kooperatören* 1913, 22, 27 and 33.

kinds of advertisements, window displays could make people more interested in the co-operative idea and assortment of goods. In this way an attractive window display could serve to raise the sale of certain products and higher ideals, be an important complement to other forms of propaganda, and mobilize new members. His advice was far from the “stocky” window. To succeed, the shop manager should make sure he had a large and clean window and then highlight one or a few articles under one leading theme.⁷⁴

The next article dealing with window display appeared in 1919. This time as well the author felt the need to redefine window display, transforming it from an “amoral” way to force the goods in the shop onto the consumers, to an effective way of informing customers about co-operative ideas and goods they already intended to buy.⁷⁵ In 1919 KF’s auditor Verner Pehrzon argued that consumer co-operative societies under-utilized the potential of window display. A good window display was efficient in attracting customers and new members, as well as making economical use of the high rent paid for the window space.⁷⁶

With this impetus, the main theme in the articles on window display altered from being persuasive to a more hands-on practice. Both the people who were closely related to the central leadership and local store managers alike wrote about the topic. A few of them referred to the discourse on the appropriateness of marketing, while others, especially from the 1920s, took it for granted.⁷⁷ However, it was pointed out that it was necessary to avoid wasting resources when arranging the display window, for example by allowing goods to become damaged by exposure to sun, moisture or dust, since it negatively affected both the economy of the local society and that of the nation.⁷⁸ No explicit discussion on what kind of goods should be displayed could be discerned. However, implicit in ideas about the ideal window display seems to have been a determination to avoid the waste of goods and promote co-operative brands or the co-operative idea.

What then, did the co-operative ideal display window look like? An attractive and not overloaded display window was stated to be the way to sell the co-operative idea and co-operative goods. The display should be changed regularly and expose KF’s own production and brands. It could also sometimes display information on local societies, such as membership numbers and

74 *Kooperatören* 1915, 12, pp. 288–92.

75 *Kooperatören* 1919, 1, 6; 1921, 17, pp. 267f.

76 *Kooperatören* 1919, 1, 6.

77 E.g. *Kooperatören*, 1922, 17; 1923, 3–4; 1924, 22, p. 404; 1926, 4.

78 *Kooperatören* 1918, 12, p. 266; 1921, 21, p. 331.

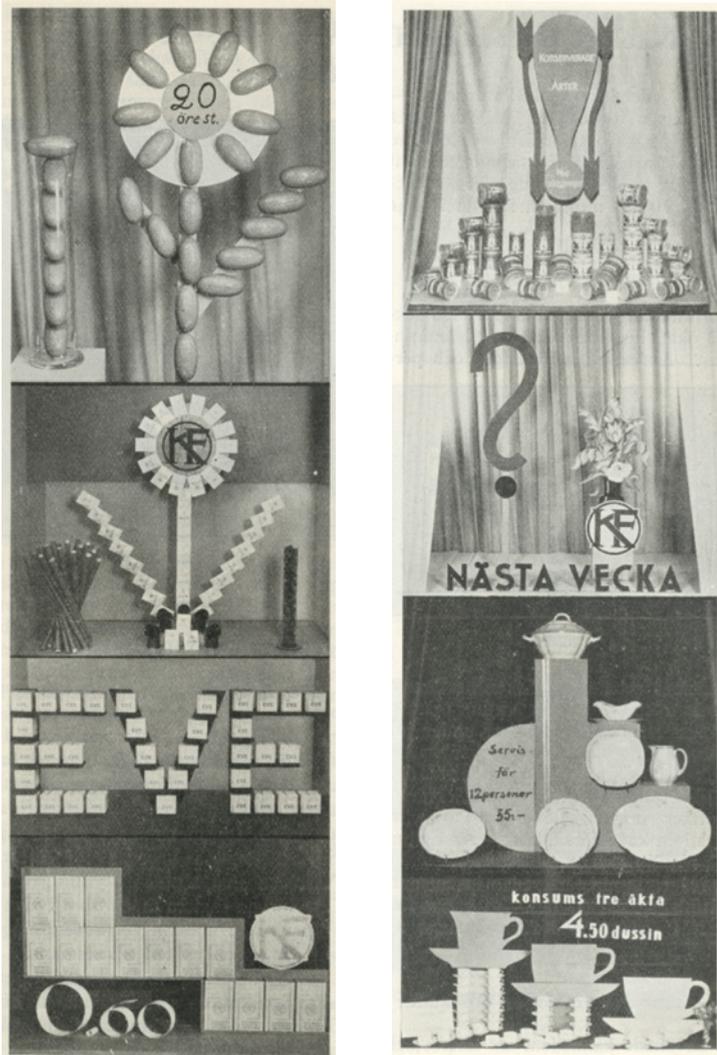


ILLUSTRATION 25.3

Suggested Swedish co-operative window displays, 1930

Note: A suggested sequence of window display during a period of four weeks, where first co-operative bread and then the co-operative margarine brand eve were marketed.

SOURCE: VÅR TIDNING 1930, 7.

turnover. It was stated over and over again that the key to success was a clean window, where dust, flies and condensation should be frequently combated.⁷⁹

79 E.g. *Kooperatören* 1921, 17, pp. 267ff; 1921, 21, p. 331; 1922, 17, p. 297.

The co-operative shop manager was encouraged to make the view attractive by using original combinations of colours and arrangements. A logical combination of products in the display window was recommended. For example, there could be an arrangement with washing powder, clothes line, and clothes pins, on display in the window. More spectacular was the consumer co-operative society's display window in Stockholm in 1922:

KF's margarine was displayed with a windmill built from empty margarine boxes, with wings from margarine plates. By means of an electric fan, invisible from outside, the windmill was made to move in a rather naturalistic way.⁸⁰

The co-operative periodical *Vår tidning* also provided a good range of images of different display windows appropriate for co-operative shops (Illustration 25.3). Many articles had an instructive character, such as how to build a showcase or arrange a window display.

Preserved images of co-operative display windows show the use of thematic "open" designs, at least in some consumer co-operatives (Illustration 25.4). The co-operative shops, especially those of the Stockholm Co-operative Society,



ILLUSTRATION 25.4 *Swedish co-operative window display, 1934*

Note: A window display exposing the co-operative coffee brand Cirkelkaffe.

KF ARCHIVE AND LIBRARY.

⁸⁰ *Kooperatören* 1922, 17, pp. 294–6.

took an avant-garde position. In private retail stores the development was uneven. The newly established department stores in Stockholm, such as NK and MEA, displayed “open” windows based on one theme and to promote the sale of specific goods in the 1910s and 1920s. Nevertheless, in the 1930s, both “stocky” grocery shop windows and window displays in a more minimalist style appeared side by side in the shopping streets of Stockholm.⁸¹

The Co-operative Discourse on Shop Design

However, it was not only the display window that was in focus as a means to attract customers to co-operative stores. The interior and exterior of the shop should also catch the eye of prospective consumers and signal that the co-operative movement differed from private actors while at the same time showing that all co-operative societies represented one movement. The design and appearance of the interior of the shops received a lot of attention in *Kooperatören*. Reluctance among local co-operative societies to achieve a well-kept and good looking shop was framed as evidence that such societies were less enlightened as co-operatives.

When you meet a society with filthy and poorly arranged storage and shop interior, you could be sure of that neither its members and employees nor its board members are reading the co-operative press or other co-operative literature.⁸²

The shelves in the co-operative shop should be well filled. Goods in attractive packages, whether those with co-operative brands or all kind of goods, should be placed and arranged so the customer would be exposed to them as soon as they stepped into the shop. The shop should be tastefully and practically arranged with the goods in a neat order. To be able to achieve a shop without empty shelves, it was claimed that having dry, light and well-arranged storage was helpful and more important than having more employees.⁸³ In 1918, it was stated that the consumer co-operative, as a carrier of new ideas, had to be one step ahead of private retailers in the design and equipment used in the interior of their stores.⁸⁴

81 Husz, *Drömmars värde*, p. 67; Hermansson, *I Persuadörens verkstad*, pp. 94–9; Björklund, “Reklamen i det moderna näringslivet”, pp. 259–162.

82 *Kooperatören* 1914, 1, p. 3.

83 *Kooperatören* 1916, 10, p. 201.

84 *Kooperatören* 1918, 3, p. 53.

Over time, these descriptions became more detailed and the articles were often accompanied with images of the interior and drawings of shops. In 1924 both practical and esthetical aspects were dealt with, for example in the case of a newly established co-operative butchery shop in Stockholm. The article praised the well-arranged shop interior with its contrast between reddish meat, blue tiled walls and blue painted equipment.⁸⁵

In 1926 an idea was launched suggesting a common front for all co-operative shops. It was claimed that this would send an effective signal to all passers-by that would be beneficial for all co-operative societies. The example referred to a French village where the co-operative shop was easily recognized by its orange front.

Red is of course unthinkable since nearly every Swedish house is painted in red. For many people orange and red walls would clash. Green would work in towns, but not in the countryside where nature is so generous with green. Blue, however, would not be too bad. The clear blue color of cornflower – why not?⁸⁶

However, this vision of the blue color as a visual co-operative signature was an innovation that had to wait for decades before it was fulfilled in practice.

In the case of store design, no controversies could be discerned. Instead the discourse was gradually changed from an emphasis on mainly practical aspects to the more aesthetical sides of how to arrange the ideal shop. The authors highlighted the importance of promoting sales and creating a shop that looked different from those of the private retailers. From the mid-1920s local consumer co-operative societies had access to professional services when planning their shops, through KF's department for developing architecture and shop design, as well as the articles on the topic in the co-operative journals.

Conclusion

The late nineteenth and early twentieth century was a formative period in marketing. Marketing was professionalized. Extensive brand advertising and an increased interest in window display, especially the "open window", were new innovations in a growing world of consumer culture. In Sweden as in other

85 *Kooperatören* 1924, 23, pp. 404–9. The same concept for butchery shops was also suggested in a Swedish handbook in 1926: Björklund, "Reklamen i det moderna näringslivet".

86 *Kooperatören* 1926, 4, pp. 52–3.

European countries these new marketing innovations were spread, fueled by study tours to North America.

The Swedish co-operative movement was an early adopter. Co-operative advertising was an established practice in the Swedish co-operative periodical *Kooperatören* before 1910. Beginning in 1917, KF offered co-operative shop managers courses that included marketing techniques. This was the same year that one of the largest private department stores did the same and a couple of years before the association for private retailers launched its educational program. In the mid-1920s, KF was one of the large advertisers of branded food, with some of the most prominent Swedish illustrators and designers associated with the movement's own advertising agency. Only from the 1930s did the private retail buying group, which together with KF dominated the Swedish food retail trade during most of the twentieth century, encourage its members to adopt uniform trademarks and layouts in their marketing.

Extensive co-operative marketing preceded and coincided with KF's integration backward into production 1909, aiming to break up a cartel in the margarine market. In this way the movement became a stakeholder in an oligopolistic market where advertising was one primary means of competition. In the 1910s and 1920s, under pressure from newly-established trade organizations in private retailing and wholesale, the marketing efforts of the co-operative movement were reinforced.

As part of a transnational movement Swedish co-operators could benefit from the innovations in marketing that were adopted and reinterpreted in the vivid trans-Atlantic transfer of ideas. As recognized in other studies, mass media instruments such as trade journals, newspapers and interpersonal communication were effective channels for the diffusion of new innovations.⁸⁷ One explanation was conscious steps to advocate active marketing taken by the leadership of KF in the mid-1910s and 1920s. In the 1910s, when educational programs in the principles of marketing had just emerged in the USA and handbooks in English had been published, advertising and window display became a topic of discussion in KF's periodical, directed to co-operators and shop managers all over Sweden. From 1916, people close to the KF leadership wrote about the use of advertising and window display only in positive terms, with the exception of a few occasions during the recession and political tension in the early 1920s.

87 Alexander et al., "Promoting Retail Innovation", pp. 808, 811–2; Rogers, *Diffusion of Innovations*, p. 198.

The central leadership of the Swedish co-operative movement seems to have been successful in overcoming resistance to advertising and window display by framing extensive marketing as a way to achieve higher goals. In other words, marketing was not emphasized as a purely defensive measure as a response to powerful commercial challenge of capitalistic consumer culture.⁸⁸ In the Swedish co-operative movement extensive brand advertising and “open” window display was instead framed as a concept that could promote the co-operative idea and movement. Co-operative marketing was stated to be different, exaggerated by modern and minimalist design. Moreover, the co-operative advertisement and window marketed not only goods but also the co-operative idea of social responsibility. A narrative strategy of the ethics of improvements was launched. Strategic marketing attracted new members. Gaining more members in the co-operative movement was considered the way to rationalize retailing, contributing benefits to the economy and society as a whole. Increasing co-operative sales through effective marketing became synonymous with political action aimed towards achieving a better and more rational society. In this way the new marketing techniques in the Swedish context were framed to fit well with the co-operative ideas of enlightenment and social improvement as well as with a growing emphasis on increased sales and larger market share.

88 Kelley, “The Equitable Consumer”; Gurney, *Co-operative Culture*.

Building Consumer Democracy: The Trajectory of Consumer Co-operation in Japan

Akira Kurimoto

Japanese consumer co-operation made a humble start at the end of the nineteenth century, following the introduction of the Rochdale model, but since the 1970s has evolved through dynamic growth to become a world-class organization. Hasselmann already noted in 1989 that, “[t]he Japanese consumer co-operative movement is the only national organization of consumer co-operatives outside Europe which has succeeded in achieving power and influence,” while Birchall suggested that “[t]he Japanese movement has much to teach not only Asian but also western European and north American consumer co-operatives about how to run a successful consumer co-operative movement.”¹ Several large Japanese co-operatives are included in the ICA’s Global 300 ranking,² but their size is more clearly demonstrated by the fact that the aggregated membership of consumer co-operatives affiliated with Nihon Seikatsu Kyodokumiai Rengokai (Nisseikyo or Japanese Consumers’ Co-operative Union, hereafter referred as JCCU) gets close to 80 percent of the European counterpart affiliated with Euro Coop, while their total turnover accounts for about 40 percent of the latter’s. The observer might imagine that the Japanese consumer co-operatives had grown thanks to the favorable institutional settings but the reality has been quite the opposite: for most of the post-war period they were hampered by several legal impediments, and perpetually bothered by anti-co-operative campaigns mounted by small retailers. In a system of state-led capitalism where producers’ vested interests dominate the entire political economy, co-operatives have evolved to build consumer democracy combining associational and business activities.

1 Hasselman, “Japan’s Consumer Movement”, p. 9; Birchall, *The International Co-operative Movement*, p. 180.

2 The ICA’s Global 300 for 2006 ranked Zenrosai (National Federation of Workers’ and Consumers’ Insurance Co-operatives) as number 51, JCCU as 69, Co-op Kobe as 106, Co-op Sapporo as 134, Co-op Tokyo as 175, Co-op Kanagawa as 194, Saitama Co-operative as 231 and the Miyagi Co-operative as 242.

Consumer co-operatives have developed a unique style since the 1960s, including the housewife-centered member participation or so-called *Han* groups and home delivery. Together with strong social movement dimensions these constitute the major traits of the Japanese-style consumer co-operatives. They can be attributed to the socio-economic and institutional environment, reflecting the trajectory of Japanese capitalism but also the strategies chosen by co-operative leaders.

This chapter explains why and how the Japanese consumer co-operatives emerged and have grown to become huge entities in an adversarial environment. It will present the legal, political, economic and societal context in which consumer co-operatives have evolved. Then it will describe their chronology and impact, focusing on those co-operatives providing food and daily necessities in the post Second World War period.

Terminology

First of all, the terms to be used in this article should be explained to delimit the scope of discussion. *Shohi seikatsu kyodo kumiai* or its abridged form *Seikyo* is a word to describe consumer co-operatives founded under the *Shohi seikatsu kyodo kumiai Ho* (Consumer Livelihood Co-operative Society Law, hereafter referred as Consumer Co-operative Law) enacted in 1948, while *Shohi kumiai* (Consumer co-operative society) was used before then.³

Consumer co-operatives are classified into categories according to the types of business (retailing, healthcare, insurance, housing and so on) they undertake and the areas in which they operate (communities or workplaces) as indicated in Table 26.1 below.

Kobai seikyo (purchasing or retail co-operatives) provide members with food, non-food goods and various services.⁴ The typical retail co-operatives operating within communities are called *shimin seikyo* (citizen co-operatives) or *chiiki seikyo* (local co-operatives), which account for 70 percent of the total co-operative membership. Being the driving force behind the expansion of consumer co-operatives since the 1970s, they have had major socio-economic

3 Since this chapter deals with modern co-operation, indigenous concepts such as *koh* or *yui* are not relevant. The former means rotating credit association for accumulating savings and providing credit to selected individuals by consensus or lottery while the latter means mutual help activities or village organizations such as joint planting and harvesting of rice and joint work for thatching.

4 The same concept may have different names reflecting both sides of the transaction: *kobai seikyo* (purchasing co-operatives for groceries) are also called *kouri seikyo* (retail co-operatives).

TABLE 26.1 *Categories of consumer co-operatives regulated by the consumer co-operative law in Japan.*

Categories	Business	Operation area	Membership composition	Member proportion
Citizen co-ops	Retailing	Communities	Community members <70%	72.3%
Workplace co-ops	Retailing	Work places	Community members >30%	2.5%
Extended work-place co-ops	Retailing	Communities/ Work places	Community members 30% to 70%	3.1%
University co-ops	Retailing	Universities	Students, faculty members	6.1%
Schoolteacher's co-ops	Retailing	Schools	Teachers of elementary and secondary schools	2.6%
Medical co-ops	Healthcare	Communities	Community members	10.5%
Insurance co-ops	Insurance	Communities/ Work places	Community and institutional members	3.1%
Housing co-ops	Housing	Communities	Community members	

SOURCE: JCCU STATISTICS FOR FY 2010

impacts. *Shokuiki seikyo* (workplace co-operatives) operate in companies and government offices to serve employees working in these institutions. *Kyojuchi shokuiki seikyo* (workplace co-operatives extended to residential areas) are hybrids of these types that have incorporated local consumers living in the communities adjacent to the institutions.⁵ *Daigaku seikyo* (university co-operatives) and *gakko seikyo* (schoolteachers' co-operatives) cater to the specific needs of the constituencies including students, faculty members, and schoolteachers learning or working within these institutions.

5 For example, Toyota Co-operative was founded in 1945 to serve the employees of Toyota Motor Co. but later expanded to the neighboring areas to provide local residents with diversified goods and services.

Consumer co-operatives also include service co-operatives. *Iryo seikyo* (medical co-operatives) or *hoken seikyo* (health co-operatives) provide health and social care services at hospitals and clinics. *Kyosai seikyo* (insurance co-operatives) provide consumers and workers with life and general insurance policies. *Jutaku seikyo* (housing co-operatives) sell or rent mainly collective houses and offer maintenance and/or repair services. Other than these, there are co-operatives that specialize in elderly/child care provision, actor management, city gas distribution and so on.⁶

Co-operative Legislation as Milestones in Consumer Co-operative Development⁷

The significant milestones in the development of the consumer co-operatives were the enactment of Sangyo Kumiai Ho (Industrial Co-operative Law) in 1900 and the Consumer Co-operative Law in 1948. The former laid down the basis of formal co-operation embracing all types of co-operatives while the latter provided a legal framework for post-war consumer co-operatives.

Because Japan had built its legal system based on imperial sovereignty after Prussian legislation, the German legal advisors to the government such as Paul Mayet and Udo Eggert suggested creating Raiffeisen-style co-operatives. In 1891 Yajiro Shinagawa, then interior minister, and Tosuke Hirata, then legislation bureau officer, who had both visited Germany to study the legal system, submitted the draft of the Credit Society Law, but it was not enacted due to political reasons. They finally succeeded in getting the Industrial Co-operative Law passed in 1900 influenced by the German Industrial and Economic Societies Law of 1889.⁸

The Industrial Co-operative Law had paternalistic elements reflecting the bureaucrats' top-down approach. Co-operatives had been placed under strong government control. The governor could give permission for the establishment of co-operatives, order reporting at any time, make inspections, reverse the resolutions of general assemblies, order the re-election of office bearers, and even suspend or dissolve them. Therefore, the Law had many common features with the Indian Co-operative Credit Societies Act of 1904 although there was a difference in that the Japanese Law did not provide for the direct injection of share capital and management by the state. The Law regulated all types

6 Kurimoto, "Evolution and Characteristics", p. 7.

7 Kurimoto, "Changing Institutional Framework".

8 Kyodo Kumiai Jiten Henshu Iinkai, ed., *Shinpan Kyodo Kumiai Jiten*.

of co-operatives for credit, marketing, supply and production (later replaced by service). In an overwhelmingly agrarian society it mainly targeted rural agricultural co-operatives but it also covered the emerging credit and consumer co-operatives in urban areas. Having grown under strong government support as a mainstay of agricultural policy, industrial co-operatives faced anti-co-operative campaigns organized by rural merchants of fertilizer, rice, cocoons for processing into silken threads and silk fabric and so on in the 1930s.

The end of the Second World War opened a new way to separate co-operative legislation under the General Headquarters of the Allied Forces (GHQ). Co-operative legislation was part of the overall transformation and heavily influenced by so-called New Dealers who sought to build economic democracy. Article 24 of the Anti-Monopoly Law exempted certain co-operatives from its application except for restrictive trade practices, following the example of Capper-Volsted Act of 1922. Co-operatives should be established based on the legal provisions and meet four requirements.⁹ Thus the Anti-Monopoly Law defined the criteria for an ideal type of organization that was to be applied to all kinds of co-operatives.

The Agricultural Co-operative Law was enacted in 1947 to cement the effects of agrarian reform. The Fishery Co-operative Law of 1948, the Small and Medium Enterprises Co-operative Law of 1949, the Shinkin Bank Law of 1951 and the Labor Bank Law of 1953 followed it to serve the specific needs of co-operatives in line with the industrial policies. As a part of this process, the Consumer Co-operative Law was enacted in 1948 when the improved food supply resulted in the collapse of buying clubs created to cope with the serious food shortage just after the war. This Law replaced the Industrial Co-operative Law and has had a great impact on the evolution of consumer co-operatives.

The Consumer Co-operative Law contained several impediments to co-operative development: co-operatives were not allowed to sell to non-members, establish wholesale societies, trade in other prefectures or conduct credit business. The prohibition of non-member trade, especially, has had long-standing effects on co-operative evolution. Co-operatives have also been affected by anti-co-operative campaigns organized by retailers' associations who insisted on stricter enforcement of legal provisions. The campaign in 1954–59 was a reaction to the successful stores established by worker-led local consumer co-operatives in the western part of the country, where retailers had requested the strengthening regulations, especially the prohibition of non-member trade, and the confining of co-operative membership to consumers

9 These are: a) mutual support among small producers or consumers, b) voluntary and open membership, c) equal voting rights for each member, d) limited distribution of surplus.

under the poverty line. It became a nationwide issue when the Japan Chamber of Commerce and the Ministry of International Trade and Industry (MITI) adopted statements demanding stricter regulations on co-operatives. Co-operatives resisted such moves by mobilizing their members to patronize co-operative shops, raise share capital and recruit new members. Under these circumstances JCCU called for a nationwide campaign to strengthen co-operatives in 1956 while its efforts to form an alliance with women's associations etc. resulted in the foundation of the National Liaison Committee of Consumer Organizations (Shodanren) in 1956. JCCU organized a sit-in protest against anti-consumer legislation outside the Diet on 26 February 1959.¹⁰ Finally this anti-co-operative campaign generated two outcomes: firstly, the Special Retail Measures Law of 1959 added further restrictions to the prohibition of non-member trade, introducing the requirement to co-ordinate interests with small retailers. Secondly, more progressive retailers turned to modernization by opening supermarkets. Thereafter co-operatives had to fight back retailers' persistent campaigns until 1986, when the stance of public policy was reversed to favor competition. They took the strategy of persuading all customers to become co-operative members and conducted membership drives every year.

Although the prohibition on wholesale societies was lifted in 1954, the provisions against inter-prefectural trade and credit business remained intact in spite of the co-operatives' perpetual campaigns for amendments. The restriction of trading areas had often prevented consumers from using co-operative services when they lived in the co-operative's catchment area but had registered their home address in another prefecture. This restriction proved to be anachronistic when the economy expanded on a global scale or even in cyber space. In the 1990s co-operatives established regional consortia, instead of merging into regional societies. This solution could bypass the geographical restriction, but some governance problems arose over how to maintain the influence of members while attaining an efficient commercial performance.

Consumer co-operatives were not allowed to conduct credit business. The search for desperately needed capital in 1948–1949 aimed to amend the Consumer Co-operative Law and then to get finance from government funds accumulated in the postal savings. But these campaigns could not bear fruit since many co-operatives were facing financial difficulties and could not convince the government of their capacity. Co-operative efforts then turned to the creation of labor banks in collaboration with trade unions, resulting in the first labor bank founded in Okayama in 1950. But thereafter labor banks

10 As it was conducted in the heavy snow, it was broadcast by media as reminiscent of the attempted coup d'état 26 February Incident in 1936.

were established in each prefecture by trade unions and supported by them in terms of share capital, savings and loans. In this regard they could not become the main banks for consumer co-operatives, meaning that co-operatives had to rely on members' capital. Campaigns for raising share capital had been organized repeatedly. In 2016 it can be said co-operatives are supported by members' investments. At the same time, they are at risk of a run when a rumor of bankruptcy spreads. As such, the financial structure of consumer co-operatives has been shaped through interaction with the institutional framework.

Chronology of Japanese Consumer Co-operation

The evolution of the Japanese consumer co-operatives can be explained with reference to the political, economic and societal context, including the co-operative legislation. The periodization of modern Japan illustrated in Table 26.2 is used to explain the corresponding phases of the development of consumer co-operation.¹¹

The periodization of co-operative history corresponds to that of the political, economic and societal background. There is the pre-1945 experience and the post-war era, which can be divided into four epochs: the mushrooming of buying clubs seeking to obtain scarce food just after the war, the emergence of worker-oriented co-operatives sponsored by trade unions in the 1950s, the flourishing of consumerist citizen co-operatives since the mid-1960s and stagnating growth and consolidation of co-operatives since the mid-1990s. It is inevitable that some events transcend these periods since historic changes take place incrementally and a clear-cut division is not realistic.

Emergence of Three Types of Consumer Co-operatives before 1945

Japanese consumer co-operatives can trace their history to the late nineteenth century. After the Meiji Restoration, knowledge of consumer co-operatives was introduced in conjunction with modern economics. In 1878, Takeyoshi Baba published an article on the establishment of co-operative shops in the newspaper *Yubin Hochi*, introducing the Rochdale Equitable Pioneers Society. The first co-operative shops based on the Rochdale model were set up in Tokyo,

11 This information was drawn from Nakamura, *Showa-shi* and the seminal work Gordon, *A Modern History of Japan*.

TABLE 26.2 *Periods of modern Japanese history*

Periods	Political sphere	Economic sphere	Societal sphere	Co-op evolution
Modernization (1868–1945)	Meiji Restoration	State-led industrial revolution	Agrarian society	Rochdale model
	Meiji Constitution Imperialism	War time economy	Workers emerged Paternalism	Trial and error 3 types emerged
Reconstruction (1945–mid 1950s)	US occupation	Economic reforms	Democratization	Buying clubs
	New Constitution 1955 regime	Priority production Ration to market	Unionism surge Red purge	Labor-led co-ops Co-op law
High-growth (mid 1950s–1980s)	Stable LDP rule by growth policies	Export-driven expansion leading to No. 2 economy	Urbanization Consumerism Nuclear family	Housewife-led CO-OP brand Han delivery
Slower growth (1990s–)	Govt. changes Neo-liberal reform Neo-conservatism	Global competition Lost decades Financial crisis	Ageing population Social divides Individualism	Stagnation Consolidation Individual delivery

Osaka and Kobe in 1879–80.¹² These pioneering co-operatives had been supported by elites such as bureaucrats, business and media leaders, but they disappeared after a few years due to the lack of wider social background. After the short-lived co-operative shops, there were a number of trials and errors in the context of industrialization. The emerging trade unions in ironworks and railways organized *kyodoten* (co-operative shops) as their subsidiaries, while the benevolent owners of factories and mines created workplace co-operatives. At the turn of the century middle-class people such as civil servants and teachers

12 Kyoritsu Shosha and Doekisha in Tokyo, Osaka Kyoritsu Shoten and Kobe Shogisha Kyoritsu Shoten were set up.

organized some co-operatives. Thus, three types of consumer co-operatives emerged around 1920: worker-oriented co-operatives associated with the radical labor movement, co-operatives for employees attached to companies or factories; and citizen co-operatives organized by middle-class people.¹³ These streams were deeply split by different ideologies; Marxism, paternalism, and liberalism. They were all small-sized and short-lived because of the lack of institutional backing and support in Meiji era.

In the wake of “Taisho democracy” in the interwar period, citizen co-operatives were set up to cope with inflation. They were called *Sinko Shohi Kumiai* (emerging consumer co-operatives) and were often encouraged by local governments. Katei Co-operative (Family Co-operative) founded in Tokyo in 1919 was chaired by Sakuzo Yoshino (1878–1933), a proponent of *Minponshugi* (politics of the people), and grew to become the largest co-operative with 20,000 members in 1941. Kobe Co-operative and Nada Co-operative were established under the influence of the Christian social reformer Toyohiko Kagawa (1888–1960) and the business leader Zenji Nasu (1865–1938), in 1921. They grew to become major co-operatives in Kobe and in 1924 introduced women’s organizations called *kateikai* to support co-operatives and enhance women’s consciousness following the model of the British women’s guilds.¹⁴ Other citizen co-operatives were set up in Osaka, Kyoto and Tokyo in this period while a number of Gakusei Shohi Kumiai (*Gakusho* or student consumer co-operatives) were set up in Tokyo and Kyoto. Outside Japan, the South Manchuria Railway Company helped to set up a consumer co-operative for its employees in 1919, as a spearhead of Japanese colonial rule in north-eastern China.¹⁵ These co-operatives operated retail shops or *goyoukiki* home delivery.¹⁶

The worker-oriented co-operatives established Kanto Shohi Kumiai Renmei (Kanshoren or Kanto Consumer Co-op Federation) in 1926 while many of the citizen and company co-operatives that affiliated to the Sangyo Kumiai Chuo-kai (Central Union of Industrial Co-operatives) set up the Zenkoku Shohi Kumiai Kyokai (Zenshokyo or National Consumer Co-operative Association) in 1931. The former designated itself as a wing of the proletarian movement and

13 Okutani made such a classification in 1935 which was succeeded by the ensuing historiography. Okutani, *Nihon Shohi Kumiashi*; JCCU, *Gendai Nihon Seikatsu Kyodokumiai Undoshi*; JCCU, *Nihon Seikatsu Kyodokumiai Rengokai 25nenshi*; JCCU, *Gendai Nihon Seikyo Undoshi*; Yamamoto, *Nihon Seikatsu Kyodo Kumiai Undoshi*.

14 See Chapter 3.

15 On co-operatives and Japanese colonialism in China, see Chapter 15.

16 *Goyoukiki* is a kind of home delivery system in which roundsmen regularly visit patrons to take orders and deliver goods or services. A co-operative employee visited each member’s home every morning to take orders and then delivered the items in the evening.

some affiliated co-operatives in Tokyo started to organize Han groups for *kyodo konyu* (joint buying) and communication among members in 1929.¹⁷

The Central Union of Industrial Co-operatives affiliated with the ICA in 1923 and took part in international exchanges. However, as part of the wartime regime in the second Sino-Japanese War (1937–45) and facing the British co-operative movement's boycott of Japanese commodities it declared its secession from the ICA in 1940, seven years after Japan's withdrawal from the League of Nations. Toyohiko Kagawa visited the US, Europe, Australia and New Zealand, propagating the co-operative movement as a remedy to the poverty and social injustice during 1935–41, which had an enormous impact on those who listened to him.¹⁸

Mushrooming of Buying Clubs Just after the War (1945–1950)

When the Second World War ended, most of the consumer co-operatives were destroyed. The military government liquidated the left-wing co-operatives while the Staple Food Control Law of 1942 deprived citizen co-operatives of their trading licenses and their facilities were largely destroyed by air raids. Needless to say, co-operatives had to start from scratch after the Second World War.

Just after the Japanese surrender, the entire economy fell into chaos due to the massive destruction of production and distribution facilities. A rationing system for staple food, introduced as part of the wartime distribution mechanism, was not able to supply effectively rice and basic commodities. The majority of the urban population faced a serious shortage of food and daily necessities as well as rampant inflation. They had to rely on the black market and on bartering their valuables in exchange for food with farmers, or starve to death. Under these circumstances, numerous buying clubs were formed by residents in municipal wards or by workers in their workplaces. Many of them were transformed from mutual help organizations such as *chonaikai* (neighborhood associations) or company welfare departments. Often called *kaidashi kumiai* (buying associations), their mission was to procure food for

17 Yamamoto, *Nihon Seikatsu Kyodo Kumiai Undoshi*, pp. 386–9. *Han* means a small unit of organization. Several members living in proximity to each other organized the co-operative Han group. *Kyodo konyu* means joint buying of members who place and receive orders in Han groups. From the viewpoint of the co-operative, it is an arrangement of joint delivery to Han groups.

18 Schildgen, *Toyohiko Kagawa*.

members from farms and factories. They mushroomed at an incredible speed, so that 6500 co-operatives were operating by September 1947. In Tokyo alone, 471 co-operatives were founded in 1946–7. This phenomenon marked the first epoch of growth in the post-war history of consumer co-operation. However, most of them lacked effective management and support systems, and largely collapsed soon after the rationing system began to function, meaning that the number of co-operatives shrank swiftly to 1130 in October 1950. As noted above, the Consumer Co-operative Law enacted in 1948 contained several impediments that had longstanding negative impacts on co-operative development.¹⁹

The Japanese distribution system, which was characterized by low productivity associated with numerous small retailers and a complicated structure, survived the war. In fact, the number of retail shops continued increasing until peaking at 1.7 million in 1982. The wholesalers were also numerous, small-sized and multi-layered, constituting complicated networks. Restrictive practices such as a resale price maintenance system and tie-in sales prevailed. The retail industry has been seen as a safety valve for unemployment and there had always been pressure on small retailers to curb competition by forming cartels or lobbying against modernized large-scale retailers. They provided strong political support to the ruling party and the government as they had votes and money to push their protectionist stance in formulating commercial policies. The small retailers were successful in having the Department Store Law re-enacted in 1956.²⁰ This structure of distributive trade and commercial legislation for protecting small retailers affected the evolution of consumer co-operatives.

Nihon Kyodokumiai Renmei (Co-operative League of Japan, CLJ) was set up in November 1945 by gathering the pre-war co-operative leaders who had competed to gain hegemony for their different ideologies. From amongst its founders, ranging from co-operativists to revolutionaries, Toyohiko Kagawa was elected as president. Originally CLJ was intended to become an all-inclusive apex organization, but this direction was soon abandoned after the agricultural co-operatives started to organize themselves under the separate law in 1947. In its short life of six years, CLJ made strenuous efforts to establish the institutional framework for the development of consumer co-operatives, through getting trading licenses for rationing and wholesaling which had been mostly limited to authorized enterprises, obtaining financial resources and enacting the Consumer Co-operative Law. In particular, it launched a nationwide

19 JCCU, *Gendai Nihon Seikatsu Kyodokumiai Undoushi*.

20 This law was enacted in 1937 to provide for the regulation of store opening, operating dates and hours as well as the self-regulation of sales activities, but the GHQ abolished it in 1947 on the grounds that it would probably lead to cartels.

campaign to enact a new law and consulted widely with the GHQ and all political parties. Grashdanchev of the GHQ had given positive advice when the CLJ was drafting the law, while the three ruling parties proposed their own drafts. Finally the Law drafted by the Ministry of Health and Welfare (MHW) was adopted at the Diet on 5 July 1948 when a clause prohibiting the trade with non-members was introduced by the proposal of a conservative MP.²¹

Emergence of Worker-Oriented Co-operatives (1950 to mid-1960s)

Rapid economic expansion started in the late 1950s through large-scale investment in infrastructure such as highways, rapid trains and airports and development of heavy industries for domestic consumption and export. This process was accompanied by a shift from coals to oil and nuclear power as the main sources of energy, causing major labor disputes in abandoned mines and environmental degradation. The economic boom drastically enhanced the population's standard of living and brought a massive migration of people to large cities. Industrialization and urbanization were synchronized with revolutionary changes in patterns of production, distribution and consumption.

The advent of supermarkets in the late 1950s revolutionized the distribution system with the introduction of chain stores, the self-service system, cuts of middlemen and innovation in sales promotion. New large-scale retailers such as Daiei and Ito-Yokado grew and started to have an impact on manufacturers through their buying powers. Hence the Department Store Law was replaced by Large Scale Retail Store Law in 1974 in order to include newcomers such as the general merchandise stores and supermarkets in the regulatory framework, which required developers to undergo prior examination by the Commissions for Adjusting Retail Activities before filing notice to open new stores with selling floor exceeding 1500 square meters (3000 square meters for a megalopolis). It also required large store operators to conform to various restrictions on operating hours per day and a minimum number of closing days per month. The restrictions were tightened by a legal amendment in 1978. Co-operatives were also subject to similar regulations published by the relevant ministries.²² These

21 JCCU, *Gendai Nihon Seikatsu Kyodokumiai Undoushi*.

22 Consumer co-operatives have been hampered by other restrictions for protecting the vested interests of small retailers. The resale price maintenance system has often hindered university co-operatives in their discounted sales of books, since booksellers pressed wholesalers to place embargoes. Most co-operatives had been excluded from the retail licenses for rice and liquor since retailers of those products have prevented new

regulations delayed retail modernization but could not reverse the declining trend of independent retailers despite subsidies and low-interest loans for developing *shotengai* (shopping streets).

In the 1950s, trade unionism greatly expanded and took on the role of supporting *rodosha fukushi jigyo* or workers' welfare businesses to supplement its main function of collective bargaining. In this process, worker-oriented co-operatives were created under the sponsorship of trade unions. They undertook economic activities to meet the various needs of the workers and brought about the second epoch of consumer co-operative growth. The local trade union councils assisted in setting up *chiiki kinrosha seikyo* or worker-led local consumer co-operatives in the 1950s. These co-operatives operated relatively large stores in comparison with small retailers at that time, providing a wide variety of food and consumer goods in local cities prior to the advent of supermarkets. They earned quick success by automatically enrolling unionists as co-operative members and attracting a wide range of consumers. This triggered strong reaction from retailers, which led to an intense anti-co-operative campaign. However the success of these co-operatives was short-lived due to the lack of skilled management and member education. In particular, they failed to compete with the emerging supermarkets introduced by more progressive retailers in the late 1950s. Learning from failure, some of these co-operatives transformed themselves into citizen co-operatives by adopting consumer-oriented policies. For example, Tsuruoka Co-operative started organizing housewives in Han groups to disseminate information on how to use the self-service system in 1956.²³ Consumer co-operatives had been generally lagging behind in the shift to supermarkets, although the Kikuna branch of the Yokohama Co-operative introduced a self-service store in 1951, the first in Japanese retailing. Specialists from Swedish KF provided information about the modern retail format in 1955, while the Nada and Kobe co-operatives, which had heavily relied on *goyoukiki*, opened the first self-service shops in 1957. The results were mixed, however. JCCU propagated the advanced cases of modern retailing in the US and Europe but the ideological tone of debate among co-operative leaders cast a shadow on the necessity of modernization.²⁴

entries by pressing authorities not to grant new licenses, meaning that the co-operatives had to pay a high rent to licensed retailers to sell these products. While rice retailing was largely liberalized in 1994, liquor retailing was gradually deregulated after 1995.

23 Kurimoto, "Staying Competitive". Tsuruoka Co-operative's President Hideo Sato took the idea of Han groups from *Seikyo Binran* (Consumer Co-operative Guidebook) published in 1949 which described practices initiated by *Kanshoren* co-operatives in the 1920s.

24 JCCU, *Nihon Seikatsu Kyodokumiai Rengokai 25nenshi*.

On the other hand, trade unions and consumer co-operatives worked together to set up worker-oriented co-operatives such as *rodo kinko* or *rokin* (labor banks), *rosai seikyo* (workers' insurance co-operatives) and *rojukyo* (workers' housing co-operatives).²⁵ *Fukutaikyo* (Central Council for Trade Union Welfare Businesses, later renamed *Rofukukyo* or Central Council for Workers' Welfare) was set up by trade union central federations and the CLJ in 1950 while local *Fukutaikyos* were organized throughout the country in 1951–3. By 2016 labor banks and workers' insurance co-operatives had established themselves as a part of the workers' welfare businesses in which trade unions have the dominant influence.

In March 1951, JCCU was founded as a national-level co-operative federation registered under the Consumer Co-operative Law as a direct successor of CLJ and Toyohiko Kagawa was elected as the first President. It took over the function of coordinating the activities of affiliated co-operatives and continued efforts to reform institutional settings while assisting co-operatives to incorporate and register under the new legislation. JCCU also took the lead in forming Shodanren together with women's associations and trade unions to promote consumer campaigns against poor quality products and rises in the price of public utilities. Shodanren mounted a massive but unsuccessful campaign against newspaper cartels by organizing a boycott and petition in 1959. The National Committee of Women's Activities (JCCU Women's Department) was set up in 1957 to coordinate women's activities centered on *kateikai* or *fujin-bu* (women's department) that promoted education and activities to support co-operatives.²⁶

In 1958, Zen-nihon Jigyō Seikyo Rengokai (All-Japan Consumer Co-operative Business Federation, hereafter referred as Jigyoren)²⁷ was established by major co-operatives to pool their buying power at the national level. It developed the first CO-OP brand products in 1960. This organization then merged with JCCU

25 The first labor bank in Okayama was set up as a workers' credit co-operative by consumer co-operatives in 1950 while the second one in Kobe was founded by the initiative of the trade union in the same year. JCCU's Managing Director Sadao Nakabayashi served as CEO/Vice President of the National Association of Labor Banks in 1953–1963 and contributed to the enactment of Labor Bank Law in 1953 while JCCU's office was located in *Rokin Kaikan* in Tokyo in 1958–1964. JCCU also helped to set up *Rosairen* (National Federation of Workers' & Consumers' Insurance Co-operatives in 1957, then consolidated with primary co-operatives and renamed as *Zenrosai* in 1976).

26 JCCU, *Gendai Nihon Seikatsu Kyodokumiai Undoushi*.

27 Jigyoren had its head office in Ishikawajima Co-operative in Tokyo while its western branch was located in Nada Co-operative in Kobe.

in 1965 to achieve better coordination and a stronger financial capacity. In this process, JCCU undertook the major reorganization of federal bodies based on a decision called *soshiki koryo* (platform for reorganization) in 1959 that urged the integration of wholesale functions into Jigyoren while guidance functions were to be performed by prefectural unions and specialized departments of JCCU. Accordingly, the wholesale businesses of the coalminers' and school-teachers' co-operatives were absorbed in Jigyoren while JCCU departments for these co-operatives were created during the years 1960–1965. The consolidation of buying functions remained very slow in comparison with their European counterparts, however, as primary co-operatives continued to source their goods from local suppliers. JCCU developed a number of national and regional CO-OP labels as alternative products reflecting consumers' demands for safety and reliability but could not persuade primary co-operatives to give up their local CO-OP brands.²⁸

After 1945, foreign exchange was severely restrained for political and financial reasons. While the Japanese co-operatives resumed communication with the ICA and foreign co-operatives from 1945, active international exchange only started to grow when foreign travel was liberalized in the mid-1960s. Since its affiliation with the ICA in 1952, JCCU had been an active promoter of international co-operation, nuclear disarmament, co-operation among Asian co-operatives and international trade. It proposed peace resolutions at every ICA Congress since 1954 and took an initiative to convene the first Asian co-operative conference in Kuala Lumpur in 1958 that led to the creation of the ICA Asian Regional Office in 1960. As an extension of the international exchange with Tsentrosoiuz (USSR) and ACFSMC (China), JCCU set up Co-op Trade Japan (CTJ) in 1956 to conduct foreign trade.²⁹ CTJ started importing mainly Russian timber and Chinese food and its import of Okhotsk herring that began in 1960 continued on the basis of 5-year agreements with Centrosoyus until 1971. It also imported polio vaccine from the USSR in 1960–61. The proceeds of CTJ contributed to financing JCCU in its formative period.³⁰

28 JCCU, *Nihon Seikatsu Kyodokumiai Rengokai 25nenshi*.

29 Since Japan had no diplomatic relations with the USSR and mainland China, the trade with these countries was severely limited. Takeshige Ishiguro (1897–1995), the former Minister of State and the founding President of CTJ, had exercised his influence in political and economic circles to solve a number of problems in getting trading licenses and conducting foreign trade.

30 JCCU, *Nihon Seikatsu Kyodokumiai Rengokai 25nenshi*.

Flourishing of Citizen Co-operatives Inspired by Consumerism (mid-1960s to mid-1990s)

Rapid economic expansion from the late 1950s drastically enhanced the standard of living, and brought a massive demographic shift to large cities. This process was synchronized with revolutionary changes in production, distribution and consumption. Manufacturers developed the mass production of processed food by utilizing chemicals as food additives, while agriculture became more industrialized, making wide use of pesticides and antibiotics. Arsenic contained in milk or PCB-contaminated edible oil caused serious damage to human bodies while thalidomide brought about deformed babies. Such circumstances gave momentum to consumerist movements seeking safer food, consumer rights and a better environment. In the 1960s and 1970s massive consumer campaigns were organized against food additives, controlled prices, misleading labelling, water pollution and skin eczema caused by detergent, air pollution causing asthma and so on. Housewives inspired by this campaign started a 10 yen milk movement by organizing buying clubs to secure unadulterated pure milk for their families, particularly children. They formed *Han* groups for ordering and receiving milk. From these buying clubs so-called *shimin seikyo* or citizens' co-operatives emerged since the mid-1960s with various backgrounds: university co-operatives assisted housewives to create and run consumer co-operatives by providing staff and expertise in Sapporo, Saitama, Nagoya and Kyoto, while trade unions helped to organize Seikatsu Club Co-operatives in Tokyo and Yokohama. The existing co-operatives also joined them: Nada and Kobe co-operatives merged into Nada-Kobe Co-operative in 1962 (renamed as Co-op Kobe in 1991) and shifted from *goyoukiki* to joint buying in 1977, while labor-oriented Yokohama Co-operative adopted *Han* groups in the 1960s and joined with other co-operatives to create Kanagawa Co-operative in 1975 (renamed Co-op Kanagawa in 1989). Until 1985, citizen co-operatives were operating in all the prefectural capitals. Their common features included housewives' initiatives, *Han* groups and *kyodo konyu* (joint buying or home delivery to *Han* groups) and social movement dimensions. JCCU developed alternative products in response to consumer campaigns: CO-OP milk to promote the 10 yen milk movement, CO-OP detergent and soap to reduce the impacts on water and health, and the CO-OP color television sets to help the consumer campaign against controlled prices. CTJ acted as a JCCU's trading agent to supply imported CO-OP products. It founded CTJ Alaska as a joint venture with the Prince Rupert Fishery Co-operative to process and trade north Pacific herring roe in 1974, and it also developed CO-OP brands of Scotch whisky and Italian pasta in collaboration with the English cws and Co-op

Italia. Its turnover amounted to 11.3 billion yen in 1980, of which 20 percent was sold to co-operatives.³¹

In addition, many co-operatives initiated *Sanchoku* (direct transaction between consumers and producers) to buy reliable fresh food and reinstate mutual trust in food production, for example through reduced use of chemicals in growing fruits and vegetables and low usage of antibiotics for feeding livestock. Later, JCCU summarized *Sanchoku* practices in three principles: identified producers, agreed production methods and communication between consumers and producers. As such, CO-OP products and *Sanchoku* became the spearheads for co-operative expansion.³²

In the course of expansion, some co-operatives faced serious financial problems. Inspired by the British co-operative movement's regional plan of 1968, JCCU launched *chiiki seisaku* (regional policy) for a structural reform intended to break the threshold of 1 percent market share by creating a "core co-operative" in each prefecture. However, its own project to create a powerful Tokyo co-operative and set up an integrated buying department to provide support soon failed due to mismanagement, while Co-op Sapporo faced a severe cash flow problem in implementing its rapid expansion strategy and asked for financial help from JCCU during 1969–1970.³³ In 1970, the JCCU congress in Fukushima adopted a special resolution pledging to make a paradigm shift from management-driven rapid expansion to member-based steady development. This resolution, initiated by President Sadao Nakabayashi (1907–2002), responded to the financial crisis by laying down an expansion policy that prioritized membership as a principle. This had long-lasting effects on co-operative evolution after 1970.³⁴ It urged co-operatives to promote member participation and joint buying, but arguably had a negative impact on the development of store operations.³⁵

There was a shift in the composition of membership. Female members became the majority in the membership of citizen co-operatives and played a significant role on their boards of directors. Han groups became a dominant form of member organizations while the *raison-d'être* of separate women's

31 JCCU, *Gendai Nihon Seikyo Undoshi*.

32 Kurimoto, "Co-operative Supply Chain"; Steinhof, "Development and Significance".

33 Co-op Sapporo was set up in 1965 with managerial support from Hokkaido University Co-operative and opened 30 supermarkets in 5 years. Its rapid expansion strategy was often referred as "Parachute style" that meant the stores were developed without building a solid membership basis.

34 JCCU, *Nihon Seikatsu Kyodokumiai Rengokai 25nenshi*.

35 JCCU, *Gendai Nihon Seikyo Undoshi*.

organizations was questioned. Following intense discussions among female leaders that had lasted years, JCCU decided to disband its Women's Department and create a Members' Activities Committee in 1977.³⁶

The oil shock in 1973 brought a rampant inflation (the consumer price index rose by 24 percent in 1974) causing a widespread panic among consumers who rushed to retail shops to buy toilet rolls, detergents and other daily necessities. The opportunistic behavior of manufacturers and distributors worsened the situation.³⁷ In particular, the curtailed supply of kerosene caused prices to skyrocket and sparked consumer anger since it had been a major source of heating in northern Japan. In 1974, 98 members of the Kawasaki Co-operative and Housewives' Association launched legal action, while more than 1600 members of Tsuruoka Co-operative initiated collective court action, both requesting oil dealers to redress consumer damages caused by cartels after the oil shock. Although these lawsuits could ultimately not win in the Supreme Court because the burden of proof on the causal connection was placed on consumers, they were seen as the first attempts to seek justice through consumers' class action. Other co-operatives supported these actions, while they distributed temporarily scarce products as fairly as possible among members.³⁸

Around 1980, some co-operatives introduced technological innovations in joint buying, including computer-read order sheets, payment by automatic bank debit and semi-automatic sorting in warehouses. These were soon shared among co-operatives throughout the country, reducing the burdens on members (tallying orders and handling money) and contributing to the rapid expansion of joint buying.³⁹ The turnover of citizen co-operatives grew annually by double digits in the 1970s and 1980s thanks to the success of the home delivery system. Until the 1980s, citizen co-operatives were operating in each prefecture, attracting consumers and expanding membership from 2 million in 1970 to 14 million in 1990, while turnover grew tenfold in the same period. Thus, Japanese-style consumer co-operatives were established with housewives as a driving force and brought about the third epoch of growth as demonstrated in Figure 26.1 below.

36 Ibid.

37 The National Diet passed the Act Concerning Emergency Measures against Cornering and Speculative Stocking of Materials and Products Related to Daily Life and the Act on Emergency Measures concerning National Livelihood Stabilization before and after the oil shock.

38 JCCU, *Gendai Nihon Seikyo Undoshi*.

39 Kurimoto, "Innovating a Joint Buying System".

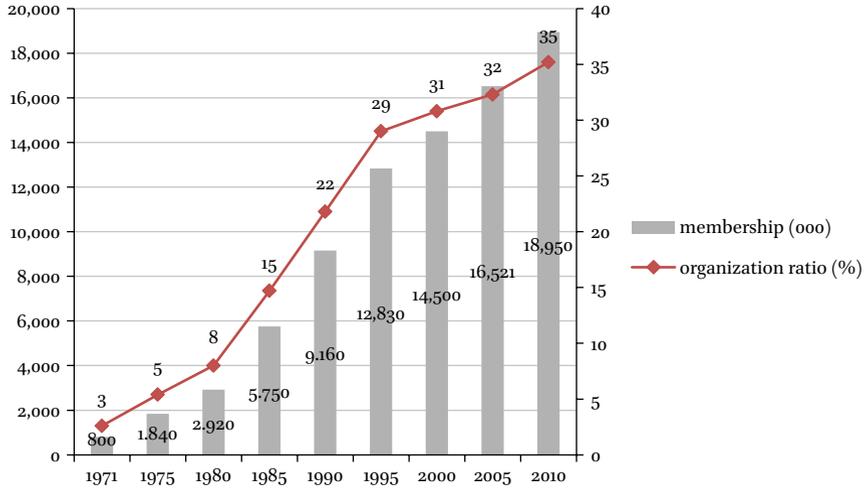


FIGURE 26.1 Evolution of the membership of citizen co-operatives in Japan.
SOURCE: JCCU STATISTICS.

Consumer co-operatives started to tackle wider social problems in this period. They were active in promoting members' peace campaigns including learning about the effects of atomic bombs, demonstrating in Hiroshima and Nagasaki and collecting signatures against nuclear arms to be submitted to the United Nations. In these ways they made significant contributions to the mobilization of public opinion.⁴⁰ From 1984 they started to raise funds for UNICEF to help suffering mothers and children in the Third World and they became the largest fundraiser in Japan.⁴¹ Co-op Kobe initiated members' mutual help groups called *kurasino tasukeaino kai* in 1983, which assisted members by providing personal home care at a low cost for those who needed it. This proved to be effective in helping the elderly, handicapped or mothers with babies. The system spread throughout the country and later helped co-operatives to enter into the elderly care business under the Long-Term Care Insurance Law that took effect in 2000. From the late 1980s co-operatives also promoted members' environmental activism through monitoring acid rain (air pollution), checking the use of detergents and drainage, facilitating the reuse and recycling of containers, and petitioning municipalities for stricter regulations.

40 Kurimoto, "Peace and Co-operation". JCCU was designated as a UN Peace Messenger in 1988.

41 JCCU took a cue from the "Buy a bucket of water" campaign proposed by the ICA Women's Committee in 1979 to support the International Year of the Child.

From the 1970s many co-operatives started sending a large number of leaders and managers to learn from the advanced retailers and co-operatives in Western Europe and North America, while they also joined a retail consultant group named Pegasus Club to learn about American chain store practice. From 1972 JCCU organized study visits to collect information on structural reform, store operation, logistics and other European experiences and it dispatched study tours to consumer co-operatives in North America from 1977. Every year from 1980 it conducted an American Distribution Seminar to learn about grocery retailing and consumer co-operatives mainly in California and it maintained close communication with the leaders of the Consumer Co-operative of Berkeley (CCB).⁴² Primary co-operatives also started international co-operation by concluding twinning agreements for business and cultural exchanges with overseas co-operatives from the 1980s. In 1984 Co-op Kobe joined Co-op Dortmund and Konsum Stockholm to convene symposia among large world-class co-operatives, while Co-op Kanagawa initiated a joint international project on member participation with co-operative leaders and researchers in five countries in 1992.⁴³ Such international co-operation culminated in 1992 when JCCU together with other co-operative organizations hosted the first ICA Congress (Tokyo) ever held outside Europe.⁴⁴

As such the Japanese consumer co-operatives have learnt extensively from the experiences of advanced co-operatives mainly in Western Europe, while at the same time they have created a unique development model based on member participation in the specific socio-economic environment of Japan. JCCU hosted an international conference on member participation in Tokyo in 1986 in response to requests from the ICA Consumer Committee and Women's Committee. The findings of this conference inspired the ICA president Marcus who presented a report on basic co-operative values to the ICA Stockholm Congress in 1988. Partly recognizing its weight and role in Asian co-operatives and partly at the suggestion of Marcus, JCCU launched technical assistance programs to the Asian co-operatives by creating the Asian Co-operative Development Fund

42 CCB was seen as the most successful consumer co-operative in the US but petitioned for bankruptcy and closed its remaining store in 1988. JCCU persuaded CCB leaders to draw lessons from the failure and published the Japanese translation of a book *What Happened to the Berkeley Co-op? A Collection of Opinions*, which was published by the University of California in 1992. See Chapter 20.

43 International Joint Project on Co-operative Democracy, *Making Membership Meaningful*. It involved consumer co-operatives in Canada, Italy, Sweden and the UK and resulted in an international symposium in Loughborough, UK and publication of a book in Japanese and English in 1995.

44 JCCU, *Gendai Nihon Seikyo Undoshi*.

in 1987 and provided movement-to-movement assistance through financing the ICA's multilateral projects or through promoting bilateral collaboration with Asian co-operatives. Through these initiatives, the Japanese experiences have been transferred to help consumer co-operatives elsewhere in Asia to improve their management and member participation, enhance the participation of women and young people and promote unique models of medical and university co-operatives. In this period, CTJ continued to grow by creating joint ventures for aqua farming and the processing of shrimp and tuna in China, Thailand and Indonesia. It also expanded its trade network, importing TBZ-free citrus fruits and organic raisins from the US through the Nordisk Andelsforbund's San Francisco Office and jointly procuring Point of Sale POS cash registers through Intercoop as an international trading arm of consumer co-operatives in the ICA. Its turnover reached 76.5 billion yen in 1990.⁴⁵

Stagnating Growth and Consolidation (mid-1990s to Date)

Chain store turnover continued to fall from 1993, because of the lingering recession and declining consumption. This situation triggered stiffer competition



ILLUSTRATION 26.1 *A co-op delivery staff employee chatting with members while unloading ordered food in Kyoto.*

PHOTO: KEN-ICHIRO AKIYAMA.

in which all retailers were seeking to earn a piece of the shrinking pie. The number of independent retailers continued to decline, while a large number of liquor shops or rice sellers became franchisees of convenience stores. Co-operatives also fell into a phase of stagnation in the mid-1990s, but have made efforts to compete by forging buying power through regional consortia. To cope with the growing difficulty in maintaining Han groups and the stagnating sales of joint buying operations, *Shutoken Jigyō Rengo* (the Metropolitan Consumer Co-operative Federation, which consists of small co-operatives, renamed as Pal System Consortium in 2005) launched an experiment named *Kohai* (individual home delivery) in 1990 and found a great response from consumers who wished to buy from co-operatives but for various reasons could not take part in joint buying (Illustration 26.1).⁴⁶ At the initial stage there was hesitation among co-operatives about giving up Han groups, but this type of operation had been emulated by many other co-operatives and had become a successful business model.⁴⁷ Thus, co-operatives have maintained their overall turnover since mid-1990s. While declining sales in store operations were offset by growing sales in joint buying during the 1990s, the latter was replaced or supplemented by individual home delivery during the 2000s Figure 26.2 below indicates the changing composition of co-operative turnover.

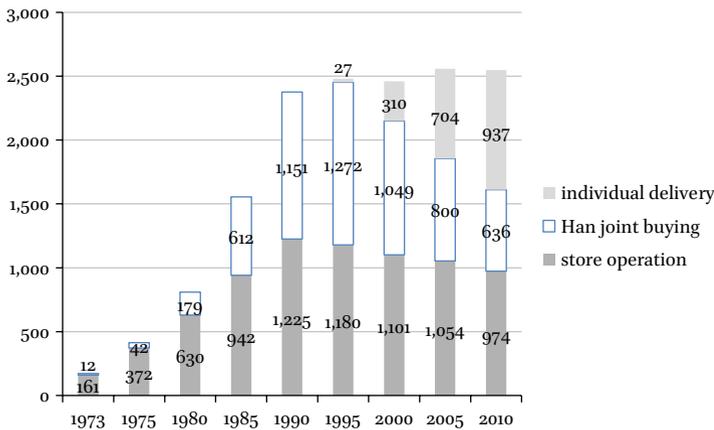


FIGURE 26.2 *Evolution of the turnover of citizen co-operatives in Japan.*
SOURCE: JCCU STATISTICS.

46 It was difficult for working couples, the disabled or families with babies to meet at fixed times or places to receive orders while single people and the younger generation did not like to be bound by such arrangements based on neighborhood.

47 Kurimoto, “Innovating a Joint Buying System”.

In this period, consumer co-operatives faced various challenges threatening their existence: natural disasters, governance failures, disguised labelling and food poisoning. The great Hanshin-Awaji earthquake in 1995 severely damaged Co-op Kobe, which lost its head office, computer system and a number of retail outlets and warehouses. Co-op Kobe resumed operations to provide victims with food and daily necessities and also supplied goods to refuges based on an agreement with Kobe city government for emergency supply. Other co-operatives sent volunteers and trucks to Kobe to help rescue and rehabilitation.⁴⁸ Learning from the lessons in Kobe, co-operatives throughout the country rushed to the area devastated by great east Japan earthquake in 2011.⁴⁹

Governance problems surfaced in 1997–8 when the CEO of Co-op Sapporo, the second largest Japanese co-operative, manipulated financial accounts and the vice president of Osaka Izumi Co-operative misspent its funds for private purposes. Co-op Saga, meanwhile, labelled cheap imported beef as prime Tokachi beef. JCCU investigated these cases and took corrective actions while publishing guidelines for improving corporate governance.⁵⁰ In 1998 Co-op Kobe published its first Co-operative Comprehensive Evaluation in order to gauge its performance from the axes of co-operative basic values and management base. The evaluation covered a wide range of issues pertaining to governance and social responsibility including involvement in environment protection and local community development.⁵¹ Since 2000, JCCU itself has suffered from a number of problems concerning disguised labelling and poisoning of CO-OP brand products. In particular, the poisoned frozen dumplings imported from China in 2007 endangered consumers' lives and gave a fatal blow to co-operatives' reputation as champions of food safety. It was found that pesticide had been deliberately injected into food packages by a discontented Chinese employee working with the commissioned food processor in China but the JCCU also found weaknesses in the safety assuring process in the food supply chain and took countermeasures including an early warning system and "food defense" programs.⁵²

In the 1990s, in order to cope with stiffer competition after commercial deregulations, co-operatives formed *jigyo rengo* or regional consortia beyond prefectural borders. This followed the establishment of core primary co-operatives

48 Kurimoto, "Co-operative Contribution".

49 Kurimoto, "Co-operative Roles".

50 Aso, "Governance and Management".

51 Kurimoto, "Evaluating Performance"; Kurimoto, "Evaluation of Co-operative Performances".

52 Steinhoff, "Development and Significance".

through the merger of smaller societies in many prefectures during the 1980s. The JCCU President Isao Takamura (1923–2015) created COMO Japan (CO-op store Modernization Organization in Japan), which aimed to consolidate the buying powers of the top eleven co-operatives and strengthen the competitiveness of co-operative stores in 1990. This marked the most centrifugal event in the JCCU's history. Over 10 years COMO Japan made some achievements in the joint procurement of national brands, the development of low-price private brands and the dissemination of Co-op Kobe's expertise in store operation, but it was finally integrated into the JCCU in 2000 since it was unable to generate either the expected critical mass in buying functions or a successful model of store operation.⁵³ CTJ had excessive debts in 1991 because of the bankruptcy of a seafood wholesaler, which was the largest buyer of imported shrimp, but it was also found that the financial situation had deteriorated year after year through the pursuance of high growth policy. The JCCU decided to liquidate CTJ by wiping out the deficit and created a new CTJ in 1997. It also established the Co-op Trade America in Seattle in 2000.⁵⁴

The JCCU had since its inception persistently lobbied to amend the Consumer Co-operative Law to remove institutional obstacles but no substantial amendments had been made. It was only in 2007 that the Law was comprehensively amended with the unanimous support of all political parties. The amended Law took effect on 1 April 2008, which eased regulations regarding retail business operations (legal operating area and non-member trade), but intensified regulations on governance and insurance. The JCCU took a positive stance on the amendment as a whole although not all of its requests were satisfied, and assisted affiliated co-operatives in making organizational adjustments in accordance with the amended Law. It was an epoch-making event often described as the "modernization of the Law". Several factors contributed to the major amendment. The most explicit factor was overall deregulation prompted by globalization. The changing stance of the government's public policy and increasing pressure from the US resulted in an easing of the commercial regulations in the 1990s. Another factor was the growing pressure from domestic insurance companies, which complained that their market share was being taken by co-operative insurance (*Kyosai*) and insisted that this should be subject to the same kind of regulation by the Financial Services Agency. Pressure increased as foreign insurance companies joined this claim and the government could not neglect it. At the same time, a number of governance problems led to an overhaul of provisions pertaining to governance.

53 JCCU, *Gendai Nihon Seikyo Undoshi*.

54 Ibid.

In addition, after long and intense deliberations, JCCU finally achieved consensus on the amendment among affiliated co-operatives. The revised Consumer Co-operative Law obliged co-operatives to separate insurance from their other businesses through installing “firewalls”. Accordingly, in October 2008 the Japanese CO-OP Insurance Consumers’ Co-operative Federation (JCIF) was set up by JCCU, *Zenrosai*, three regional consortia and 157 primary co-operatives. It started operations in March 2009 by taking over all the insurance business from affiliated co-operatives.⁵⁵ In July 2010 medical co-operatives affiliated to JCCU established the Japanese Health and Welfare Co-operative Federation (HeW CO-OP JAPAN) as the national coordinating body to promote joint actions. These national organizations still maintain close relationships as JCCU’s corporate members.

Impact of Japanese Consumer Co-operation

Citizen co-operatives had approximately 18.9 million members or 36.5 percent of households in 2010, which means that their membership is much larger than that of trade unions and agricultural co-operatives (c. 8 million respectively). The percentage of households holding membership is highest in Miyagi prefecture (70.9 percent), followed by Hyogo Prefecture (61.3 percent) and Hokkaido (51.6 percent). The total membership of consumer co-operatives surpassed 26 million or more than half of all households in 2010. The territorial distribution of co-operative members varies greatly, reflecting the size of the population and economy. Although the largest co-operatives operate in Hokkaido and Hyogo prefecture, half of the top ten co-operatives are located in the greater Tokyo area as shown in Table 26.3 below.⁵⁶

Nonetheless, their total turnover amounted to 3 trillion yen or 2.8 percent of the retail market in 2010, which means that co-operatives collectively rank as the third largest retailer in the country after Seven & I Holdings (5.1 trillion yen) and Aeon Group (4.5 trillion yen). Since food retailing accounts for 82 percent of co-operative turnover, they have put special emphasis on food and have had a major impact on food retailers and manufacturers through

55 Kurimoto, “Changing Institutional Framework”. Co-operative groups such as Pal System, Seikatsu Club, Green Co-op and university co-operative also created their own insurance federations.

56 JCCU, *2010nenndo Seikyo no Keiei Tokei*. Co-op Mirai was founded by mergers of Co-op Tokyo, Saitama Co-op and Chiba Co-op in 2013. It has 3.25 million members and a turnover of 380 billion yen as of March 2016.

TABLE 26.3 *The largest consumer co-operative societies in Japan in 2010.*

No.	Name of society	Prefecture	Members	Turnover (million yen)	Share capital (million yen)
1	Co-op Sapporo	Hokkaido	1,362,134	254,440	59,236
2	Co-op Kobe	Hyogo	1,421,545	241,858	41,415
3	Co-op Tokyo	Tokyo	1,244,092	157,102	21,191
4	Co-op Kanagawa	Kanagawa	1,236,269	135,778	27,570
5	Saitama Co-op	Saitama	847,899	105,187	23,481
6	Miyagi Co-op	Miyagi	627,203	101,824	21,343
7	Chiba Co-op	Chiba	648,994	88,596	20,166
8	Kyoto Co-op	Kyoto	490,793	71,334	15,446
9	Pal System Tokyo	Tokyo	400,143	67,594	13,090
10	Osaka Izumi Co-op	Osaka	413,195	64,970	12,633

SOURCE: JCCU STATISTICS

consumer campaigns and the development of alternative products. Although competitors soon copied such initiatives, co-operatives have played a leading role in enhancing food safety standards while also exercising price leadership in some limited commodities such as kerosene oil for heating.

The Japanese consumer co-operative movement could not escape confrontation and tension in a number of fields. There has often been a struggle for hegemony among co-operatives and federations. The ideological rivalry of trade unions resulted in divisions in the worker-oriented co-operatives in the 1950s. In 1971 the right-wing trade union leaders set up Shutoken Seikyoren (Metropolitan Consumer Co-operative Union, later renamed Zenkoku Seikyoren or Federation of Japanese Consumer Co-operatives) that concentrated on the insurance business. At the time of writing in 2016 it competes with Zenrosai and JCIF in the insurance market but has very limited contact with the latter. There have been both centripetal and centrifugal moments between JCCU and its affiliates since the former started a wholesale business in 1958. The tension reached a climax when the largest co-operatives set up COMO Japan to bypass the JCCU in 1990.

Although the Japanese-style consumer co-operatives share common characteristics, a variety of types can be distinguished in terms of basic orientation, membership composition, business format and so on. A wide spectrum exists, ranging from business-oriented co-operatives seeking to involve a majority of

the population, to social movement-oriented co-operatives addressing a minority.⁵⁷ Grubel presented case studies of Co-op Kobe as a mainstream type and Seikatsu Club Co-op as an alternative type.⁵⁸ The former is a leading co-operative providing six JCCU presidents out of nine while the latter is affiliated with the JCCU but organizes a separate national federation for wholesale and insurance businesses.

Influence on Consumer Culture and Policy

The JCCU developed the first CO-OP label product in 1960 and succeeded in creating a brand image of “safe and reliable” through reflecting consumer demands to eliminate hazardous ingredients and excessive packaging, carry adequate information on contents and usage, and break controlled prices. Co-operative members took part in the development process of CO-OP products by sampling and feedback. They also undertook consumer education on unit pricing, planned purchases rather than impulse shopping, balanced diets (food pyramid) and eco-friendly lifestyles. Such activities fit with rethinking wider patterns of consumption for healthy eating and environmental protection. The “my bag” campaign initiated by co-operatives to replace plastic shopping bags succeeded in changing consumer behavior and contributed to an amendment of the Container/Packaging Recycling Law in 2006. Some co-operatives are campaigning to eliminate GM food and promoting fair trade. With a few exceptions, co-operatives have been inactive in mass advertising through newspapers or televisions on the grounds that it might induce illegal non-member trade.

Consumer co-operatives have played a pivotal role in promoting campaigns against food additives and hazardous products, cartels and controlled prices, and environmental degradation while they backed the joint actions of consumers through the Shodanren coalition in terms of consumer mobilization and finance. In the 1990s and 2000s Shodanren was the focal point in campaigns to enact a series of pro-consumer legislation: the Product Liability Law of 1994, Consumer Contract Law of 2000, Food Safety Basic Law of 2003, Consumer Basic Law of 2004, and the Whistleblower Protection Law of 2004. For this, it won recognition as the entity representing consumers’ voices in Japan. Consumer collective action was introduced in the revised Consumer Contract Law in 2006 with strong consumer backup, enabling qualified consumer organizations to file lawsuits against the unlawful conduct of service providers

57 Kurimoto, “Changing Institutional Framework”, pp. 14–17.

58 Grubel, “The Consumer Co-ops in Japan”.

on behalf of affected consumers. The Consumer Organization of Japan (COJ) was set up as a non-profit organization in 2004, and recognized as a qualified consumer organization by the Cabinet Office in 2007. As of March 2009, seven organizations were recognized as qualified consumer organizations, out of which six were set up and supported by consumer co-operatives.

Consumer co-operatives had generally been neglected by the central government, which has pursued a protectionist commercial policy under the strong pressure of small retailers' associations.⁵⁹ However, the government has come to recognize the co-operatives' role as the consumers' countervailing power admitting they have been supported by a large number of consumers as demonstrated by their phenomenal expansion since the 1970s.⁶⁰ Co-operatives are also expected to promote mutual help in parallel with self-help and public help in providing social services and promoting voluntarism to cater to the rapidly ageing population.⁶¹

Position of Consumer Co-operatives Within the Wider Co-operative Movement

In Japan, agricultural co-operatives have occupied a dominant position in terms of business volume and political influence. They had enjoyed a monopoly in collecting rice as a staple food under the Staple Food Control Law of 1942 and built a hierarchy *keito* system of multi-purpose co-operatives in line with administrative structure (municipalities, prefectures and central government). They have enormous national federations, which were ranked in the

59 In contrast with the agricultural co-operative sector clearly affiliated to the ruling LDP, many consumer co-operatives had aligned with left-wing oppositions since they had been active in the consumer movement, ecological and peace campaigns that had often criticized government policies as being against the causes of democracy and peace. In some cases, co-operative leaders held office in the opposition parties at various levels and ran for elections as candidates. However, as co-operatives grew in membership from the late 1980s and began to involve those who have different political preferences and became majority organizations, they started fostering favorable relationships with all political parties. Today, a majority of consumer co-operatives have a non-partisan stance while Seikatsu Club co-operatives have assisted in creating Dairinin Undo (movement by citizen's representatives) as a local party seeking citizen's direct involvement in politics on consumer and environmental issues.

60 Ministry of Health and Welfare, *Seikyo no arikata ni kannsuru konndannkai hokoku*. (Report of Commission on Directions of Consumer Co-operatives), 1986.

61 Ministry of Health and Welfare, *Seikyo no arikata kentokai hokoku*. (Report of Working Group on Directions of Consumer Co-operatives), 1998.

ICA's Global 300 in 2006.⁶² Consumer co-operatives were very small in comparison with the giant agricultural co-operatives, but with dramatic growth since the 1970s they became the second pillar of Japanese co-operative organizations. The annual turnover of agricultural co-operative marketing and supply businesses amounted to 7.7 trillion yen while that of consumer co-operative retail businesses reached 3 trillion yen. There has been very little collaboration between consumer and producer co-operatives except for the Japan Joint Committee of Co-operatives (JJC), a coordinating body for the ICA affiliates. JCCU concluded the formal agreements for strengthening collaboration with Zen-noh and Zengyoren (National Federation of Fisheries Co-operatives) in 1972 and 1985 respectively but it was not able to develop mutually beneficial activities. This only happened in 2010 when all the national co-operative federations formed an organizing committee for the UN International Year of Co-operatives.

The relationship between consumer co-operatives and the labor movement is generally weak despite the fact that in the 1950s labor-oriented co-operatives in coal mines and steel works had supported trade union strikes through supplying unionists with basic commodities based on a credit-sale agreement. The early labor banks, workers' insurance co-operatives and housing co-operatives were created by the joint efforts of consumer co-operatives and trade unions from the 1950s. They have evolved in parallel with citizen co-operatives that emerged through strong housewives' initiatives in the wake of consumerism and became the influential consumer organizations. Rofukukyo (Central Council for Worker's Welfare) functions as a liaison to promote common actions between these co-operatives, citizen co-operatives and trade unions.

Conclusion

Organizations evolve to adapt to changing environments with regard to political, economic and societal development, demography and technology, dominant culture and ideology. Institutions constitute very important components of this changing environment. It seems organizations may adapt to institutions too successfully and become institutionalized or they may overcome institutional restraints and turn them into advantages. The latter is the case of the Japanese consumer co-operatives, which persuaded all customers to become

62 Zen-noh (National Federation of Agricultural Co-operatives) was ranked the largest, Zenkyoren (National Mutual Insurance Federation of Agricultural Co-operatives) the second and Norinchukin (Central Bank for Agriculture, Fishery and Forestry) the 12th.

members in order to avoid restrictions on non-member trade. This can be seen as a detour strategy that the co-operative leaders took intentionally and it resulted in the building of a strong membership base in the co-operative movement, characterized by members' active participation in patronizing, investment and governance. It is also evident that an organization cannot escape from institutions, and co-operatives have made efforts to remove institutional constraints so as to compete on a level playing field.

In the era of globalized economy and information technology all enterprises are forced to improve their economic performance and achieve a competitive edge while also caring for social and environmental sustainability. These requirements apply to both European and Japanese co-operatives operating in highly competitive markets and they necessitate the effective exchange of information. The changing institutional framework may drive the Japanese co-operatives toward convergence with their European counterparts in some areas such as governance and management in the large scale organizations, but they are likely to maintain their distinctiveness as a social movement while adapting their business to meet changing consumer needs.⁶³ As described in this article, they have been at the forefront of consumer movement represented by Shodanren and COJ at national and local levels. They have contributed to the institutionalization of consumer rights with regard to safety and justice, fighting against hazardous products, environmental degradation and malpractices such as frauds and cartels. As such, they have grown to be more than consumer-oriented retail enterprises.

Seikyo or consumer co-operatives have evolved to become the largest consumer organization and influential grocery retailers in an adversarial environment. They took a unique path that deserves further investigation. While consumer co-operatives have achieved consumer rights in some areas, they face enormous tasks in building consumer democracy in Japan, which is dominated by the vested interests of industries and bureaucracy. As Grubel argued, they are expected to build consumerist democratic alternatives to state-led capitalism.⁶⁴

63 Kurimoto, "The Institutional Change and Consumer Co-operation".

64 Grubel, "The Consumer Co-ops in Japan".

Against the Tide: Understanding the Commercial Success of Nordic Consumer Co-operatives, 1950–2010

Espen Ekberg

It is hard to think of a region in the world where consumer co-operatives have been more successful, in terms of attracting members and obtaining market share, than within the Nordic region. At the end of 2010 total consumer co-operative membership stood at almost 8 million, or a third of the total Nordic population. The weighted market share of consumer co-operatives in the food retail trade – by far the most dominant sector of Nordic consumer co-operative trade – was 30 percent. In Finland alone, 44 percent of all food was sold from a co-operative store. In Denmark the figure was 37 percent, in Norway 24 percent and in Sweden 21.5 percent.¹

The strong position of co-operative trade within the Nordic region contrasts sharply to the situation in most other west European countries. Here, while co-operatives held firm positions in the retail market by 1950, the majority of co-operative enterprises experienced a steady decline during the postwar years, and in some countries even full collapse.² By 2000 the British movement had declined to a quarter of the market position it had held 50 years earlier, while in France, Germany, Belgium, Austria and the Netherlands consumer co-operative trade had been more or less completely eradicated.³ The Nordic

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- 1 All figures are from KF, “Annual Report 2010”, p. 14. Due to lack of sources the analysis excludes Icelandic consumer co-operation.
 - 2 For overviews see Brazda and Schediw, *Consumer Co-operatives in a Changing World*, Vol. 1 and 2; Furlough and Strikwerda, *Consumers against Capitalism?*
 - 3 Sparks, “Consumer Co-operation in the United Kingdom”; Co-operative Union (UK), *Co-operative Statistics*, various years. The UK movement has experienced a slight revival in recent years, see Friberg et al., “The Politics of Commercial Dynamics”; Ekberg, “Confronting Three Revolutions”; Wilson et al., “The Co-operative Movement in Britain”. By 2010 German consumer co-operation amounted to a few remaining regional strongholds, the most prominent being Coop eG, the former Schleswig-Holstein Co-operative. Likewise in France and Belgium, only regional societies are left in operation. In the Netherlands, a revival of consumer co-operative trade has been achieved in recent decades through the national consumer co-operative society Coop Nederland. By the end of 2009, official membership figures in consumer co-operatives stood at 510,000 in Germany, 2,000,000 in France, 150,000 in Belgium

co-operatives represent a contrast to this picture by experiencing a gradual strengthening of their position from 1950 onwards.⁴ By 2010 the share of the Nordic population holding a consumer co-operative membership was more than twice that of 1950, while the combined market share in the food retail industry had increased by 30 percent.

The historiography of this development remains rather scattered. Although a series of very valuable national histories have been published, few



ILLUSTRATION 27.1 *Queue outside co-operative store in Skarpnäck.*

ARBETARRÖRELSSENS ARKIV OCH BIBLIOTEK, MORGONTIDNINGEN.

and 700,000 in the Netherlands, according to statistics from Cooperatives Europe, “European Co-operatives Key Statistics”. See also Chapters 5 and 10.

4 It needs to be recognized that the Nordic region was not the only region where consumer co-operatives thrived in the postwar years. Most prominently, consumer co-operatives have developed to become dominant players in the food retail market in both Switzerland and Italy, while in Spain regional co-operatives such as the Eroski group have also fared well in recent decades. For studies, see Birchall, “A Comparative Analysis of Co-operative Sectors”; Zamagni et al., *La Cooperazione Di Consumo in Italia*; Setzer, “The Consumer Co-operatives in Switzerland”. See also Chapters 13, 23 and 24.



ILLUSTRATION 27.2 “Consumers’ corner” at the Domus department store in Sweden, 1968, providing consumer information.

ARBETARRÖRELSENS ARKIV OCH BIBLIOTEK, LANTARBETAREN.

attempts have been made to compare the experiences of the various Nordic consumer co-operatives and to contrast them with developments elsewhere.⁵ The purpose of this chapter therefore, is to describe the overall development of consumer co-operative enterprises in the various Nordic countries from 1950 to 2010 and to compare their development. The chapter focuses on depicting the

5 For the Norwegian development, see Lange et al., *Organisert Kjøpekraft*; Ekberg, *Consumer Co-operatives and the Transformation*. For Sweden, see Kylebäck, *Konsumentkooperation i strukturomvandling*, vol. 1–3; Hwang, “Folkrörelse eller affärsföretag”; Friberg et al., “The Politics of Commercial Dynamics”. For Finland, see Perko, *Med förenade krafter*; Kallenautio, *Lamasta uuteen nousuun*. For a very recent study of the Danish case, see Jensen, *Brugsen*. See also Büchert, *Forræderiet mod en god idé*; Strand and Thorberg, *Borte med Brugsen*; Groes, *Glimt fra et havt århundrede*.

main trends within the Nordic retail markets and the strategic choices taken by the Nordic consumer co-operatives to defend and strengthen their position within this market. By doing so the chapter seeks to explore the daunting question of *why* consumer co-operative enterprises within the Nordic region, in contrast to the experiences in most other west European countries, developed so positively in the second half of the twentieth century. A full-blown answer to this question is beyond the scope of the present analysis. As will be seen, even if the development of consumer co-operative trade in the Nordic region shows many similar features, substantial variation exists between the growth paths of the various Nordic consumer co-operatives as well as the strategic choices taken to sustain and increase the market position and popular support for co-operative trade. Hence, a complete explanation of the development of Nordic consumer co-operatives would require a much more comprehensive comparative analysis, including not only the Nordic experiences, but also the experiences of consumer co-operatives in countries outside the Nordic region. Together with the other articles in this volume the chapter may, however, provide a starting point for such a broader comparative analysis.

Nordic Consumer Co-operatives: Main Features and Development Trends since 1950

As Mary Hilson shows in her chapter on the establishment and early development of consumer co-operatives in the Nordic region, by the Second World War consumer co-operatives had become an integrated part of the Nordic economies.⁶ In 1950 the movement comprised a total of 4300 independent retail societies, operating more than 20,000 stores. The combined market share of consumer co-operatives in total Nordic grocery sales was about 18 percent and about 14 percent of the Nordic population held a co-operative membership.⁷ In addition to retailing, at this point the Nordic co-operatives owned and operated substantial wholesaling and production businesses. In the early 1950s sales from factories owned by Norges Kooperative Landsforening (the Norwegian national co-operative association NKL, in 2016 Coop Norge SA) constitut-

6 See Chapter 6.

7 All figures presented in the chapter on developments in the number of co-operative stores, the number of co-operative retail societies, the number of co-operative members and the market shares held by co-operative retailers have been compiled from a large variety of national and as well as international primary and secondary sources. The data should be interpreted with care.

ed about a third of total sales from the organization. The similar figure for its Finnish equivalent, Suomen Osuuskauppojen Keskuskunta (SOK) was about 24 percent.⁸ Manufacturing was also vital to the operations of Kooperativa Förbundet (KF) in Sweden and Fællesforeningen for Danske Brugsforeninger (FDB) in Denmark.

These production facilities were already in decline by the late 1950s, however, and by the 1980s most of them had been closed down or sold off. For some of the Nordic co-operatives an expansion into services was however well underway. Before the war, Finnish co-operators had started operating restaurants and cafes, and in 1952 they opened their first hotel.⁹ By 2010 Finland's largest chain of hotels – the Sokos chain – was co-operatively owned. In Sweden, publishing remained a major activity for KF throughout the postwar period, while in Denmark FDB owned a large advertising agency. Real estate business also gradually developed to become a major activity in all the Nordic consumer co-operatives. Despite these developments, the core business of the Nordic consumer co-operatives throughout the last half of the twentieth century remained retailing and wholesaling, and the large majority of retail sales continued to be made within the food retailing business.

The most obvious context within which to interpret the development of the Nordic consumer co-operatives is therefore the overall economic environment in which they operated and particularly the developments in the food retail industry. As elsewhere in Western Europe the Nordic economies experienced a substantial economic boom in the first decades after the Second World War. The rates of growth obviously varied somewhat between the countries, but the overall trend was similar across the region.¹⁰ The energy crisis and the subsequent stagnation characteristic of the 1970s also affected the Nordic countries fairly equally, although the Danish were the hardest hit, while the Norwegians at this point were about to get started on their own development path due to the successful exploration of North Sea oil. Credit fueled booms in the 1980s led Sweden, Finland and Norway into large systemic banking crises from the early 1990s onwards, affecting the entire financial system. The Danish banks were also affected, but for various reasons the problems did not lead to a full blown crisis.¹¹ From the mid-1990s a period of renewed growth started in all four countries, again with some variations in the rates of growth experienced.¹²

8 Perko, *Med förenade krafter*, p. 397; Lange et al., *Organisert kjøpekraft*, p. 337.

9 Perko, *Med förenade krafter*.

10 For a more detailed account see Hilson, *The Nordic Model*, pp. 65–84. See also Crafts, “The Great Boom”.

11 Jönung et al., *The Great Financial Crisis*.

12 Røed Larsen, “Escaping the Resource Curse”; Crafts, *Western Europe's Growth Prospects*.

Alongside these general economic trends, the food retail industry underwent a series of drastic transformations. Again these trends were European wide and they affected the Nordic countries with varied strength and at varied times, but the overall tendency was similar across the region. The main trends may be summarized as three major transformations or “revolutions”.¹³ The first was the replacement of the small, numerous counter-serviced stores that had still dominated the European food retail industry in 1950 by large self-service supermarkets and hypermarkets; the so-called “supermarket revolution”. The second was the growth of the large standardized, integrated and centralized retail chains; the so-called “chain store revolution”. The third and final transformation was related to the rise of the affluent, individualized consumer; the so-called “consumer revolution”. Together these changes fundamentally challenged the basic operational principles, organizational structures and ideological underpinnings on which the food retail industry had traditionally rested. In order to develop their business and survive in the market, the consumer co-operatives had actively to confront the changes taking place. They had to develop their store formats to meet with the growth of supermarket and hypermarket retailing. They had to develop their system of distribution in order to secure the level of efficiency obtained by the expanding retail chains. Finally, they had to successfully re-evaluate and re-state their ideological profile in order to remain an attractive provider of retail services among increasingly affluent post-war consumers.

As Figure 27.1 suggests, the Nordic co-operatives seem to have handled these challenges rather well. The figure depicts the development in the market position of consumer co-operative trade within the food retail industry for the Nordic countries combined as well as separately, from 1950 to 2010.

As can be seen, the share of consumer co-operative trade in the Nordic region improved steadily throughout the period covered. In fact, the level achieved in 2010 was the highest ever recorded share of co-operative trade in total Nordic food retail trade. In other words, the history of Nordic consumer co-operation during this period is by and large a history of growth. What is also evident, however, is that the development paths of the Nordic consumer co-operatives differed sharply at times. As Figure 27.1 reveals, while the Norwegian movement experienced a steady improvement in its market position up until the 1970s, followed by a 40 year period of fairly stable shares, the Swedish co-operative movement was at its strongest in the mid-1950s and experienced a slow decline throughout the period. The apparent revival from 2005 onwards is largely explained by changes in how market shares are measured, and hence by 2010 the actual market position of Swedish co-operatives was

13 See Ekberg, “Confronting Three Revolutions”.

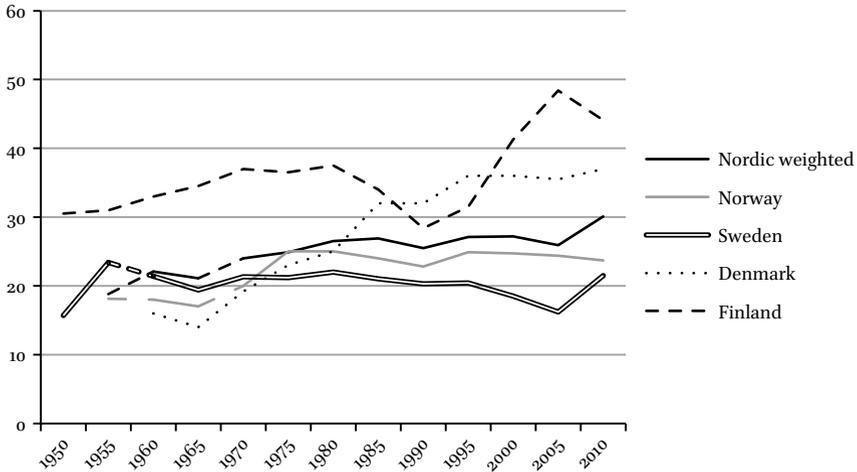


FIGURE 27.1 *Market shares of Nordic consumer co-operatives 1950–2010.*

Source: The data have been compiled from a variety of primary and secondary sources and should be interpreted with care. Where a solid line becomes dashed it indicates that the figures are based on estimates. The market share of the Nordic region is a “weighted average”, where the share recorded in each country has been weighted against the population of that country. The population data are taken from Heston, Summers and Aten, *Penn World Table Version 6.3*.

about the same as it had been 60 years earlier. The Finnish movement also started out from a strong position. In fact, by holding a 34 percent share of the country’s total retail trade in 1960, it was Europe’s strongest national consumer co-operative in relative terms.¹⁴ But the Finnish movement was at this point split in two.¹⁵ On the one hand the so-called S co-operatives controlled the majority of the rural districts while the so-called “progressive” or E co-operatives dominated urban areas.¹⁶ In 1950, the two movements were fairly similar both in terms of membership and market shares. From then on, however, the market position of the two organizations started to diverge, the S group gradually

14 Figures from Jefferys and Knee, *Retailing in Europe*, p. 65. The share held in food retail specifically was 30.5 percent according to a recent estimate, see Lamberg and Tikkanen, “Changing Sources of Competitive Advantage”, p. 820. It may also be noted that according to Jefferys and Knee the Icelandic movement was at this point the second strongest co-operative movement in Western Europe with a share of 32 percent of national retail sales.

15 See Chapter 6.

16 Schediwy, “The Consumer Co-operatives in Finland”; Perko, *Med förenade krafter*; Marshall, “The Finnish Cooperative Movement”.

improving its position while the E group saw its market position decline. A major crisis in the S group during the 1980s brought the market position back to its 1950 level. But the crisis spurred a major turnaround process and from the early 1990s onwards the movement experienced its strongest growth rates ever, doubling its share of the food retail market within a twenty-year period.¹⁷ The problems of the E-movement continued and in 2005, after a series of attempts at restructuring and near collapse, the assets were sold off to private investors, and the organization ceased to be co-operatively owned.¹⁸ In contrast to this development, the Danish movement followed a fairly steady path of growth, interrupted by a period of particularly strong growth during the 1980s. In 2010 the movement reached a record high market share of 37 percent.

How do we account for this varied development pattern? The question is obviously a complex one. As already indicated, one important part of the answer is related to how the different Nordic consumer co-operatives handled the radical transformations that characterized the development of the post war food retail industry. The remaining parts of this chapter, therefore, trace in brief how Nordic consumer co-operatives handled these major trends or transformations. How did the Nordic co-operatives develop their stores, how did they develop their organizational structure and to what extent did they manage to retain popular support from increasingly affluent post-war consumers?

The Development of the Co-operative Store

One of the main transformations in postwar food retailing was related to changes in the manner in which food was sold to the consumer. At least three major trends may be detected: the introduction of self-service; the subsequent growth in the size of the average food retail store, paralleled by a substantial decrease in the number of stores, and finally the growing segmentation of the food retail market, causing an increasing variety in the outlook and operational rationale of different food retail stores. These trends are clearly reflected in the development of Nordic co-operative retailing.

Swedish consumer co-operatives pioneered the introduction of self-service in Europe. In the spring of 1947 KF opened what a contemporary analyst

17 SOK, *Annual Report*; Lamberg and Tikkanen, "Changing Sources of Competitive Advantage".

18 The most recent developments in the E movement are described in Kallenautio, *Lamasta uuteen nousuun*; Paavola et al., "The Finnish Retail Market".

regarded as “the first fully equipped self-service store in Europe.”¹⁹ The same eagerness to open self-service stores was also present in the Norwegian and Danish movements. The Oslo co-operative society opened the country’s first self-service outlet only a few months after the Swedes, while in Denmark Esbjerg co-operative society opened Denmark’s first store based on self-service principles in 1949.²⁰ In all cases, inspiration and knowledge had been obtained through study trips to the US, where self-service had already been applied for decades. But experiences and knowledge also flowed between the various co-operative movements in Europe. Norwegian co-operators made several study trips to Stockholm before opening their first self-service store in Oslo.²¹ When the Hants and Sussex district council of the UK consumer co-operative movement held a special trade conference on self-service trading in February 1947, it was introduced by a Mr Webber, who according to a later report “had visited America and Scandinavia.”²² Generally, it seems as if this flow of knowledge between co-operative societies across western Europe provided a particularly strong impetus to introduce self-service. Even if the co-operative movement in Europe taken together accounted for only 6 percent of the total retail trade in 1955, about half of all self-service stores in operation by that point were owned by co-operative societies.²³

A slight exception to this trend was seen in Finland, however, where at least parts of the co-operative movement lagged behind in the introduction of self-service stores. According to Kaj Ilmonen, the Helsinki based E co-operative Elanto introduced self-service in 1951, and by the middle of the 1950s about 40 such stores were in operation within the E-movement.²⁴ SOK co-operatives remained laggards, however, in introducing such stores. The first opening took

19 Hammond, *Self-Service Trading*, p. 66. Details on the introduction of self-service in Sweden are provided by Kylebäck, *Konsumentkooperation i strukturomvandling. Del 1 1946–1960*; Ekberg, *Consumer Co-operatives and the Transformation of Modern Food Retailing*; Sandgren, “From ‘Peculiar Stores’”.

20 “Danmarks første selvbetjeningsbutikk”, *Forbrukeren*, 4, 8 (1949), pp. 166–8; Stavenes, “Smart forretning”; Groes, *Glimt fra et halvt århundrede*.

21 Stavenes, “Smart forretning”.

22 Cited in Ekberg, *Consumer Co-operatives and the Transformation*, p. 58.

23 Applebaum, “Developments in Self-Service Food Distribution Abroad”. Market share figures are taken from Jefferys and Knee, *Retailing in Europe*, p. 65. The market share figures of the different countries have been weighted according to population to provide a more accurate picture of the total market share in Western Europe. Note that the figures are from 1960 and that they are estimates of total retailing market shares. The market share for food alone was probably somewhat higher.

24 Ilmonen, *The Enigma of Membership*, p. 98.

place in 1956 when the Helsinki co-operative society (HOK) opened its first store based on self-service principles, and in 1958, according to a recent study, "SOK's top management still felt that self-service shops would never be important in the Finnish retail market".²⁵ Instead, SOK-related co-operatives made substantial investments in mobile shops, a form of retail trade that developed to become quite important in the Finnish retail market. The mobile shops were essentially small delivery vans furnished with shelves, refrigerators and a small counter, travelling the Finnish countryside and visiting selected sites at regular intervals. By the early 1970s more than 5 percent of all Finnish food sales were made from such mobile shops, and SOK co-operatives controlled about a third of all vans in operation.²⁶

The future of food retailing was not the mobile shop, however, it was the supermarket and later the hypermarket. Despite their long-held skepticism towards self-service retailing, Finnish co-operators were eventually quite successful in introducing large scale retailing stores. Both groups started opening supermarkets and hypermarkets from the early 1970s onwards. Eventually, the S group expanded the hypermarket segment the most forcefully, with the most substantial growth starting from the early 1990s onwards. By 2010 a third of the S group's food retail sales came from hypermarkets and the co-operatively owned Prisma chain was the largest hypermarket chain in the country.²⁷ Similar developments were seen in the other Nordic countries. Already in 1963 the Stockholm co-operative society successfully opened a hypermarket twenty kilometers south of the city center, one of the first hypermarkets established in Western Europe. A year later a second store was opened in Gärdö, outside Västerås, and by 1967 five hypermarkets had been opened by Swedish co-operators.²⁸ Details of the openings, the store layout of the new hypermarkets and their economic achievements were enthusiastically presented in the Norwegian co-operative press, inspiring Norwegian co-operators to contemplate the possibilities for opening similar stores in the Norwegian

25 Lamberg and Tikkanen, "Changing Sources of Competitive Advantage", p. 831. Also <http://www.hok-elanto.fi>, accessed 18/10 2012.

26 Perko, *Med förenade krafter*, pp. 417–18.

27 The E group also established a substantial hypermarket business. But after the company ended up merging with the family-owned Wihuri's Roukamarkkinat in 2005 and disposing of its co-operative ownership structure, it gradually made a strategic shift towards the local store segment. In 2009 the company changed its name to Suomen Lähikauppa Oy (translates as "Finland's local store") and a year later it disposed of its hypermarket chain Euromarket.

28 Kylebäck, *Konsumentkooperation i strukturovandling*, vol. 2, pp. 87–8.

market.²⁹ In 1968, after a collaborative effort between the NKL and ten local retail co-operatives Norway's first hypermarket was opened at Lade outside the city of Trondheim. Since then, the Norwegian hypermarket sector has been completely dominated by the co-operatives. Along similar lines, in Denmark the FDB had already in 1961 taken charge of establishing the Kvickly chain of low price warehouses, a forerunner to twenty-first century hypermarkets. In 1971 they opened their first more conventional hypermarket. Interestingly, the Swedish, Norwegian and Danish hypermarkets, for a limited period, all traded under the same brand, Obs! Clearly, inspiration and ideas were flowing between the Nordic co-operators. Apart from reports in the co-operative press, various Danish and Norwegian sources suggest how numerous study trips were made between the countries to investigate premises and discuss issues of store design.³⁰

The Nordic co-operatives' ability to handle the "supermarket revolution" and develop large-scale competitive retail stores is an important factor in explaining their continued survival and growth during the postwar years. By comparisons, co-operatives across large parts of Western Europe, even though they had been at the forefront in introducing self-service, were much less successful in transferring their stores to supermarkets and hypermarkets. In countries such as Germany, France and the United Kingdom the co-operatives were instead outperformed by private retailers, in turn causing a steady loss of market share for co-operative trade.

While self-service and increasing scale were the main trends in food retail sales during the post war period, from the 1980s onwards increasing attention was turned towards the need to adapt the food retail stores more systematically to distinct consumer segments. Since consumer preferences vary – some prefer low prices, others are more concerned with the quality of the products sold, while yet others are attracted by convenience – retailers seeking to cater for a broad group of consumers increasingly saw the need to develop a variety of different stores: a so-called "multi-format" approach. Hence, from the 1980s and 1990s onwards major European retailers increasingly operated a segmented or diversified structure of stores, including small, local convenience stores

29 Gundersen, "OBS! er OBServert", *Forbrukeren*, 19, 1 (1964), pp. 4–6; Gundersen, "Eksterne lavprisvarehus eller rabattvarehus", *Forbrukeren*, 22, 6/7 (1967), pp. 97–9.

30 See for example minutes from a meeting of the FDB Board of Representatives, 6–8 February 1969, which show that two days were spent travelling to the Swedish cities of Kristianstad and Malmö. Erhvervsarkivet Aarhus, FDB 02014, Boks 2063, "Repræsentantskabet: Forhandlingsprotokoll (1896–)".

and kiosks, discount stores, as well as medium sized supermarkets and large, out of town and edge of town hypermarkets and superstores.

The Nordic consumer co-operatives, it turned out, were all fairly successful in adapting also to this trend, even though the types of segments in which the different co-operatives primarily operated varied quite markedly. Table 27.1 shows the different store formats operated by the different Nordic consumer co-operatives and the relative importance of each format within each national co-operative in 2009/2010.

As can be seen, in 2010 Nordic consumer co-operatives operated stores in a variety of different market segments. The most visible difference is the importance of the discount segment. While discount stores were responsible for a third of Norwegian and a fifth of Danish co-operative food retail sales in 2010, no such stores were operated by Finnish and Swedish consumer co-operatives. This largely reflects the weaker position of such stores in general in the Finnish and Swedish food retail markets. The strong position of the hypermarket in the Finnish movement is also evident, again reflecting the stronger position of such stores within the Finnish retail market. Moreover, while sales in both

TABLE 27.1 *Store formats operated by Nordic consumer co-operatives 2009–10.*

Store type	Norway	Denmark	Sweden	Finland
Local stores	Coop Marked (14%)	DagliBrugsen/ LokalBrugsen (15.9%)	Coop Nära	Sale, Alepa (11.6%)
Soft discount	Coop Prix/ Extra (32.8%)	Fakta (21%)	–	–
Supermarkets	Coop Mega (26.9%)	SuperBrugsen/ Irma (39%)	Coop Kon- sum/Coop Extra	S-Market (45.8%)
Hypermarkets	Coop Obs/ Smart Club (26.3%)	Kvickly/Kvickly Xtra (24.1%)	Coop Forum	Prisma (42.6%)

Source: Figures in brackets show the relative shares of each segment in total sales within each national co-operative. Figures are estimated from SOK Annual Report 2010; Coop Danmark Annual Report 2010; Coop Norge Annual Report 2010; KF Annual Report 2010. (Figures on the relative shares of the various Swedish co-operative food retail chains have not been obtained). Note: The Sale and Alepa chains are defined by SOK as supermarkets, but they are confined to small urban areas and metropolitan areas respectively.

the Danish and the Norwegian consumer co-operatives are fairly evenly spread across four distinct segments, the sales of the Finnish co-operatives are concentrated in two major segments.

A further interesting difference between the Nordic consumer co-operatives not evident in the table is related to how the different store formats were developed, owned and operated by the different organizations. In fact, four different strategies can be revealed in this respect, related to how new stores were developed on the one hand and how ownership and operational responsibilities were divided between the local/regional retail societies and the central organization on the other. The four different approaches are summarized in Table 27.2.

In Norway, all the major store formats were developed organically. This meant either that existing stores, owned and operated by local retail societies, were refitted to comply with the demands of the different formats, or completely new stores were built. In some instances these new stores were established through collaborative efforts between NKL/Coop Norge SA and the local retail societies. But in all instances, the stores remained in the ownership of the retail societies, and hence the traditional federal model was kept intact.³¹ In Sweden, a similar organic growth strategy characterized the development of the various retail formats. In contrast to the Norwegian model, however, KF took a more active role in owning and operating the stores, as we shall see later. In 2010 about half of all Swedish co-operative retail stores were owned and operated by KF. In Denmark, a third strategy of growth through

TABLE 27.2 *Growth strategies of Nordic consumer co-operatives.*

	Organic growth	Growth through acquisitions
Local/regional ownership	Norway	Finland
Local/regional and national ownership	Sweden	Denmark

31 This is true for the food retail sector. In the non-food sector by contrast the NKL took both ownership and operational responsibilities for retailing operations, but often with very limited success. In food retail, exceptions to this general trend were made in 2009 when Coop Norge SA bought the privately owned hypermarket chain Smart Club, and again in 2014 when it was announced that Coop Norge had bought the Norwegian arm of the Swedish food retail chain ICA (ICA Norge). In 2016 the chains had been rebranded to Coop stores, but the old ICA stores were still owned and run by a subsidiary of Coop Norge SA.

acquisitions played a vital role in establishing the multi-format structure of stores eventually operated by Danish co-operators. The movement's discount format Fakta, the second largest in the movement in terms of sales, was bought by FDB from private retailers in 1987. Five years earlier FDB had similarly acquired the Irma chain of supermarkets. Both these chains remained in the ownership of FDB and continued to be operated by the central organization (in 2016 through the wholly owned subsidiary Coop Denmark). The chains also continued to operate under the same brand as they did when being owned by private retailers.³² Finally, in Finland the establishment of a multi-format retail structure was also primarily secured organically, by refitting and expanding the existing co-operative network of retail stores. But here too some growth was secured through acquisitions. In contrast to the Danish approach, however, in cases where acquisitions were made, the new stores were immediately rebranded and operated under existing co-operative store formats. The actual ownership of the stores was also transferred to the regional and local retail societies. Hence, when SOK bought all the retail stores operated by the Spar chain in Finland in 2006, these stores were immediately rebranded to existing formats such as Alepa and S-market and gradually transferred into the ownership of the regional co-operatives.

The ability of the Nordic co-operatives to handle the introduction of self service, the increasing application of scale economies in retailing and the subsequent growth of multi-format retailing have been important factors in shaping the overall positive development of Nordic consumer co-operative trade since 1950. But the approach taken by the Nordic co-operatives to confront the "supermarket revolution" was not uniform. To some extent this reflected differences in how the retail market in general developed within the different countries, but it also reflected more deep rooted differences at the organizational level. We turn to these in the next section.

Organizational Structure

A major trend in the development of the post war food retailing business in Western Europe was the increasing prominence of the large, standardized, centralized and integrated retail chains. In 1950 independent retailers still controlled the large majority of retail sales in Europe. 60 years later they had been more or less completely eradicated by the retail chains.

32 Strand and Thorberg, *Borte med Brugsen*; Büchert, *Forræderiet mod en god idé*.

The organizational principles of the increasingly dominant retail chains – or multiple retailers – were similar across national borders and they consisted of three basic elements.³³ Firstly, they operated a huge number of branches under centralized control. Secondly, operations were completely standardized across the different stores. Stores operated by a chain would be marketed under the same brand, hold a similar assortment of goods, and operate according to standardized procedures. Thirdly, the retail chains fully controlled the supply of goods, either by vertical integration or by way of contracting. Rather than obtaining their supplies from a mixed set of different wholesalers and industry salesmen, they negotiated directly with the industry. Buying was made the responsibility of the chain headquarters, which negotiated on behalf of all the stores operated by the chain. The chains also established regional distribution centers and developed technologically advanced systems of logistics to increase control over the flow of goods.

The growth of the retail chains from the 1950s onwards challenged the market position of co-operatives and induced a series of debates within the co-operative movement concerning the adequacy of their organizational model.³⁴ Clearly, many of the organizational principles applied by the multiples had long been applied by the co-operatives.³⁵ But, generally the co-operatives had not managed to reap the benefits of centralization, standardization and integration to the same extent as the multiple retailers now did. This was a situation increasingly recognized by co-operative leaders throughout the 1950s and 1960s. Hence, the editorial written for a 1959 special issue of *Review of International Co-operation* – the official organ of the International Co-operative Alliance – which heralded “the necessity of change, sometimes rapid and far reaching, in the structures and objectives of the Cooperative Movement in the West.” The change was, according to the editor, “dictated by alterations in... external circumstances, more especially by intensified competition, coupled with technical innovations and social evolution.” Most importantly, it was argued, the co-operatives had failed to reap the competitive advantages of combining their forces, an opportunity instead increasingly exploited by the private retailers:

33 For more details see, Ekberg, “Consumer Co-operatives and the Transformation of Modern Food Retailing”.

34 A broader discussion of this development is provided in Ekberg, “Organization: Top Down or Bottom Up?”.

35 See Chapter 22.

Co-operators need be under no illusion. The great cartels and capitalist combines at one end of the scale, and the rapid grouping of private retailers and wholesalers in voluntary chains at the other, demonstrates a clear understanding of the need and advantages of association which many co-operators, their profession of faith notwithstanding, conspicuously fail to display in action.³⁶

The ICA congress in Lausanne a year later was fully devoted to the question of structural reform, and within most national co-operative movements the need for the retail societies to join forces in larger trading units was widely recognized and debated.

The Nordic co-operatives were no exceptions to this trend. Still, both the penetration of multiple retailers and the organizational responses from the co-operatives varied quite substantially. By 1950, four dominant retail groups had become established in Finland. Apart from the two large co-operative groups – the S- and the E- group – the retailer-owned Kesko group and the wholesaler-owned Tuko group controlled the entire food retail industry. Together these four groups consistently controlled between 90 and 95 percent of all food retail sales throughout the entire second half of the twentieth century.³⁷ The level of integration, standardization and integration varied between these groups, however, and was for a long period quite modest.³⁸ The wholesaler owned Tuko group was the largest group in the early 1950s controlling more than 50 percent of the market. But its organizational structure remained highly fragmented. It also failed to develop its stores to fit the demands of modern retailing. As a result, its importance dwindled steadily throughout the second half of the century. By 2006 the share of the market controlled by Tuko related food retailers was below 4 percent. The major competitive challenge for the co-operatives thus came from the Kesko group, which expanded its market share from 13 percent in 1950 to 40 percent in the early 1980s. Kesko was particularly successful in developing attractive large-scale retail outlets. It was also quick to standardize its visual image, operating under a common brand from the late 1940s onwards. Similar to the co-operatives, however, the group was essentially governed by independent retailers, and the authority of the

36 Watkins, "Change and Survival", p. 167.

37 Lamberg and Tikkanen, "Changing Sources of Competitive Advantage".

38 In fact, none of the private groups seems yet to have complied with the definition of multiple retailers adopted by Jefferys and Knee in their study of European retailing published in 1962. According to their data, the only large scale retailer in Finland at this point was the co-operative. See Jefferys and Knee, *Retailing in Europe*.

central bodies remained fairly weak. This implied that centralization and the integration of buying, assortment and logistics operations was late in coming. As noted in a recent study: “the decentralized and entrepreneurial culture of the firm slowed Kesko down; ...the independent retailers that had made possible the fast growth in the 1960s turned to be an obstacle for the more centralized mode of business”.³⁹

In Finland therefore, it was the co-operatives that took the first steps towards organizing their operations within a tightly integrated and centralized structure. Local and regional societies were merged to form larger, more efficient retail units. Buying was gradually centralized in the national wholesale organizations, which also centralized their warehousing operations and gradually developed a fully integrated system of distribution. This does not mean that the co-operatives were not hampered by many of the same co-ordination problems as the private retailers. The development of the E- movement was particularly troubled by the fact that the organization had two central bodies, one economic (ОТК, acting as the group's wholesaler) and one ideological (КК). This was similar to the situation in the UK, where separation of the ideological responsibilities of the Co-operative Union and the commercial responsibilities of the Co-operative Wholesale Societies caused numerous problems.⁴⁰ In the E group an attempt was made to solve these problems in the early 1980s through a full merger of the retail co-operatives and the ОТК, which created the EKA co-operative as a fully integrated co-operative enterprise. Although the strategy looked promising at first, it ended up becoming the first step in a drawn out process of gradual demutualization of what had once been the most radical arm of the Finnish consumer co-operative movement. The S group, by contrast, while implementing a massive centralization process that concentrated the majority of trade within 22 regional co-operatives, retained the traditional co-operative federal structure.⁴¹ The regional societies continued to control the retailing operations while all buying, wholesaling and other common functions were taken care of by SOK. Hence, SOK sought to combine the advantages of centralized buying, an integrated distribution system and standardized operation of the retail chains with independent, regional ownership of the retail function.⁴²

39 Lamberg and Tikkanen, “Changing Sources of Competitive Advantage”, pp. 830–31.

40 See Ekberg, *Consumer Co-operatives and the Transformation*.

41 In addition to the regional societies, by 2010 ten local co-operatives were also in operation. SOK Annual Report 2010, p. 36.

42 This is true for all grocery trade conducted in Finland. The S group also has some grocery business in the Baltic region, which is owned and operated by SOK directly. In addition,

A similar model developed in Norway. Here private retail chains had made no inroads whatsoever by 1950. Co-operation between retailers was practically non-existent and apart from the co-operatives, the retail market remained completely dominated by independent retailers operating one or a few shops each. This situation did not change much during the following decades. Some centralization was achieved at the wholesale level during the 1960s and 1970s. Some retailer controlled horizontal chains were also established, but the actual co-operation between these retailers remained limited. Attempts to integrate wholesale and retail operations were largely unsuccessful.⁴³ By 1990, more than 50 percent of all food retail sales was still in the hands of independent retailers. From then on, however, a quick and comprehensive centralization and integration process started, such that by 1994 the share of independent retailers had dropped to 3 percent and a structure of four integrated, centralized and standardized retail groups had been established.⁴⁴ As in Finland, the co-operative was one of the major groups in operation and also a major driving force in the structural transformation of the food retail industry. From the 1950s NKL had initiated organizational reforms designed to make the co-operative food retail operations more standardized and centralized and also to integrate more closely the retail operations of the co-operative societies with the wholesale operations of the national association. As in the Finnish S group, however, the Norwegian co-operatives remained dedicated to the federal structure on which the movement traditionally had rested. Full integration of the national association and the retail societies was never seriously envisaged and a clear division of labor between the retail operations of the co-operative societies and the wholesaling operations of NKL was upheld.⁴⁵ Hence, when Norwegian co-operators opened Norway's first fully integrated, standardized and centralized retail chain in 1990 – the discount chain Prix – all stores continued to be owned and operated by local retail societies. However, these societies had centralized all buying to the NKL, standardized their assortment and operating procedures and fully integrated the distribution function.

the S group also operates a variety of other businesses including Sokos department stores, some speciality stores, Sokos hotels, a bank, several restaurant chains as well as some independent restaurants, a chain of service stations, automotive sales and some agricultural and hardware trade. These operations are partly owned and operated by the regional co-operatives and partly by sok subsidiaries.

43 Vatnaland, "Stability and Change".

44 Lange et al., *Organisert Kjøpekraft. Forbrukesamvirkets Historie I Norge* p. 517.

45 The only exception being, as we have seen, the ownership by Coop Norge SA of the Smart Club chain of hypermarkets, and the 2014 acquisition of the ICA Norge chain.

In Sweden the story was quite different. Already by 1955, three main groups – KF, ICA and Saba/Vivo – controlled about half of the total Swedish food retail trade.⁴⁶ Again, the actual level of integration, standardization and centralization within these three groups was limited at this early stage, and among the three, KF was in many respects the most centralized and standardized. Throughout the post-war years, however, the co-operatives were unable to expand as fast as the private retail groups did. By the turn of the millennium the share of the three major food retailers had increased to more than 90 percent, but the share held by the co-operative had in fact been slightly reduced from the level achieved in 1955.

The response of the Swedish co-operatives to the organizational transformations taking place within the retail industry also differed in important respects from the approach taken by the Norwegians and the Finnish S group. The Swedes also centralized operations by merging local retail societies into larger units. In fact, the reduction in the number of retail societies was almost as substantial in Sweden as in Finland; and much higher than in Norway and Denmark, as revealed in Figure 27.2. However, the Swedes also sought to centralize operations further by allowing the federal KF to expand into retailing. The major step was taken in 1992 when in co-operation with some selected retail societies, most prominently the Stockholm society, KF merged to form a common retailing enterprise, the KDAB, controlled by the national association. The new enterprise took control of about half of the total retail trade in the movement. The merger followed a protracted debate within the Swedish movement to create one single national co-operative society, along the lines seen in the Finnish E co-operatives. Such a full merger never materialized, however, the main reason being unwillingness among many local and regional retail societies to dispose fully of their local decision-making authority. The result instead was a “hybrid” structure, relying partly on local and regional retail societies, and partly on a fully centralized co-operative enterprise operating both a common wholesale business and a substantial proportion of co-operative retail trade.⁴⁷

A similar hybrid model developed in Denmark. Here, some smaller multiple chain stores had been established by 1950, as well as some voluntary chains and buying associations. Alongside the co-operatives these “integrated” retailers controlled about 40 percent of total retail sales in 1957, according to

46 Kylebäck, *Varuhandeln i Sverige*. The retail chain ICA (Inköpscentralernas aktiebolag) should not be confused with the ICA (International Co-operative Alliance).

47 For extensive accounts of this process, see Hwang, “Folkrörelse eller affärsföretag”; Kylebäck, *Federation eller Konsum Sverige?*

one contemporary estimate.⁴⁸ Gradually a three-tiered structure similar to the Swedish one developed, consisting of the co-operatives and the two retail chains Dansk Supermarked and Dagrofa. By 2010 these three groups together controlled 87 percent of grocery turnover.⁴⁹

The development of the Danish hybrid structure had already got underway in the early 1970s when FDB expanded into retailing by merging with the country's largest retail co-operative, Hovedstadens Brugsforening in Copenhagen.⁵⁰ Later, FDB expanded its retailing activities further by developing its own retail chains and, as we have seen, by acquiring existing private chains. In 2010, about 65 percent of total co-operative retail trade in Denmark was controlled by the FDB. By contrast, centralization remained limited among the remaining independent retail societies. As Figure 27.2 reveals, by 2010 a total of 354 independent retail societies were still in operation, taking care of the remaining 35 percent of co-operative retail trade. Not only was the Danish co-operative movement by far the most decentralized in 1950. The rate of decline in the number of retail societies throughout the second half of the twentieth century was also less pronounced than in the other Nordic countries, and especially in Finland and Sweden. In 2010 the number of retail societies in these two

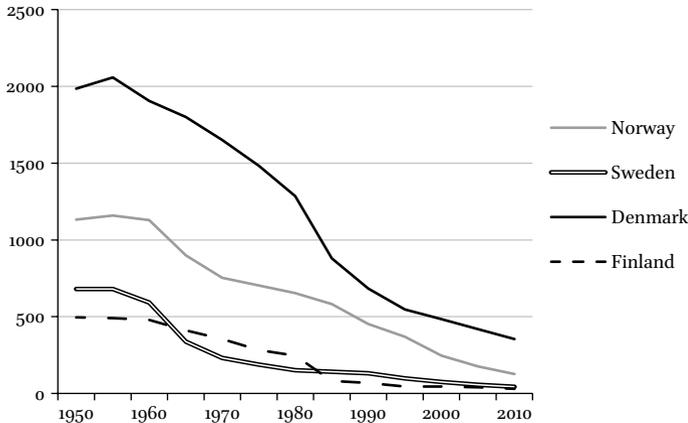


FIGURE 27.2 *Development in the number of co-operative retail societies in the Nordic countries, 1950–2010.*

Figures are drawn from a variety of primary and secondary sources and should be interpreted with care.

48 Næringslovkommissionen, "Betænkning afgivet af den af Handelsministeriet den 1. februar 1954 nedsatte Næringslovkommission", pp. 170–71.

49 Aastrup et al., "The Danish Retail Market".

50 An overview is provided by Büchert, *Forræderiet mod en god idé*. See also "Starting Signal for Co-op Denmark".

countries had been reduced by well over 90 percent. In Denmark the reduction was just above 80 percent.⁵¹

Despite this, and in contrast to the Swedish experience, the hybrid structure established by Danish co-operators proved quite successful. As seen earlier, the movement managed to achieve a substantial market share more or less consistently throughout the period. Most of this growth was not however instigated by the still numerous retail societies, but by the FDB which dramatically increased co-operative market shares through the acquisition of existing private retail chains.

The responses of the Nordic consumer co-operatives to the growth of the standardized, integrated and centralized retail firms varied quite substantially. This variation was one of the factors creating problems during the 1990s when the four organizations started debating the prospects of merging their operations into a common Nordic consumer co-operative enterprise. Commercial co-operation among the Nordic co-operatives was not new. A joint purchasing society had been established already in 1918, Nordisk Andelsforbund (NAF).⁵² The expansion of NAF, already well underway during the 1920s and 1930s, continued into the post-war period and in 1949 the Icelandic National Cooperative Union, Samband íslenskra samvinnufélaga (SÍs) joined the purchasing society.⁵³ Throughout the 1950s and 1960s a number of new offices were established – in cities such as Valencia, Santos, San Francisco, Buenos Aires, Bologna and Hamburg – and the types of commodities traded through NAF increased. By the mid-1970s turnover had increased more than tenfold from the levels reached at the end of the 1930s but still the trade accounted for less than ten percent of the total Nordic co-operative wholesale trade. And although increased co-operation on issues such as transport, insurance, finance, marketing and product development was repeatedly discussed, the actual level of integration and standardization between the various Nordic consumer co-operatives remained limited.

During the 1980s crisis and economic hardship among all Nordic consumer co-operatives caused attention to be turned inwards, but from the 1990s onwards new initiatives were taken to strengthen collaboration between Nordic co-operatives. Various models were discussed, but the debate came to a final conclusion in 2002, when NKL, FDB and KF decided to merge their commercial

51 In Norway the number had been reduced by 89 percent.

52 See Chapter 6.

53 This and the remainder of the paragraph largely based on Hansen, "Nordisk kooperativt samarbeid".

operations to form a single Nordic co-operative enterprise: Coop Norden. The Finnish S group was also urged to join, but decided to stay independent as they were not convinced by the overall strategic reasoning behind the large merger. The creation of Coop Norden was indeed a dramatic step in the development of Nordic consumer co-operation. The new enterprise comprised the entire wholesaling operations operated by the three federations, all remaining production units as well as the retail businesses owned and operated by the KF and FDB. The strategic rationale behind the tight integration was to create a coherent unit strong enough to counter the advance of large and increasingly international retail chains. Despite being fairly successful within their national markets, the three co-operatives feared the future advance of such retailers would seriously threaten their market position. As noted by the CEO Roland Svensson in the first annual report from the company:

During the past decade there has been an acceleration in the shift in the FMCG sector towards larger, international companies operating in several different markets. This trend has had a major impact on the Nordic region, which has increasingly become a part of the European market. [...] The co-operative movement can only continue to perform its task if it moves away from its national perspectives and instead bases its future on a joint Nordic strategy across national borders.⁵⁴

This analysis soon turned out to be flawed however. International retail chains did not gain the predicted large market share in the Nordic countries, which continued instead to be dominated by national chains. Moreover, efficient commercial co-operation between the three consumer co-operatives turned out to be much more challenging than expected. Combining the hybrid model of the Danes and the Swedes with the federal structure of the Norwegians was one of the factors causing much debate and confusion. After six years of continued loss-making the central management of the three co-operatives also had to recognize that the centralized Nordic governance structure created was ill-suited to handle the nation-specific characteristics of the different Scandinavian food retail markets. The consequence was that the company was dissolved and the commercial operations were handed back to the national federations. Since then, commercial collaboration among the Nordic consumer co-operatives has continued through Coop Trading, a common

54 FMCG is shorthand for fast moving consumer goods. Citation taken from Coop Norden, Annual report 2002, p. 7.

procurement company involving also the Finnish S group. Headquartered in Copenhagen, the organization carries on much of the same commercial collaboration originally taken care of by NAF.⁵⁵

The increasing dominance of large centralized, standardized and integrated retail chains within the Nordic food retail market led to a variety of different organizational responses from the consumer co-operatives of the various Nordic countries. The effect of these different responses on the actual economic performance of the different co-operatives is difficult to comprehend.⁵⁶ What is evident is that the strategy of a full merger chosen by the E co-operatives could not hinder a continued decline and ultimately a full collapse of these consumer co-operatives; a development pattern also seen in Germany and Austria.⁵⁷ In Denmark and Sweden a fairly similar hybrid organizational model developed, but the two movements experienced very mixed results. After the gradual reorganization of the Danish movement in the 1970s and 1980s, it started to expand substantially, while the reorganization of the Swedish movement in the early 1990s could not reverse the slow, downward trend which had characterized the market position of co-operative retailers in the Swedish food retail market throughout most of the period covered here. In Norway and in the Finnish S-movement the traditional federal structure was upheld. These co-operatives centralized their retail operations by merging small, local societies into larger regional units and sought integration and standardization through different forms of contracting. All in all, this organizational model seems to have worked rather well. In Norway the co-operatives managed to retain a substantial share of the market despite radically increased competition from the 1990s onwards. In Finland the S group experienced tremendous growth from the late 1980s onwards and developed to become by far the most prominent food retailer in the Finnish market.

The development path of the Nordic consumer co-operatives throughout the second half of the twentieth century was closely linked to their ability to develop a competitive structure of stores *and* their ability to adapt their co-operative organizational model to the demands for centralization, standardization and integration. The growth of co-operative trade during the post

55 Interestingly, on its official website Coop Trading stretches its history back to the establishment of NAF in 1918. See <http://www.cooptrading.com/>, accessed 2 August 2013.

56 See discussion in Ekberg, "Organization: Top Down or Bottom Up?"

57 For specific accounts of the experiences of co-operative trade in these countries see Brazda, "The Consumer Co-operatives in Germany"; for Austria, see Brazda, *150 Jahre Konsumgenossenschaften in Österreich*; Hauch, "From Self-Help to Konzern"; Knotzer, "Vom Marktführer zur Insolvenz". See also Chapters 10 and 11.

war years was also shaped by a third important factor: the ability of the co-operatives to adapt to the “consumer revolution”.

Co-operative Membership

A co-operative is more than a store, and it is more than a specific way of organizing economic activity. A co-operative is owned by the consumers through membership and a vital ingredient in the success of any given co-operative is its ability to attract new consumers to join as members and to participate effectively as owners. In their initial form, the consumer co-operative enterprises had offered their members at least three parallel advantages: the political advantage of being a member of a consumer organization, the advantage of self-governance and the economic advantage of being eligible to receive a share of the profits produced in the enterprise. These were the factors that had attracted consumers to join co-operatives and to support them by making the majority of their daily purchases in the co-operative store.

During the postwar period, however, all these initial advantages of consumer co-operative membership increasingly lost their immediate attractiveness. Increasing affluence and the rise of mass consumption was accompanied by the establishment of a number of new public as well as private consumer associations. National public consumer organizations were established in Denmark in 1947, in Norway in 1953, in Sweden in 1957 and in Finland in 1965.⁵⁸ A common premise behind the establishment of all these organizations was that the co-operatives, being commercial enterprises at their core, were unsuited to fulfil their role as an independent movement for consumers; hence alternative consumer organizations were deemed necessary. The democratic governance structure of the co-operative enterprise was also gradually losing its legitimacy as the size of the retail societies grew and they had to standardize and integrate their operations in order to achieve the necessary efficiency and profitability. Finally, the economic advantages of co-operative membership were also increasingly challenged during this period. As dividend levels sank, competition intensified and standards of living rose, the question was increasingly what actual economic advantages co-operation could offer that could not be equally offered by other retailers.

58 The organizations were named Danske Husmødres Forbrugerråd/Forbrugerrådet, Forbrukerrådet, Statens Konsumentråd/Konsumentverket and Konsumentverket/Kulutajaneuvosto, respectively. See Theien, “Shopping for the ‘People’s Home’” Autio and Heinonen, “Representation of Consumerism”.

The end result of all these developments was that the very relevance of co-operation as an alternative form of business enterprise was in question – and the attractiveness of membership declined. In order to retain and increase their popular support, therefore, the co-operatives had to convince existing and possible future members of the continued relevance of the co-operative alternative. The ideological basis on which the movement rested had to be re-phrased and adapted to the new competitive and societal environment.

The transformation in consumers' attitudes towards the consumer co-operative movement was clearly felt within the Nordic movement. As early as in 1950, the editor of the Norwegian co-operative magazine *Forbrukeren* noted how “the attitude among the large majority of members today is similar to that held by the customer of any type of retail store.”⁵⁹ But despite these perceived changes in the attitudes of co-operative members, members did not start leave the co-operatives. Quite the contrary: as Figure 27.3 reveals, and counter to the experience in many other west European countries, the post war period saw a steadily increasing share of Nordic consumers *joining* the co-operative movement.

In 1950, roughly 14 percent of the Nordic population were members of a consumer co-operative. By 2010 the share had risen to more than 30 percent. With about 8 million individual members, this implied that more than 70 percent of

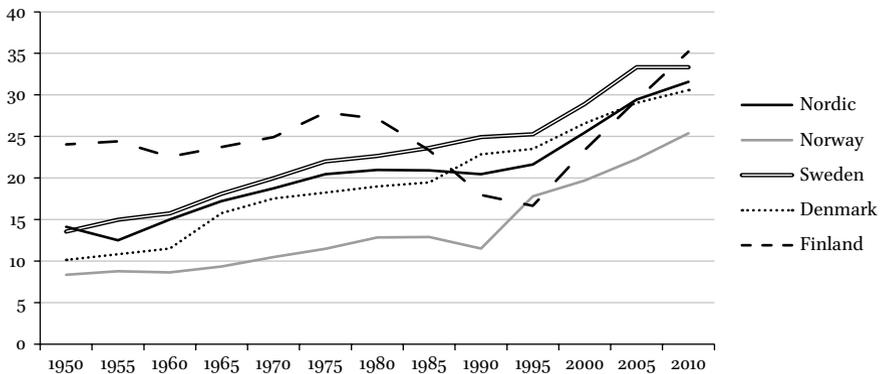


FIGURE 27.3 *Membership in Nordic consumer co-operatives as a share of total population, 1950–2010.*

Again, figures have been drawn from a variety of primary and secondary sources and should be interpreted with care.

59 Cited in Lange et al., *Organisert kjøpekraft*, p. 538.

all Nordic households held a co-operative membership. The development was fairly similar across the different Nordic countries, with a fairly steady increase during the early parts of the period followed by an enforced growth process from the 1990s onwards.⁶⁰

The steady growth in membership during the immediate post-war period was obviously related to the parallel strengthening in the market position of co-operative trade. As an increasingly large share of total food purchases was made at co-operative stores a parallel increase in the share of consumers becoming co-operative members was simply to be expected. But membership also grew in periods when market positions were stable or in decline. Hence the membership of Swedish co-operatives grew steadily despite the fact that the market position was not equally strengthened. The enforced growth in membership from the 1990s onwards was similarly not paralleled by an increase in the market position of co-operative trade.⁶¹ In the period from 1990 to 2010 membership in the Nordic movement almost doubled. This growth was intimately linked to a deliberate strategic shift in how the Nordic co-operatives approached their members. The timing and content of the shift varied of course between the countries but in general it relied on one similar principle: to market more offensively the tangible economic benefits offered to co-operative members. In Finland, members of the S group were redefined as “customer-owners”, and a customer-owner system was designed with a simple overall purpose. As described by the then President and Chief Executive Officer of the SOK Corporation Jere Lahti: “the purpose of the customer-owner system is to reward customer-owners in proportion to their purchases. The more they concentrate their purchases in S Group outlets, the greater the benefit accruing to them. The principal owner benefit is just this bonus system. The bigger a household’s combined monthly purchases are, the bigger the bonus.”⁶²

In the following years, dividend, bonuses and special rebates offered exclusively to members were all given a central role in promoting the co-operative movement across the Nordic region.⁶³ Other issues, such as

60 In Finland and Norway this growth was preceded by a period of substantial decline in membership during the 1980s. In both cases, this decline was largely due to a clean-up in the membership databases, which had not been properly updated during the 1960s and 1970s.

61 With the exception of the Finnish S group, which saw both membership and market share double from 1990 to 2010.

62 Lahti, *Your Benefits in Finland*, p. 39.

63 The extent to which the economic benefits were technically an actual redistribution of surplus, or whether they were handled as a cost in the accounts, varied between the different movements.

support for fair trade, eagerness to increase the sale of ecological products and even the organizations' democratic ownership structure were also heralded as distinct co-operative values. Hence, in his description of the customer-owner system Lahti noted that "in addition [to the bonuses] customer-owners have the chance to influence the activities of their society by participating in its administrative bodies."⁶⁴ But generally, these issues were largely concealed by the strong focus on economic benefits. When the membership department of the NKL sought to define an active member for purposes of statistical analysis in its 2000 *Annual report*, the definition was simply all those "making 60% of their daily household consumption in the consumer co-operative".⁶⁵

Although some critical voices argued that this more or less exclusive focus on the economic advantages of co-operative membership stood counter to some of the core values of the co-operatives, the effect on membership growth was immediate. The massive success of the new membership schemes was obviously related to parallel societal transformations, including such broad trends as increased individualization, a general decline in the importance of popular movements and perhaps most prominently, a de-ideologization of consumption. Historically, shopping (or not shopping) at the co-operative store had been an important way of expressing a distinct political attitude.⁶⁶ By the 1990s however, this way of expressing political viewpoints had lost most of its potency. Indeed, as early as in 1950 the impression among Norwegian co-operative administrators was that most co-operative members were no different than other consumers. One of the things that could still rouse enthusiasm and loyalty among late twentieth century consumers, however, was the prospect of individual economic advantages. The growth in co-operative membership in the Nordic region following the revised membership schemes of the early 1990s is in itself a potent expression of this trend.

Conclusion

In contrast to the experiences of most consumer co-operatives in Western Europe, the consumer co-operatives in the Nordic region saw their market position and membership figures increase substantially during the second half of

64 Lahti, *Your Benefits in Finland*, p. 39.

65 Cited in Lange et al., *Organisert kjøpekraft*, p. 535.

66 See also Chapter 6.

the twentieth century. Similar positive developments were also seen in a few other countries, most prominently in Italy and Switzerland, and partly also in Spain and Portugal. The experiences of the Nordic consumer co-operatives are still unique, considering the strong market position held by these co-operatives as well as the very high share of the Nordic population that supports co-operation through membership.

This chapter has briefly described some main features in the development of the various Nordic consumer co-operative enterprises during the second half of the twentieth century, focusing on similarities and differences along three main dimensions: the development in the number, size and types of food retail stores operated by the Nordic co-operatives, the development in their organizational structure and the development in popular support for co-operative trade. The chapter has not intended to offer a comprehensive analysis of the reasons for the relative success of the Nordic consumer co-operatives compared to most of their west European counterparts. Still, it has claimed that at least one important part of the answer must be related to how the Nordic consumer co-operatives handled the many radical transformations that characterized the development of the post war food retail industry. The chapter has tried to show how the Nordic co-operatives stood at the forefront in introducing modern retailing practices such as self-service, supermarkets, warehouses and hypermarkets. Secondly, it has shown how most of the Nordic co-operatives were quite successful in countering the competitive strength of the retail chains by actively reorganizing their traditional, decentralized federal model in various ways. Much research on the development of consumer co-operatives in post-1950 Western Europe has claimed that a major reason for the decline of such trade in many countries was the rise of the large, private retail chains replacing the independent retailers and outperforming the co-operative form of retailing.⁶⁷ This argument does not hold for the Nordic region. Here, co-operatives sustained and in some countries massively increased their market shares despite strong growth among private retail chains. This does not imply that the retail chains did not pose a major competitive challenge for the Nordic co-operatives or that they did not affect the expansion of co-operative trade. But overall, the organizational responses taken by the Nordic co-operatives helped them to defend and in some countries even strengthen their market share. Finally, all the Nordic consumer co-operatives were generally quite successful in adapting their co-operative image to the wants and needs of the individualized, affluent consumers and hence to increase massively the number

67 See for example the articles in Brazda and Schediwy, *Consumer Co-operatives in a Changing World*, Vol. 1 and 2.

of people holding a co-operative membership. This was done primarily by focusing on the tangible economic benefits offered by co-operative membership.

Underlying these abilities to adapt their stores, their organizational structure and their corporate image – and thus to defend and expand their market share and increase membership – was an overall pragmatic attitude towards the goals and principles of co-operation. The Nordic co-operatives simply found efficient ways of re-aligning modern retailing practices with the more traditional virtues of the co-operative model. These were at least some of the factors creating the success of the Nordic consumer co-operatives in the second half of the twentieth century.

Conclusion



Conclusion: Consumer Co-operatives Past, Present and Future

Silke Neunsinger and Greg Patmore

This conclusion aims to bring together the various themes raised by the contributions to this volume and to put them into the larger context of the global development of the last 200 years, in order to understand how and why consumer co-operatives have developed as a global phenomenon. In the following we explore the early history of consumer co-operatives prior to the emergence of mass consumption after 1945. This particularly affected the global north. Thereafter we examine themes relating to a period of perceived crisis for consumer co-operatives, when they faced challenges from the rise of other business models in retailing and a shift from social movement consciousness to consumerism.¹ Finally we look at the future challenges and opportunities for consumer co-operation. Recent events such as the global financial crisis and the United Nations International Year of Co-operatives in 2012, for example, have given an impetus to the international co-operative movement generally.

Despite the national framework of the studies presented in this volume there are a number of results that show general patterns or global phenomena and transnational entanglements that have contributed to the diffusion of standardized models of consumer co-operation. Firstly, consumer co-operatives can be found all over the world, although they differ in scale and in how long they have existed. Secondly, despite the common influences on their foundation, we have seen a large variety in the models of consumer co-operation. Thirdly, in almost all cases transnational connections have played a role for the startup and development of consumer co-operatives. However, the diversity among these movements makes in depth studies of each case necessary.

Although this volume includes examples of consumer co-operation from all continents, with the exception of Africa, it cannot cover every single region in the world. The lack of sources can make any attempt to write a more inclusive history of the world difficult and in a long term perspective may influence the balance between different parts of the world.² As Jürgen Osterhammel has

1 Ekberg, "Confronting Three Revolutions", pp. 1005–15.

2 Osterhammel, *Die Verwandlung der Welt*, p. 20.

put it, as global historians we need to have a sense of proportion and scale, a sense for what is especially powerful and which influences matter and for what is typical or representative. But we also need to bear in mind our dependence on existing research and the need to summarize others' research in a few sentences.³

This volume is dominated by consumer co-operatives in the global north. This could be due to the fact that consumer co-operatives have thrived better in the global north than in the south. It could also be that consumer co-operatives have existed in other regions but we lack research or access to research on this development. However, the entanglements we have discovered during this project and some of the literature on the difficulties of starting co-operatives for instance in Africa indicate that consumer co-operatives were never a phenomenon exclusive to the north, even though they have been strongest there. Some regions and forms of consumer co-operatives have remained underrepresented. This is the case for the former countries of the Eastern Block where co-operatives were mainly active in rural areas,⁴ and for west Asia. Consumer co-operatives have been successful in Israel and even provided a role model for some regions in Africa during decolonization.⁵

This volume deals mainly with a more standardized organization of consumer co-operatives, which was a new phenomenon during the nineteenth century and became formalized to some extent when the International Co-operative Alliance (ICA) adopted the co-operative principles in 1937.⁶ Other forms of co-operation such as agricultural or financial co-operatives had also existed for a long time and similarly to consumer co-operatives developed into models diffused during the nineteenth century, such as the Raiffeisen and Schulze Delitzsch models. The success of all of these models has been explained by their ability to solve everyday problems of the poorer members of society during the transformation to capitalism.⁷

When and Where Did Consumer Co-operatives Emerge?

To understand how institutions, techniques and practice have spread and become diffused over national borders we need to find out where and when they

3 Osterhammel, *Die Verwandlung der Welt*, p. 15.

4 Ruwwe, *Die Stellung der Konsumgenossenschaften*.

5 Chambo and Kimambo, "Consumer Co-operatives in Tanzania".

6 Birchall, *The International Co-operative Movement*, p. 58.

7 Lorenz, "Introduction: Co-operatives in Ethnic Conflicts", p. 35.

came into existence. Jürgen Osterhammel has suggested this approach to understand the spread and diffusion of the printing press, the steam engine and agricultural co-operatives because it enables us to find out about regularities in this development.⁸ In the following we will map the development of consumer co-operatives in time and space.

Co-operative practices have existed for a long time, but their early history is not easy to trace. According to Kim Hyung-mi, the first co-operatives in Korea can be dated to 32 CE.⁹ Writing of Latin American in the seventeenth and eighteenth centuries, Sigismundo Bialoskorski Neto has referred to early co-operative experiences among the indigenous population and Jesuits, the so called *reducciones*.¹⁰ African American co-operators drew their inspiration from co-operative practices among slaves in both Africa and America, where families often pooled resources to supply their own basic needs, but also to buy the freedom for their fellow slaves.¹¹ These early and often informal forms of co-operation are connected to the forced migration of slaves to the Americas before the 1870s.¹² Not all of these co-operative experiences were democratic initiatives as the example of *reducciones* shows. Indigenous people were moved to places where they had to co-operate not necessarily out of free will, but under the influence of foreigners aiming to convert them to the Christian faith. *Reducciones* were sometimes economically successful but they have also been described as forced labor and forced conversion, indeed as typical examples of European expansion. In some cases, *reducciones* were in fact important to rescue people from becoming slaves.

The more standardized forms of consumer co-operation are easier to trace historically and it is above all their history we have been able to document in this volume. Consumer co-operation has had its ups and downs in most regions where it has existed. The contributions in this volume indicate that a first impulse of co-operative organizing took place from the 1820s in the industrializing areas of Europe in states such as Britain, Belgium, France, Switzerland, Austria and Italy.¹³ Their spread beyond Europe followed patterns of “white” Atlantic migration. Early examples can be found in the United States, Canada and New Zealand. These early forms did not necessarily take the legal form of

8 Osterhammel, *Die Verwandlung der Welt*, p. 11. Thomas Adam takes co-operatives as an example for studying such phenomena; see Adam, *Intercultural Transfers*.

9 See Ch. 14.

10 Bialoskorski Neto, “Introduction to the History of Rochdalian Co-operatives in Latin America”.

11 See Ch. 8.

12 Hoerder, *Cultures in Contact*, see also Ch. 8.

13 See Chs. 3, 4, 5, 11, 23, 24.

co-operatives. The pooling of resources was sometimes organized through voluntary associations, as in France, Germany, the United States and Argentina, or joint stock companies as in some areas of Switzerland. Many of them belonged to the universe of mutual aid and were short lived.¹⁴ In this period knowledge about co-operative models circulated through a variety of sources including newspaper reports and word of mouth.

A second impulse of consumer co-operation took place from the 1850s in territories such as Australia, Bohemia, Belgium, France, Portugal, Russia and Switzerland.¹⁵ During this period the publication of G J Holyoake's *History of the Rochdale Pioneers* inspired British immigrants in Australasia and North America to start co-operatives based on Holyoake's account of the Rochdale characteristics.¹⁶ Continuing communication between the immigrants and their home community kept them informed of the latest developments in Britain including the establishment of co-operative wholesaling.

The importance of consumer co-operatives can also be discerned from new developments, which took place during the second industrial revolution from the 1880s. It is at this point of time when wholesale societies were established, for example in Germany and the United States. Many took as their role model the English Co-operative Wholesale Society (cws) founded in 1863, with its international supply chain that included butter processing in Denmark, tea plantations in Sri Lanka and meat processing facilities in New Zealand.¹⁷ At the international level the major achievement of this period was the formation of the ICA in 1895. Before the First World War new co-operatives were also founded by labor movements after the Second International's congress in Copenhagen in 1910 and in some of the colonized areas such as South Africa and India.¹⁸

A number of new initiatives to found consumer co-operatives also emerged during the interwar years in the global north. In many regions of the world co-operatives experienced either decline due to economic problems or growth as scarcity, high prices and bad quality encouraged people to start new consumer co-operatives. It is also during this time period that for the first time we see the state taking over consumer co-operatives, such as in the Soviet Union.

14 Van der Linden, *Workers of the World*, pp. 133–49.

15 See Chs. 4, 5, 12, 18, 24. See also Reich, *Arbeiterselbsthilfe*, pp. 24f; Ruwwe, *Die Stellung der Konsumgenossenschaften*, pp. 38, 96.

16 On Holyoake see Ch. 3.

17 On the international trading networks of the cws see Ch. 22.

18 Birchall, *The International Co-operative Movement*, p. 166; Shaw, "Casualties Inevitable"; Ruwwe, *Die Stellung der Konsumgenossenschaften*; Reich, *Arbeiterselbsthilfe*.



ILLUSTRATION 28.1 *The Swedish co-operative insurance society Folksam celebrates the centenary of the Rochdale pioneers.*

ARBETARRÖRELSENS ARKIV OCH BIBLIOTEK, LANTARBETAREN.

Dictatorial regimes and colonial powers supported consumer co-operatives, amongst other reasons for food supply. After the Second World War other governments of the Eastern Block such as the People's Republics in Hungary, Poland, Czechoslovakia and the German Democratic Republic also followed this but were restricted to rural areas while state owned retailers became responsible for food distribution among industrial workers in urban areas.

We can also discern a new wave of start-ups of co-operatives in the global south during the periods of decolonization and neo-colonization after the Second World War. Consumer co-operatives were initiated by new governments after liberation or by individuals, sometimes in co-operation with the larger co-operative movements from the north.

Two points can be made from this discussion. Firstly, apart from the very early initiatives of less formalized consumer co-operatives mentioned above, it seems that a more standardized model of consumer co-operation – as an alternative to private retailers – emerged as a side effect of industrialization, and the internationalization of food production, during the transition from shopping and haggling at a market to going to a shop with a fixed price.¹⁹ Torsten Lorenz has also pointed to the role of antisemitism as an element of co-operative propaganda in Eastern Europe at that time.²⁰ Secondly, the initiatives came from the industrialized areas of Europe and spread from there to other regions of the world such as during the two world wars.²¹

Why Were Consumer Co-operatives Started?

The contributions in this volume show that there were initially a number of reasons why consumer co-operatives emerged and that they developed in different ways. The explanations are multilayered. First of all, the scarcity of goods and/or the scarcity of goods of high quality seems to have inspired individuals, groups of people or even larger social movements and states to start consumer co-operatives. Second consumer co-operation followed European expansion and became part of the intensified transnational connections worldwide, contributing to new transnational and transcultural entanglements.

19 Pounds, *Hearth and Home*, pp. 394ff; see also Spiekermann, *Basis der Konsumgesellschaft*; Osterhammel, *Die Verwandlung der Welt*, p. 341.

20 Lorenz, "Introduction: Co-operatives in Ethnic Conflicts", p. 11.

21 See the introduction to Section 2.

How can we understand this European bias during the nineteenth century? Jürgen Osterhammel has described the nineteenth century as a century of European initiatives. Never before had changes in Europe had such an impact on the rest of the world, nor had European culture ever created such an interest outside Europe as during the nineteenth century.²² It was a century of asymmetrically increased efficiency: human productivity increased like never before while new production methods were introduced with a refined division of labor. As a consequence, during the first years of the industrial revolution workers worked harder than they could take in energy, with the consequence that they became malnourished. Evidence of this is provided by the fact that on average they were shorter than people before and after this period and also had a shorter life expectancy, connected to the bad sanitary situation in growing towns and cities.²³ In short, people worked harder and needed more and better food. Moreover, the industrialization and internationalization of the production of food meant that more women worked in factories with less time for food production at home. These developments also created new patterns of consumption such as a greater demand for readymade food. This type of food was distributed through trans-local distribution systems, which apart from the farm, the market, the local bakery and the local butcher also created a need for shops, not only in Europe but also in China. During times when good quality food was scarce, consumer co-operatives were an alternative to the private retailers.²⁴

The fact that consumer co-operatives were started as a reaction to prices and the quality of goods, during a time when workers needed to change their diet, is illustrated by the focus on certain goods. Imported sugar became an ordinary ingredient in workers' diets and was the only imported good that was not part of luxury consumption, which shows the need for energy. The production of sugar doubled between 1880 and 1900 and became the main source of energy for the poor.²⁵ In Europe bread was part of the typical working-class diet and the lack of bread and/or bread of good quality was a reason to start different forms of co-operation. In 1855 the silk ribbon weavers in Basel in Switzerland

22 Osterhammel, *Die Verwandlung der Welt*, p. 20.

23 Riley, *Rising Life Expectancy*, p. 34; Imhof, *Lebenszeit*, p. 84; Osterhammel, *Die Verwandlung der Welt*, p. 260.

24 Osterhammel, *Die Verwandlung der Welt*, pp. 259ff; see also Fogel, *The Escape from Hunger*, pp. 11, 18, 35ff, 38, 40. See later discussion.

25 Pohl, *Aufbruch zur Weltwirtschaft*, p. 11; Mintz, *Sweetness and Power*, pp. 78, 114–20, 133ff, 148ff, 180ff; Osterhammel, *Die Verwandlung der Welt*, p. 338.

tried to establish an association to produce and sell bread.²⁶ Many socialist co-operatives originated as bakeries during the second half of the nineteenth century. The most well-known example was the “Vooruit” in Ghent, where as Geert van Goethem has shown the bread produced was not cheap, but its quality was good.²⁷ Co-operatives invested in large modern bakeries that enabled them to produce bread for millions as in the case of the Vorwärts in Wuppertal. In Czech regions it was the production of marmalade during a shortage of fat that made the movement survive.²⁸ These examples show how successful consumer co-operatives could keep pace with the industrialization of food production when they established factories to produce their own goods. The internationalization of food production such as the trade in Danish butter is another example of how important consumer co-operatives have been in the modernization of food production and distribution. No other European country played such an important role for the import of food and formerly luxury foodstuffs as Britain, where for example tea became part of the ordinary diet.²⁹ Not surprisingly tea became also important for the co-operative movement, which purchased its own tea plantations.³⁰

By contrast, the absence of scarcity and the success of other distribution systems have been one of the major challenges for consumer co-operation during the postwar period in the global north. The German example illustrates this well. After the end of the Second World War, when the supply of food and goods could not meet demand, there was a strong co-operative movement in both parts of Germany. As soon as the supply improved in the West the movement was challenged, while shortages in the East, especially in the countryside, sustained consumer co-operatives although in a marginalized position until 1989.³¹

Scarcity of food has also been a reason for employers, workers and sometimes trade unions, missionaries and even states to start or support the co-operative movement. Early initiatives came from liberal employers in Austria and Germany and from employers in certain trades such as railway construction work, mining and later even for state employees.³² Many were started during what we have described as the first impulse of co-operative organizing, such as

26 See Ch. 24.

27 See Ch. 4.

28 Reich, *Arbeiterselbsthilfe*, pp. 116ff.

29 Walvin, *Fruits of Empire*, pp. 168–73.

30 See Ch. 22.

31 See Ch. 10.

32 See also van der Linden, *Workers of the World*, p. 137.

for example the Caisse de Pain started by French employers in one of the first industrialized towns in France, Guebwiller in Alsace in 1826.³³ These initiatives inhibited other developments, as these liberal co-operatives were criticized by leaders of the labor movement such as the Belgian P Dewitte who regarded them as sleeping pills to keep people happy.³⁴ This has also created resistance against co-operatives. For example the German Social Democratic Party, which until 1910 emphasized the iron law of wages, was rather critical of liberal co-operatives, which it saw as means to keep wages low and to secure the support of the emerging labor movement for liberalism.³⁵ As a reaction to employers' initiatives workers took the initiative to start their own co-operatives because the only store was factory owned. For Australian workers, trade unions saw industrial regulation as an alternative to consumer co-operatives for combating the rising cost of living through the indexing of wages to prices by industrial tribunals.³⁶

A sense of locality in connection with scarcity is also important. Many early consumer co-operatives were based on a particular geographical location, reflecting the more limited markets and transport infrastructure of the nineteenth century. These have sometimes also been the reasons why some co-operatives managed to survive during periods of economic downturn and war. With the European expansion through the mass migrations between 1815 and 1914, when at least 42 million people crossed national borders, and the new expansion of colonial empires, the world experienced a wave of globalization between 1860 and 1914 that was strongly influenced by Europe.³⁷ This expansion was closely connected to the needs for European industrialization and resource colonialism with new mining areas outside Europe becoming important. It also meant that the transport revolution had the same importance worldwide as it did in Europe.³⁸ This was important not only for industrialization itself, with its consequences for the workers as mentioned above, but it also contributed to the cultural diffusion of a standardized model of co-operatives in situations of scarcity in remote areas and in energy demanding occupations such as mining and railway building. Railways were themselves important for the integration of national markets. Earlier, prices for bread or wheat could differ between different regions but with the introduction of railways price

33 See Ch. 5.

34 See Ch. 4.

35 See Ch. 2.

36 See Ch. 18.

37 Osterhammel, *Die Verwandlung der Welt*, p. 235.

38 Osterhammel, *Die Verwandlung der Welt*, p. 1035; Malm, *Fossil Capital*.

differences were minimized.³⁹ Historians with an interest in global history sometimes tend to focus exclusively on mobility, networks and cosmopolitanism, but the majority permanent population in immigrant societies is equally important.⁴⁰

In remote areas there was also a need for the supply of other goods such as petroleum and fertilizer. Agricultural co-operatives often sold these products to farmers.⁴¹ Goods such as kerosene in Japan or petroleum in certain regions of Canada were important for everyday life – for heating in Japan and transport in the remote areas of Canada – and helped to make the co-operative movement a success. Despite the transport revolution, scarcity remained a problem for farmers in isolated rural communities in countries such as Australia, Canada, Russia and the United States. The rapid expansion of the frontier of European immigration exacerbated these issues, as for example, in the prairies of Canada and the Pampas of Argentina. In these cases, as well as in some co-operatives in African regions, producer and consumer co-operatives were not as clearly demarcated from one another as in other regions. Agricultural co-operatives pooled farmers' resources to buy supplies needed for agricultural work such as fertilizers and seed but in some cases these co-operatives also extended their activities into general retailing. As MacPherson notes the boundaries between agricultural or producer co-operatives and consumer co-operatives became blurred in agricultural regions.⁴²

The second impulse of consumer co-operation was linked to the effects of the second industrial revolution and also the mobilization of an international working class. In many parts of the world it was highly industrialized areas such as Manchester in England, Bohemia in the Habsburg empire and Ghent in Belgium, which were the places where co-operatives were initiated. The importance of industrialization is also illustrated in the case of latecomers such as in Spain, where industrialization was highly local and co-operatives were started in the same places, or the industrialization of rural areas in China during the 1970s. Industrialization encouraged railway construction, which opened up new areas for the spread of co-operatives. It is therefore not surprising that railway workers and mineworkers are groups of workers that are often mentioned in connection with consumer co-operatives. Both groups of

39 Stoler, *Capitalism and Confrontation*, p. 20; see also Osterhammel, *Die Verwandlung der Welt*, p. 1022.

40 Osterhammel, *Die Verwandlung der Welt*, p. 183.

41 König, *Geschichte der Konsumgesellschaft*, pp. 94ff; Osterhammel, *Die Verwandlung der Welt*, p. 345.

42 Ruwwe, *Die Stellung der Konsumgenossenschaften*. See also Ch. 17.

workers often worked at a distance from infrastructures that would have allowed them to do the shopping.⁴³ However consumer co-operatives were also started by miners, railway workers and by employers in response to the general scarcity of goods. Food was important for worker productivity and its provision was essential to reduce labor turnover in remote locations. But food was also expensive to transport long distances, for example from South Africa in the case of the Belgian Congo during the 1920s, and disputes over food led to industrial conflict.⁴⁴ This sheds light on the importance of food distribution in remote areas. In Katanga mines and railways were connected as in many other places of the world and illustrate why either workers or employers used either co-operative or commercial distribution channels. The Albion Mines in Nova Scotia were amongst the first co-operative stores to be started in Canada and survived for a long time.⁴⁵ In Japan both factory and mine owners started co-operatives and this was also the case with railway workers in Argentina and the United States.

The First World War created a worldwide problem of food distribution. Food riots were common in European cities and created a serious threat to the war economy in Germany for example, where the scarcity of food forced women to hunt for food rather than replace men in essential war industries.⁴⁶ During this period the co-operative movements in France, Britain, Austria and Germany managed to prove their capability to provide the military and civilian population with food. The advantage of co-operatives, as the cases of Austria and Russia demonstrate, was that they already had developed a centralized system of distribution, which could be used for rationed products. Co-operatives had a similar role during the Spanish Civil War and directly after the Second World War in parts of Germany and Austria.⁴⁷

The economic crisis and political disillusionment with capitalism during the interwar period helped consumer co-operatives in some countries to increase membership and win over new groups of members. In Germany the middle class became attracted to the movement, but after the economic crisis the movement was not able to keep this new group. Economic crisis as a period of scarcity hit the co-operative movement in different ways depending on their political ideology and which stage of development they were at, but

43 Stoler, *Capitalism 1985 and Confrontation*, p. 20; see also Osterhammel, *Die Verwandlung der Welt*, p. 1022.

44 Yelengi, "Katanga", pp. 463–88.

45 See Ch. 17.

46 Hunt, "The Politics of Food", pp. 8–26; Davies, *Home Fires Burning*; Östberg, *Efter rösträtten*.

47 See Chs. 10, 11, 13.

also the political environment and how hard the region was hit by the crisis. In California, for example, we see the formation of a number of consumer co-operatives in the Bay Area, influenced by a range of factors including the New Deal self-help co-operatives and a visit by the influential Japanese pacifist and co-operator Toyohiko Kagawa.⁴⁸ At the same time in some countries such as Germany and Austria consumer co-operatives lost their assets during the economic crisis during the interwar period due to the unfavorable climate they faced under the European fascist regimes.⁴⁹

Scarcity, but also the transnational, transcultural and transcontinental spread and diffusion of ideas about consumer co-operation, became important for the foundation of new consumer co-operatives. Other forms of co-operation such as agricultural or financial co-operatives have also existed for a long time and similarly to consumer co-operatives they developed into models diffused during the nineteenth century, such as the Raiffeisen and Schulze Delitzsch models.⁵⁰ While we have seen that a number of different initiatives to start co-operatives seemed to have started independently we can also see an intensification of connectivity worldwide that supported the spread and the diffusion of co-operative ideas from the second half of the nineteenth century. As far as we can see from the available sources the diffusion of co-operative ideas during the first half of the nineteenth century was mainly to the neo-Europes, which early on had a tighter connection with developments in Europe.

The nineteenth century was also a period characterized by the acceleration and multiplication of transnational and transcontinental entanglements, or what David Harvey has described as a time and space compression.⁵¹ Sebastian Conrad has described the wave of globalization at the end of the nineteenth century as the age of synchronization and standardization. Standard measurements of time, weight, length etc. were introduced, but also affected laws and international agreements on industrial standards.⁵² And as Jürgen Osterhammel has put it market economy, law and religion became the three pillars of the most successful version of a worldwide civilizing mission.⁵³ Although co-operation beyond borders was not a nineteenth-century phenomenon, as the example of the Catholic Church shows, a number of new international social

48 See Ch. 20.

49 See Chs. 10, 11.

50 Birchall, *The International Co-operative Movement*, pp. 11–20.

51 Harvey, *The Condition of Postmodernity*, p. 240; Osterhammel, *Die Verwandlung der Welt*, p. 1011.

52 Conrad, *Globalisierung und Nation im deutschen Kaiserreich*.

53 Osterhammel, *Die Verwandlung der Welt*, p. 1183.

movements, all very similar in their organizational structure, were founded in the global north. These movements such as the labor movement and the women's movement reinforced standardization. Moreover, new infrastructures that allowed people to travel faster, and a media revolution that made news travel faster, created a sense of synchronicity: people were able to know about developments in other parts of the world at a pace never experienced before.

Another important characteristic of the nineteenth century that became important for the establishment of consumer co-operation and the diffusion of co-operative ideas is the tension between equality and hierarchies. Despite colonialism and imperialism, the nineteenth century in Europe was the age of revolution, emancipation and participation. This was also the case for some of the neo-Europes.⁵⁴ The consumer co-operative movement was linked to ideas of economic and industrial democracy. The revolutions of 1848 and their democratic ideals, which spread from France to other parts of Europe and Brazil provided an impulse for the startup of consumer co-operation in the global north. The critique of prevailing political regimes, the demand for democracy and the growing discontent of the working classes went hand in hand with the ideas of co-operation among workers. The 1848 *Communist Manifesto* was the starting point for the organization of the working class on an international level. The Socialist International, although limited to the global north to begin with, created an alternative international infrastructure for the diffusion of ideas, through its meetings and contacts and also through its official publications and exchange of information. This was also the beginning of socialist initiatives to create consumer co-operation as a means to fight capitalism and even establish an alternative Co-operative Commonwealth. In Canada and the UK co-operators even formed their own political parties, though they continued to operate within the existing political system, forming alliances with social democrats and farmers.⁵⁵

Socialist co-operatives, even if they became successful models themselves, were inspired by the history of the Rochdale pioneers and show the entanglements between different initiatives. The best known example is Vooruit in Ghent in Belgium (1881), which served as a model in Germany, Austria, France and Portugal. Geert van Goethem has shown that the Belgian Vooruit (translated from German *Vorwärts* which was the name of the German social democratic newspaper founded in 1876) was both a product of the international labor movement and an influence on the international co-operative movement. This wing of the movement saw consumer co-operation as part of socialist change

54 Osterhammel, *Die Verwandlung der Welt*, pp. 1296–99.

55 See Chs. 3, 17.

and as an alternative to capitalist development. Socialist co-operatives were regarded as a means to transform economy and society into an egalitarian society. Strong socialist co-operatives existed in Europe until the de-politicization of co-operatives under fascism, but they were always contested and in many cases led to splits in national movements.⁵⁶

This political action contrasts with the ideal of apolitical co-operatives put forward by Charles Gide, and others. Co-operative movements found it necessary to find political allies such as the Democrats in the United States and the Country Party in Australia. These alliances were important because of the political challenges faced from non-co-operative retailers over issues such as tax concessions to co-operatives. Unsympathetic governments tried to restrict not only the products that co-operatives could sell but also to whom they could sell them, particularly consumers who were not members of the co-operatives such as in Japan.⁵⁷

At the same time colonial and imperial expansion during the second half of the nineteenth century as well as resistance against it provided fertile ground for the startup of consumer co-operatives. Co-operatives were started in Korea and China under Japanese influence, while Korean nationalist leaders also started co-operatives as a protest movement against Japanese exploitation. Similar initiatives where co-operatives were used for a nationalist purpose can also be found in for example Egypt, northern Tanzania and Finland. The Chagga people in northern Tanzania took the colonial government to court in the late 1930s to protect the Kilimanjaro Native People's Co-operative.⁵⁸ The colonizers' interest in learning from locals decreased during the nineteenth century and local knowledge was not taken seriously any more, which might explain why consumer co-operatives were started without integrating local initiatives.⁵⁹ Dutch co-operative law was used in the Netherlands-Indies, today's Indonesia.⁶⁰ Co-operatives could also form a basis for discrimination against indigenous people. In Kenya and Tanzania indigenous people were not allowed to join the colonizers' co-operatives and colonial legislation sometimes stopped them from starting their own co-operatives. However, there are also entanglements between local and colonial initiatives that developed into autonomous forms of co-operatives. Especially in Africa many agricultural co-operatives became a mix of producer and consumer co-operatives. The volume

56 See Chs. 4, 5, 10, 11, 12.

57 See Chs. 18, 20, 27.

58 Shaw, "Casualties Inevitable".

59 Osterhammel, *Die Verwandlung der Welt*, p. 1147.

60 Suroto, "The History of Consumer Cooperatives in Indonesia".

unfortunately provides few insights into the development of co-operatives in the former colonies of colonial and imperial powers such as Britain, Portugal, Belgium, France and Spain.

Churches have had an important influence on the start-up of co-operation not only in the global north but also in the global south. The Catholic Church is probably the oldest transnational organization, transgressing borders long before nation states came into being with a worldwide network of contacts that made transfers of information easy through the sending of people, encyclicals or letters. Within the Catholic Church, however, there were wide variations in terms of ideology and practice. We have already mentioned the role of Jesuits for co-operation among indigenous people in Latin America. A papal encyclical at the end of the nineteenth century dealing with social Catholicism also worked as inspiration for a number of new initiatives for Catholic co-operation in Italy, Spain and Switzerland. Another example was the Antigonish movement started at St Francis Xavier University in Nova Scotia in 1928, which combined credit co-operatives with education inspired by Danish folk high schools and expanded abroad after the Second World War. The contributions in this volume show that US missionaries were important for co-operatives in Guatemala and China. Jesuits brought the ideas of the Antigonish movement to Jamaica and merged them with local self-help traditions, which later became part of the welfare system in Jamaica. Canadian missionaries founded co-operatives in China. Another well-known example is the Mondragon co-operative started in 1956. In parts of Latin America, co-operatives started by churches were not necessarily regarded as being non-ideological, but were accepted during the Cold War because they were not Communist. However, in Guatemala General Kjell Langerud García supported co-operatives in order to be able to control the clergy. Similarly in the Dominican Republic dictator Rafael Trujillo, who had good contacts with the US and the Catholic Church, initially supported the co-operative movement initiated by Canadian missionary Gregory Steele, but eventually took them over as an apparatus of the state.⁶¹

Not only the Catholic Church but also Protestants became important for consumer co-operation. The best known example is probably Kagawa, who studied at a Presbyterian college, worked closely with the Japanese Federation of Labor and was arrested for his activism during strikes. Kagawa, who also examined issues such as how to combat poverty in the US, became an important source of co-operative inspiration, visiting many places in the world. Another

61 See Chs. 7, 13, 15, 17, 23, 24.

example is Alf Clint, an Anglican minister who promoted co-operatives in Australian indigenous communities.⁶²

The States have taken a variety of legislative approaches towards co-operatives. They range from no legislative framework to the situation where co-operatives are an extension of the state and not a grassroots movement, as during the Japanese occupation of Korea or currently in China. The Basilar law in Portugal adopted in 1867 was inspired by Holyoake's history of the Rochdale pioneers, as Dulce Freire and Joana Dias Pereira show, and is claimed to be one of the oldest laws to recognize co-operatives. However two economists had already introduced a bill in France in 1865, which would have allowed co-operatives to be established as limited liability companies or partnerships. Despite co-operative concerns that it could be used to restrict the movement it was finally adopted in 1867. Belgium, Switzerland, Italy and Germany introduced laws between 1873 and 1889, Japan followed inspired by Prussian law in 1900. The Finnish co-operative law (1901) was very influential on the development of its co-operative movement. Problems have arisen in federal states such as Australia where co-operatives are the focus of state or provincial legislation rather than a national legal framework, which impedes consumer co-operatives from operating outside particular state or provincial jurisdiction.⁶³ Since the 1990s the ICA has in co-operation with the ILO worked on the standardization of co-operative law to bring the different national variations into line with today's co-operative principles as stated by the ICA.⁶⁴ The state can also put restrictions on consumer co-operatives in terms of sales as in Japan and capitalization, which can limit their ability to compete against other business models in retailing.⁶⁵

The legal framework could be used to contribute to the expansion of co-operatives as in the case of Argentina, where the first law on co-operatives was adopted in 1926, or in Spain where the foundation of co-operatives was furthered both through the legal framework but also state funding. The People's Republic of China even gave co-operatives constitutional status during a short period of time. Strong control through the state could imply less freedom for the movement, but also saved some of the early initiatives, as Michael Prinz shows in his contribution. A number of German co-operatives were saved from failure because of the legal requirement for an official auditor to ensure sound financial management. Many examples in different countries reinforce this

62 See Chs. 18, 20.

63 See Chs. 4, 5, 6, 12, 13, 14, 15, 23, 24, 26.

64 Hagen, *Guidelines for Cooperative Legislation*.

65 See Chs. 16, 26.

point, as consumer co-operatives often failed due to poor management and lack of knowledge of accounting.⁶⁶

A second wave of legal initiatives was taken during the 1930s. In most cases and especially during dictatorship these served the interest of governments to control the movement and depoliticize it. Examples include Germany, Austria, Portugal, and Spain, but also the occupied areas during the Second World War. The Central American dictatorships also used existing co-operatives for food distribution and other political purposes and were able to direct them through legislation. The People's Republic of China used legislation to politicize co-operatives for various aims. During Mao's rule they were used as a means of collectivizing the private economy and under Deng's leadership they were used to give households more economic responsibility, though they could still be controlled through local governments.⁶⁷

New Patterns of Consumption as Challenges for Consumer Co-operatives after the Second World War?

Espen Ekberg, who focused on the experiences of Britain, Germany and the Nordic countries after 1950, has noted that the survival of consumer co-operatives is linked to their ability to confront three major transformations or revolutions in the food retail market.⁶⁸ Firstly, co-operatives have had to adapt their store formats to meet the "supermarket revolution" with the growth of self-serviced supermarket and hypermarket retailing. Before these changes the co-operative stores were small and specialized stores, which were located close to the consumer and relied upon personal counter service. Now food is largely sold on a self-service basis and the average size of stores has increased, while the overall number of stores has fallen. Meeting the first challenge requires sufficient capital formation to purchase the land required to build supermarkets and hypermarkets, with sufficient space for car parking.⁶⁹

As Ekberg notes in his contribution to this volume the Swedish co-operatives pioneered the introduction of self-service in Europe. While the Finns were skeptical towards self-service retailing, they eventually became successful in opening supermarkets and hypermarkets from the early 1970s onwards. By 2010 one third of the Finnish S-group's food retail sales came from hypermarkets.

66 See Chs. 10, 13, 15, 19.

67 See Chs. 7, 10, 11, 12, 13.

68 Ekberg, "Confronting Three Revolutions", pp. 1005–15.

69 Ekberg, "Confronting Three Revolutions", pp. 1006, 1009–15.



ILLUSTRATION 28.2 *Mobile self-service grocery store run by Solidar co-operative in Malmö, 1952.*

ARBETARRÖRELSENS ARKIV OCH BIBLIOTEK. LANTARBETAREN.

The Italian co-operatives saw the need to rationalize to finance new supermarkets and hypermarkets and take advantage of economies of scale. This expansion was financed through the strategy of persuading members to provide loans to their co-operatives, which by 2002 formed 55 per cent of total liabilities. The Japanese co-operatives, faced with stagnating sales, launched an individual home delivery service in 1990, which has become a very successful business model. A number of co-operative movements, such as those in Austria and West Germany, were crippled by their inability to raise sufficient finance to fund modernization.⁷⁰

The second important challenge according to Ekberg was the “chain store revolution”, which related to the growth of large standardized, integrated and centralized retail chains. In the 1950s west European independent retailers would own one or more stores and operate them on a non-standardized and autonomous basis, receiving supplies from a variety of stores. This organization had fundamentally changed by the end of the century with retail chains having several hundred branches marketed under the same brand. Inflationary

70 See Chs. 10, 11, 23, 26, 27.

pressures in the 1970s increased the costs of holding stocks on the premises and improvements in delivery techniques reduced the need for onsite warehousing. Large supermarket chains in the US and UK developed regional distribution centers or centralized depots. Technological developments in the cash register, such as price scanning, allowed better supply forecasting and an emphasis on “demand pull” rather than “supply push”. The headquarters of the chain store supermarkets became responsible for buying and negotiated on behalf of all stores in the chain. These developments in supply chain management paved the way for large cost savings, the increased efficiency and productivity of operations and cheaper prices.⁷¹

There were varying experiences for the consumer co-operatives in dealing with this revolution. The Italian co-operative movement that was associated with the Lega believed that only by creating a system of firms that encouraged collaboration would retail co-operatives remain competitive. There were contrasting approaches to this problem in the successful Nordic countries’ co-operative movements, where in Norway the co-operative stores were owned and operated by local societies but buying was centralized through one co-operative wholesaler, while in Sweden local retail societies merged into larger units. In Switzerland the various consumer co-operatives merged into one single national co-operative operating over 1,000 stores, which competes with the similarly sized Migros.⁷² While co-operatives were innovators in a number of other countries in regard to self-service for example, such as Austria and the UK, they were unable to capitalize on these initiatives particularly in regard to supply chain management.⁷³ The French co-operatives did not rationalize their stores quickly enough and were slow to become computerized or start advertising. In Atlantic Canada co-operatives in smaller and medium sized communities disappeared as improved roads made it possible for people to drive longer distances to do their shopping at non-co-operative supermarkets that provide a larger range of goods at lower prices. In Canada, despite the successes of regional co-operative wholesalers, they were only able to provide the retail co-operatives with a portion of what they required and the retail co-operatives become more dependent on non-co-operative wholesalers who drew their profits from shipping at the expense of the profits from retailing. While the NSWCS collapsed in Australia in 1979, the small number of surviving Australian consumer co-operatives survived through the development

71 Ekberg, “Confronting Three Revolutions”, p. 1006; Hallsworth and Bell, “Retail Change”, pp. 306–11.

72 Birchall, *The International Co-operative Movement*, pp. 95–6.

73 See chs. 11, 21.

of a hybrid model that involved becoming franchisees. There is also evidence that Australian consumer co-operatives had to deal with unfair trade practices from non-co-operative supermarket chains.⁷⁴

The third important challenge according to Ekberg was the “consumer revolution”. As Ekberg notes, in their traditional form the co-operatives “had sought to offer their members three parallel advantages: the political advantage of being a member of a consumer organization; the advantage of self-governance; and the economic advantage of being eligible for a share of the profits.”⁷⁵ New consumer movements, which promoted consumer protection legislation, challenged the legitimacy of the co-operatives as a consumer movement.⁷⁶ There were consumer co-operative movements that met these challenges such as in Italy, which successfully redefined itself from protecting the purchasing power of workers to a movement protecting consumer health and the environment. The Japanese co-operative movement played an important role in Japanese consumer mobilization through promoting pro-consumer legislation in areas such as food safety and consumers’ legal rights. In Nordic countries the retail co-operatives marketed the economic benefits of co-operative membership with members of the Finnish S-group referred to as “customer owners”. Within the Nordic co-operatives dividends, bonuses and special rebates were offered exclusively to co-operative members to promote the co-operative. The French co-operative movement, by contrast, remained linked to class based allegiances and was unable to adapt to the appeal of mass consumption. Similarly the UK movement was limited in broadening its consumer appeal beyond its working-class roots, although corruption scandals ultimately led to reform and a resurgence of the movement.⁷⁷

However, there were trade-offs for consumer co-operatives in meeting these revolutions in terms of democratic processes. As Battilani has noted for Italy, where co-operatives merged to gain standardization and economies of scale, the larger size of the co-operatives distanced members from the general management and reduced the importance of members and the boards of directors who represented them, thereby weakening their democratic appeal.⁷⁸ By contrast movements that did maintain a strongly decentralized co-operative movement with local autonomy, such as Austria and Germany, were unable to

74 See Chs. 5, 17, 18.

75 Ekberg, “Confronting Three Revolutions”, p. 1007.

76 Ekberg, “Confronting Three Revolutions”, p. 1007.

77 See Chs. 5, 21, 26, 27.

78 Battilani, “How to Beat Competition”, pp. 110–112. See also Ch. 23.

undertake the capitalization necessary to meet the competition from the large non-co-operative retail chains.⁷⁹

While the ability of consumer co-operatives to deal with the revolutions in retailing is an important explanation for their survival, broader legal, political and economic changes are important in explaining the fortunes of retail co-operatives. Japanese consumer co-operative legislation prohibited retail co-operatives from selling to non-members. Ironically, however, this legislation may have strengthened the Japanese co-operative movement as the retail co-operatives had to ensure that all consumers were members. In Argentina, for example, the problems of EHO can be seen against the background of hyperinflation in the late 1980s with members withdrawing their funds as a result of a lack of confidence in the Argentine financial system. Wide fluctuations in interest rates during the 1980s created serious problems for profitability and expansion plans for consumer co-operatives in a number of countries including Canada and New Zealand. While the Country Party in Australia was traditionally sympathetic to the consumer co-operatives, they failed to gain significant long term support from the Australian Labor Party in the postwar period. There were similar issues with the labor movements in New Zealand and the US.⁸⁰

Future Challenges for Consumer Co-operatives

The co-operative movement remains a viable alternative to the neo-liberal agenda since the 1980s despite the ideological challenge of neo-liberalism. One significant problem for the co-operative movement in the last two decades, arising from neo-liberalism, was the push to demutualization and the questioning of the efficiency, relevance and viability of the co-operative model of economic democracy. While the main focus of demutualization was agricultural and financial co-operatives, it had broad implications for all co-operatives including consumer co-operatives in terms of political support and the visibility of co-operatives as a business model in education programs and textbooks.⁸¹

The resilience of the co-operative movement during the recent global financial crisis, however, highlights a more prudent approach compared to the risky behavior of entrepreneurs motivated by accumulating wealth at any cost.

79 See Chs. 10, 11.

80 See Chs. 17, 18, 19, 20.

81 Battilani and Schröter, "Demutualisation and Its Problems"; Kalmi, "The Disappearance of Co-operatives".

The interest in demutualization waned and the crisis highlighted in the UK, for example, the failure of demutualized societies such as Northern Rock and Bradford & Bingley.⁸² The value and relevance of the co-operative approach was reinforced by the United Nations' declaration of 2012 as the International Year of Co-operatives. This was the first time that the United Nations explicitly endorsed a particular business model. While the co-operative approach does provide an alternative model of economic and industrial democracy, as this volume has shown it is not immune from scandal and corruption, highlighting the importance of transparency and due process within the co-operative movement.

As several scholars have highlighted, one important aspect of the continued appeal of surviving consumer co-operatives is their link to the community, particularly in rural areas. As Nicole Robertson has noted, "for some of its members, the role of a co-operative society within a community extended beyond the realms of grocery shopping."⁸³ Co-operatives become enmeshed in the cultural and social environment of the community by sponsoring local sporting groups and assisting the elderly, for example, through financial sponsorship and forms of assistance. Co-op Kobe in Japan initiated members' mutual help groups in 1983 to provide personal home care at low cost for the elderly, handicapped or mothers with babies. This co-operative also promoted members' environmental awareness from the late 1980s by monitoring air pollution and checking the use of detergents and drainage. Co-operatives become a core institution in the local community promoting employment and retaining profits with the community. They promote "buy local" campaigns to ensure that residents of particular communities purchase from local businesses and they do not spend money elsewhere. These campaigns are designed to preserve local job opportunities and maintain viable communities. There are examples of co-operatives ensuring the maintenance of the retail profile of the community, to stop residents shopping elsewhere, by stocking goods formerly sold by businesses that have closed and even purchasing failed businesses to ensure that the goods and services continue to be provided to the community.⁸⁴

While the traditional appeals of co-operatives in regard to economic and industrial democracy may have declined, the focus of co-operatives on wholesome foods and environmental sustainability has been a positive aspect of the co-operative business model. The emphasis on the quality of food links back

82 Battalani and Schröter, "Demutualisation and its Problems", p. 155.

83 Robertson, *The Co-operative Movement and Communities*, p. 213.

84 Balnave and Patmore, "Localism and Rochdale Co-operation", pp. 63–5; Robertson, "Collective Strength and Mutual Aid", p. 935. See also Ch. 26.

to the original nineteenth-century emphasis on the sale of non-adulterated food. The Italian and Japanese movements were successful in promoting their COOP brand along these lines. The large co-operative groups in Spain, Eroski and Consum, emphasize healthy eating and environmental issues. The food co-operatives in Australia, Canada and the US have revived and sustained the movement on the theme of local and organic foods.⁸⁵

Another important issue for the future is the role of the state. Favorable legal status in terms of the constitution and sympathetic financial legislation has been of major assistance to the Italian consumer co-operatives. The JCCU won substantial changes to the Japanese Consumer Co-operative Law in 2007, which intensified regulations on governance but eased regulations that restricted co-operative activities such as the prohibition of non-member trade, to improve its retailing environment. Co-operatives have to gain political support to ensure a legal environment that not only protects them from unfair trading practices from non-co-operative retailers but also recognizes their value to the local community and their important role in reinforcing democratic values through their promotion of economic democracy. The state can assist retail co-operatives through start up finance, a principle that underlay the establishment of the Co-operative Bank in the US.⁸⁶

The consumer co-operative model still provides a significant model for self-determination by indigenous people in the global north and generally in developing countries. Ian MacPherson's contribution, for example, highlights the significance of co-operatives for the Inuit people in the Canadian north, where they became serious competition for the Hudson Bay Company and Frères and helped keep prices in the region as low as possible.⁸⁷ Similarly there is a potential for the development of the co-operative model for indigenous people in remote Australian communities despite the current emphasis by Australian governments on non-co-operative businesses as service providers. The recent explosion of co-operatives following the end of apartheid in South Africa highlights the importance of co-operatives in developing countries in economic development and the growth of economic self-determination.

85 See Chs. 13, 17, 18, 20, 23, 26.

86 See Chs. 20, 26.

87 See Ch. 17.

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