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COOPERATIVE MOVEMENTS IN THE U.S.A.
THE THIRD STAGE

by

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Brigham Young University, Provo (USA)

"A Civilization Moves on the Backs of Its Outlaws"
James Joyce

From a distance, the American economy tends to appear as a single monolithic structure characterized by numerous evils of capitalism. It is seen as technocratic, impersonal, obsessed with efficiency and profits, heavily bureaucratic, monopolistic markets, and highly concentrated wealth. A closer look reveals an outlaw economics lurking in the shadow of capitalist America, growing in the niches of the system's very foundation. This alternative economics is suspect to many observers, illegal in certain regions, and forced to operate quietly in the darkness in some cases. It has been beaten into the ground in the past, but is currently on the return again.

This emerging alternative to large-scale capitalism in the United States is a rising movement toward workers' co-operatives. This paper will briefly review past stages and forms of co-operative development in America and then assess the contemporary movement that seems to be growing. Finally, suggestions are made with respect to the future prospects for a co-operative sector of the American economy.

Three Stages

In the United States, the co-operative movement first appeared as a potentially significant alternative to the design of traditional organizations in the late 19th century. Although the historical data
are sparse, it appears that less than a hundred producer co-operatives had been formed by 1850. Over the next 70 years, the number of co-operatives grew to between 500 and 1,000, mostly concentrated in the industrialized regions of the northeast and midwest. A wide range of industries were represented in these small co-operative enterprises — printing, wood products, metal-working, clothing, and foods (Shirom, 1972).

During this period, the American economy shifted from small, autonomous, highly skilled crafts organizations. The transition was characterized by a change in the direction of large, hierarchical structures, assembly-line technologies and "scientific management", loss of worker independence and tighter controls. While the majority of U.S. workers conformed to the bureaucratization of work, a small minority did not. Ellerman (1979) traces the evolution of union-owned co-ops among iron molders in Boston who attempted to transform workers into being their "own masters" and abolishing the wage system. Likewise, Dawley (1976) discusses a national union of 50,000 shoemakers, the Knights of St. Crispin, which attempted in the 1860s to combat the deskilling factory system with a campaign to establish producer co-operatives with labor funds. The emphasis was on equal rights and self-employment. In most of these early co-op strategies there was a heavy valuing of a people-controlled society and a vision of economic justice — ideals which were criticized by some as dangerously foreign to American values.

Most of these attempts were short-lived and virtually all had disappeared by the latter part of the 19th century. They failed in part because of the same factors that cause most new businesses to die — inexperience, lack of capital, etc. Internal union ideological conflicts also exacerbated the problem, and the strategy of collective bargaining became the chief weapon in the arsenal of labor rather than worker ownership and co-operation. Eventually, the factory system with its technological, capital-intensive, and management-dominated characteristics was completely assimilated into the U.S. economy. This organization form seemed to diametrically oppose the small, human-scale structure of producer co-operatives, the result being that co-ops were perceived to be less efficient and unable to successfully compete with the modern industrial factory.

A second stage of co-operative development in America, the agricultural co-ops, emerged in the latter part of the 19th century and mushroomed throughout the early decades of the present century. They originated as an illegal, underground secret society of farmers. Banded together during the agricultural depression of the late 1880s they set up a system of exchange for the purchase and/or sale of farm goods. Known as the Grange, this movement escalated into an important and potent political force. However, the farmers were extremely individualistic and did not hold the collective vision and egalitarian values of producer co-op advocates in industrial labor. Instead, this new co-operative structure was simply seen as the most efficient way of purchasing and distributing agricultural goods. Instead of seeking to overthrow the capitalist system, farm co-ops became an integral part of the American way.

These farmers saw themselves as apolitical and pragmatic, with the result being rather phenomenal in terms of economic success. They achieved a degree of legitimacy that not only allowed their farms to survive, but they won enough support from the government to create agencies such as the Federal Farm Bureau, legislative support mechanisms, financing and all the apparatus necessary for long-term success. Currently in the U.S., there are over 8,000 agricultural co-operatives producing $16 billion worth of farm supplies annually. They are also involved in the moving of livestock and crops from the farm to the market, capturing over 30 percent (or $41 billion) of that business. Farm co-ops have doubled their markets in many products recently, and range in size from a few farms in the mountains of Montana to the giant Farm Land, Inc., of Kansas City which does $4 billion worth of business a year (Gaston, 1978).

The early success and experience of agricultural co-operatives provided the seeding for a growing number of related co-operative ventures — rural electrical co-ops which today number over 900 and provide power to 5 million farm families, rural telephone co-ops with assets of over $4 billion, credit unions to which 30 million Americans belong with assets value at $37 billion, and thousands of food and housing co-ops across the country (Knapp, 1969). This second stage of the co-operative enterprise has survived the test of time, grown to the point of becoming a genuine competitive force to be reckoned with in the marketplace, and, in some instances, moved beyond the largely rural origins of this movement.

The third stage of co-operative economics in the U.S. has only begun to surface in the past decade of the 1970s. In contrast to the second stage with its preponderance of an agricultural base, this new movement is largely industrial in nature. Its context is the economic crisis which workers and communities have faced in recent years. Motives for the co-operative of work are mixed, including both sheer survival and utopian notions about the good society. The focus of this paper will be to describe, analysis, and criticize the thrust of this third stage.
Launching The Third Stage

The present co-operative movement was preceded by at least two key historical events of recent years. One was the counter-culture rebellion by student radicals in the late 1960s which repudiated traditional capitalism and sought new forms of economic life — collectives, communes, and small craft co-ops (Rothschild-Whitt, 1979). Thousands of these enterprises have survived the tough periods of the past and today are an integral part of many college towns. Others moved out of the urban setting to pastoral farms or retreated to the Rocky Mountains in order to design a whole new community system based on equality, democracy, etc.

Another impetus has been the proliferation of humanization of work schemes in mainstream U.S. business firms. Under the rubric of participative management, numerous techniques have been developed and implemented to change the experience of working: quality circles, job enrichment, flexitime, work redesign, new plant start-ups, autonomous work teams, and so on.

Both of these developments introduced a new rhetoric of participation and heightened expectations that workers would have more of a voice on the job, that organizations could be humane as well as effective, and that new alternatives to the bureaucratic structures of the past could be discovered. When the economic crunch of the early and late 1970s occurred, workers began turning to new ideas and to their own power to determine a course of action, instead of merely waiting for management or government to respond.

Economic Obliteration

During the past four years, America has not suffered such severe social and economic havoc since the Great Depression of the 1930s. Business bankruptcies have doubled. Runaway plants and accompanying economic dislocations have devastated hundreds of U.S. cities. Some small towns are abandoned completely, as illustrated by the closing of a 6,000 worker Ford factory in Mahwah, New Jersey. Large urban areas undergo pain also. Los Angeles has suffered the permanent closings of over a hundred industries in the past seven years — in steel, rubber, automobile, meatpackaging, and the garment industry.

When shutdowns occur, suppliers and secondary businesses are hurt and municipal budgets are drained by the increasing demand for social services. Laid-off workers and their families suffer mentally and physically as the statistical toll mounts; a rise in depression, suicide, alcoholism, divorce, child abuse, etc. State and federal government welfare costs parallel the climb in personal problems: unemployment payouts, food stamps, and so on. The ripple effects of plant closings seem unending.

Currently the administration in Washington is heralding the economic miracle of Reaganomics as evidenced in the surge of the stockmarket which makes American millionaires richer than ever. Meanwhile, reality paints another picture: productivity still lags, the farmer and small businessman continue to go under, and 11 million people still do not have jobs.

Resurgence of Workers' Co-operatives

The intensity and duration of economic pain has galvanized groups with differing objectives and values into a common strategy for survival — the forging of a co-operative economy by the workers of America. The forms may vary, from political leftists attempting to build utopian communities, to small industrial co-operatives, to large employee-owned business firms (Woodworth, 1981, a). This third stage movement, which began in the late 1960s and early 70s, has changed significantly as it inches toward the middle of the 1980s. The table below captures the direction of this shift, contrasting conditions in the early 1970s with the early 1980s.

<table>
<thead>
<tr>
<th>FROM</th>
<th>TO TOWARD</th>
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<tr>
<td>A small number of collectivist organizations were launched by the counter-culture movement, each doing it's &quot;own thing&quot; in a rather isolated fashion.</td>
<td>Today there are perhaps 10,000 democratically managed collectives spread from coast-to-coast and linked together by regional and national networks.</td>
</tr>
<tr>
<td>Employee-owned firms were scarce, mostly small businesses, and operated like traditionally-owned enterprises: i.e., management dominated bureaucratic systems.</td>
<td>It is estimated there are presently 6,000 employee-owned firms, including a number of the 500 largest industries in the U.S. Many have democratized decision-making and elements of co-determination.</td>
</tr>
<tr>
<td>Worker-buyouts of troubled plants were few and far between, lacking a forceful union role, and frequently failed within the first several years.</td>
<td>Today's buyouts include giant businesses, often initiated by local labor leaders, and highly successful — perhaps 100,000 jobs have been preserved through buyout strategies of recent years.</td>
</tr>
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The public image of a workers' movement was one of doubt, distrust, etc. There was little national awareness of an economic alternative. Legislation and financing were difficult to obtain.

In the past, there was little available literature on workers cooperatives and only one organization providing limited technical assistance.

Currently there is a growing awareness of labor cooperation, with over 60 percent of the public identifying a preference for self-managed work. A number of federal and state legislative acts have assisted attempts to convert firms into worker-controlled enterprises. Private and public institutions are increasingly willing to finance new alternatives.

Today there are dozens of well-funded, progressive organizations providing legal, financed, and managerial expertise to starting co-ops and/or worker buyouts. There are regional and national associations, alternative journals documenting the movement, and perhaps 50 conferences annually around the U.S.

Concrete Results

To flesh out the above framework of transition to a third stage of economic co-operation in America, several cases will be briefly highlighted.

Partial Ownership by Workers

Employee ownership of stock has existed for a number of years in America, usually resulting in workers owning a minority of the shares. For example, the huge Sears and Roebuck Company with 400,000 employees is 20 percent worker-owned. The stock, in these instances, is owned individually, however, and there is no concept of influencing corporate direction by these kinds of ownership structures. What is happening more recently is that workers in companies are banding together in the pursuit of ownership. The new objective is collective power, not just shares of stock. The third largest automaker, Chrysler, is presently 15 percent worker-owned (over 12 million shares), a figure that will to 25 percent next year. The United Auto Workers Union (UAW) also got a seat on the Chrysler corporate board of directors. During 1982, other unions bargained for 10 percent of Pan American World Airways and $35 million worth of Wheeling Pittsburgh Steel stock. The expectation is that these labor strategies will lead to a greater voice in corporate decision-making and a more humane policies when it comes to company questions of layoffs, plant closings, and so on.

Worker Buyouts

In contrast to the above approach to employee ownership which consists of gradual and partial increases of worker power in certain industries, worker buyouts are beginning to occur in the face of impending factory closings. Perhaps the largest case of a 100 percent stock buyout is in West Virginia where 10,000 steelworkers are putting the finishing touches on their offer to purchase the Weirton Works from National Steel Corporation, a move which will make it the eighth largest steel company in the U.S. (Serrin, 1983). Several other significant illustrations of successful buyouts include the Rath Packing Company, a meat processing firm with plants all over the country, and Hyatt Clark Industries in New Jersey, a 100 percent worker-owned automotive bearing plant which formerly belonged to General Motors. Both of these firms now stress equality of ownership and democratic decision-making. Each has created new mechanisms for workers’ control, from the shopfloor level to the boardroom (Woodworth, 1981, b). In contrast to earlier buyouts, the original impetus in both of these cases came not from management’s attempt to save the business, but local union leaders. This portends a pathbreaking new role for labor in America. The potential for job retention in buyout situations seems impressive. Of some 60 firms purchased by workers in recent years, only three have not survived, resulting, as noted earlier, in the preservation of approximately 100,000 jobs. This finding suggests critical implications for industrial closing policies and reduction of unemployment.

Worker Co-operatives

While the above two forms of worker ownership have elements of co-operative economics, including one person/one vote, the growth of another so-called “pure” co-op structure is also accelerating. In the northwest over a dozen plywood co-ops have provided job security and financial benefits to members for a
number of decades. However, new worker co-ops are now springing up all over the U.S. — sewing co-ops in the south, a 1,000 member taxi co-op in Colorado, a large co-operative fruit farm owned by Hispanics in California, and hundreds of small construction, light manufacturing, and printing co-ops. Perhaps the most intriguing new evidence of a shift toward workers' co-operatives is the creation of two O & O (Owned and Operated) worker co-operative markets in Philadelphia. While most food co-ops are consumer-controlled, these O & O stores are run by a nine worker, three community member board of directors. When A&P, a large national chain of supermarkets, threatened to close 30 stores in Philadelphia, the United Food and Commercial Workers Union proposed the restructuring of the local group of stores into Super-Fresh, Inc. Workers agreed to keep the stores open and A&P consented to establish an employee investment fund based on one percent of gross revenues. The collective funds are then used to gradually convert Super-Fresh stores into worker-controlled co-ops like O & O (Business Week, 1982).

These three forms of alternative economies together have resulted in sweeping changes in the American landscape. Once dominated by giant, bureaucratic corporations, the scenery now includes signs of resistance to the mainstream economy. The changes are small, yet significant. They present severe problems as well as a promise.

Challenges To Be Faced

Key questions arise as one reflects on the dramatic growth of this third stage movement: What obstacles does this recent upsurge in the cooperative of work face? Can the struggle survive and become an integral part of the American economic scene?

In exploring a response to these questions, one critical issue which becomes apparent is the seeming contradiction between individualistic motives versus collective cooperation. The historical interpretation of U.S. economics typically portrays the rugged independence of the single entrepreneur who built a corporate empire from scratch. While the American dream may to some degree be exactly that, a dream or fantasy, there is some evidence to support such a view. Can a collaborative incentive also be present in the American psyche sufficient enough to carry people beyond the immediate survival mode to the transformation of the macro economics of the society? Is there or can there be developed in the U.S. an ideological foundation for the cooperative movement which will result in the institutionalization of workers' control and economic justice?

A second challenge needing to be addressed is the general resistance of government to an alternative economy. Until the recent past, the idea of industrial cooperation was suspect and there was little legislative support. Currently, the political left and right back such ideas to varying degrees and for quite different reasons. The outcome, regardless of political motives, has been a number of important legislative enactments at the federal level which provide tax benefits for employee ownership, various incentives for small entrepreneurs to turn their firms over to workers, policy mandates and financing to encourage worker ownership by such agencies as the Economic Development Administration, Small Business Administration, the creation of a national cooperative bank, and so on.

Equally important is the level of state support which is emerging. A number of states now have legislation controlling runaway industries. Some, like New Jersey and Michigan, have passed laws to provide needed resources in the conversion to worker ownership. Massachusetts recently created new legislation supporting and broadening strict guidelines for starting a co-op. While a beginning exists, there needs to be considerably more legislation at the federal and local levels to facilitate legal incorporation, provide better tax incentives, and make available material resources and a support apparatus for the cooperative movement. The vital role of government assistance in the formation of a worker cooperative sector is evident in the success of other nations, as well as the agricultural co-op movement in America.

A third limitation to the expansion of the movement has to do with the lack of available expertise in attempts at worker buyouts and the creation of new cooperatives. A decade ago, there was only one source of technical assistance, the Industrial Cooperative Association. Today it is heavily financed but rarely successful as most of the co-ops ICA has assisted have failed. What is needed is organizations which move beyond slick public relations to substantive, professional assistance. More such groups are being formed - The New School for Democratic Management, Center for Community Self-Help, National Center for Employee Ownership, Action Resources, Inc., and the Philadelphia Association for Cooperative Enterprises. All the above are making important contributions to successful worker co-ops. But obtaining the financing needed to secure consultant aid and the expensive fees of economists, marketing experts, and lawyers is difficult. More regional resources of professionals, expanded funding, and experts with values congruent with working class goals are greatly needed. A related need is for technical resource groups to cooperate
with each other and perhaps create federations to better coordinate strategies on a national scale. There are several networks in existence now, such as the Association for Workplace Democracy, but they are small, underfinanced, and ineffectual. Better linkages and mutual support through cooperative markets, exchanges at conferences and journals, and other interactive processes need to occur.

Another barrier the movement faces in America is a history of cleavage between some of the afore-mentioned groups as each has pushed its own particular view of an economic alternative. For instance, the ICA in the past and again recently (see, for example, Ellerman, 1983), tended to condescendingly criticize employee stock ownership as a sell-out to mainstream capitalism. Leftists belittled union-led buyouts as politically naive, too pragmatic and not sufficiently ideological. As long as this tension polarizes ideas, one unintended result will be paralysis of action. Rather than argue and debate over which strategy is the best, purest form for a cooperative movement, what is needed is mutual encouragement, a climate of experimentation with different approaches, and enabling support which allows for a broad movement to go forward on several fronts.

Signs of internal peace-making within the struggle are beginning to appear. Two major worker-buyouts, Hyatt-Clark and Rath, have provided a great deal of assistance to other worker-ownership efforts around the country. Coalitions are forming between groups in the co-op movement and other progressive organizations working on such issues as environmental advocacy, conversion to a peace economy, area-wide labor management cooperative problem solving, and reindustrialization. While concern must be expressed regarding the potential for being side-tracked or co-opted by this widening constituency, the opportunity for greater power increases exponentially. The transformation of conglomerate America will not occur through isolated, competing groups. Harmony and conformity are not necessary either as the need for constructive controversy leads to clearer priorities and expansion of tools for change. But down the road, for the movement to succeed, it must move beyond factionalism to an effective alliance. There must eventually be not only cooperation within organizations but between them as well.

Another challenge facing the cooperative movement lies not with the government or groups within the struggle, but corporate America itself. The question is, can an alternative economics survive in a large conglomerate world? As the movement thrusts itself from the darker corner of society into the bright, light of mainstream America, will it be able to withstand the scorching heat of oppressive capitalism? So far, the larger system has reacted with benign neglect or even gentle support. But as cooperatives begin to bite into major corporate markets and reconstruct the economic agenda with an emphasis on democratic management and socially responsible goods, how will the giant react? A worker-owned sector may co-exist with mainstream capitalism as long as the cooperative movement is on the underside. But if signs of power equalization begin to surface, the legitimacy of an alternative strategy may be threatened, particularly if the strategy becomes more aggressive in combatting the traditional economy.

An equally troublesome question has to do with the acceptability of worker cooperation by the power elite as a useful crutch during hard times and economic crisis. That is, if cooperatives preserve jobs and economic stability, they are useful in the maintenance of the system's status quo. However, as economic dislocation is reduced, pressure may grow which operates to revert the cooperative economy back to traditional forms of ownership with workers reabsorbed into the economy. Thus, the cooperative movement becomes merely a safety valve which expands to let off steam during bad times, and shrinks in relevance during normalcy. If such becomes the case and this third stage is minimized as the U.S. economy improves, the potential for depowering corporate America will largely dissipate.

A Promise for the Future

While the above major challenges are real, one must, on the other hand, consider the possibility that this current expansion of cooperative economics will lead to a reformation, if not dismantling, of capitalist bureaucracy in the U.S.

An argument can be made that the third stage has mushroomed qualitatively as well as quantitatively beyond any expectation of a decade ago. The American constitution of two centuries past guaranteed the rights of the individual in the political arena, but the democratizing of the work organization has yet to occur. This movement toward worker participation and equality on the shopfloor may play an important role in the fulfilling of original American ideals.

The credibility of the movement as a means for preserving jobs and improving production is accepted even by the critics of cooperation, while at the same time, values about human rights and the quality of working life are often denigrated. Some observers
hope the movement is a transitory aberration in the free enterprise system; but a great deal of rich evidence suggests the potential for substantive, revolutionary change.

If the challenges anticipated earlier can be addressed and the human, financial, and political resources mobilized, the colonization of labor in America may be overthrown. This third stage of the cooperative movement holds such a promise, and the dramatic increase of this participative struggle is not a random event. It suggests the possibility of a shift from alienation and control over workers toward the liberation of the workplace.

In reflecting upon the earlier stages of the evolution of cooperative economics in the U.S., it appears that the central theme of the 19th century union co-ops was that of utopian escape from the obliterating effects of factory capitalism. In contrast, the agricultural co-ops derived from the pragmatic need for farmers’ survival. Perhaps the strength of the present stage is that it combines both of the preceding objectives. One contemporary driving force is the painful reality of rampant plant shut-downs and 11 million people without jobs. Collective efforts to halt the hemorrhaging through conversion to worker-ownership is no longer a trivial hope, but instead holds an impressive reality-based track record.

The other force contributing to the third stage is value-laden in the drive to create an alternative to monopoly capitalism and state socialism — a third way — in which a democratic economy is composed of democratically-managed, worker-owned enterprises. The vision and strategy of such an effort have already penetrated the juggernaut of the American economy and began to block the grinding up of workers and communities. It may culminate not only in the redistribution of the nation’s wealth, but the reconstruction of political economy. It may even lead to the creation of an innovative, self-reliant, and ecologically sound organizational infrastructure for a humane society.

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