CHAPTER 1.

THE EARLY HISTORY OF COOPERATIVES

The First Cooperative. The first successful attempt at forming a cooperative society was made in Rochdale, England, in 1844 by a group of 28 flannel weavers, some of whom had been followers of the liberal-minded Robert Owen. These weavers were having a hard time keeping body and soul together, because of the low wages being paid them by the mill owners.

Before 1844. Even before historical 1844, when the now famous Rochdale Society was formed, there were numerous attempts made in cooperative endeavor. For nearly twenty years prior to 1844, English cooperatives had flourished, only to die. Such cooperative ventures in England date from the days of the Industrial Revolution. They sprang into being from buying certain commodities at wholesale for the poor. In those days English public opinion regarded the human rights of the laborer as mere chattels.

England's Proving Ground. The cooperatives that were organized in England up to 1844, which dates the setting of the Rochdale Society, merely served as a proving ground for the latter organization. On April 12th, 1827, the Brighton Cooperative Benevolent Fund Association was organized to enable people to join cooperative communities, of which there were several. In July of that same year, W. Bryan organized the Cooperative Trading Association, which within one year from its inception did a volume of business amounting to $200 per week. One year later, nine cooperative societies had been founded, while by 1830, over 300 cooperative societies were in existence in England. Also, from 1827 to 1834, various trading exchanges were formed by unemployed artisans, whereby labor could be exchanged.

Cooperation Clarified. During the years between 1881 and 1835, a series of cooperative Congresses were held by those interested in these cooperative enterprises, for the purpose of clearing the air of confusion regarding the Cooperative Movement, which was then just emerging from the cradle. These conferences did much to establish the aims and principles of cooperative activity.

Cooperative Failure. The first English consumer ventures were doomed to failure because of several reasons. Trustees of these first cooperatives were elected for life, and could not be removed, although
they were obliged to assume financial responsibility for any debts that the society might incur. Like all novices in the cooperative consumer stores, they granted too much credit, as well as tolerating poor management and accounting systems. It was common for both managers and clerks to steal from these early cooperatives. Another cause for their downfall was the arrangement whereby the largest shareholders received the greatest dividends. All these factors, when added together, spelled failure for the first genuine English Cooperatives, but it enabled the Rochdale Pioneers to profit from these mistakes and set up a new model that was destined to endure for all time.

**Raising Capital.** The Rochdale weavers knew that the first thing they would have to do to start their cooperative store would be to raise capital. Despite the fact that they were earning a scant income, they spent the best part of a year holding meetings and storing away a few pennies every week. Finally, when they had amassed a combined capital of 28 pounds, or $140, they decided to begin operations.

**The Beginning.** In December, 1844, these weavers rented an old store building on Toad Lane in Rochdale, and purchased a supply of groceries consisting mostly of flour, sugar, oatmeal and butter. The store was open only after working hours, two nights a week. They took turns in clerking, buying, etc. Each member assisted in operating the store in one way or another after working hours.

**Ridicule.** These pioneer cooperators had to stand considerable abuse when they first started out with their cooperative store. People who were not in sympathy with this “new-fangled” idea would stand outside the store on Toad Lane at night and ridicule them in their attempt to carry out their new cooperative program.

**The Struggle.** Only their intense loyalty to the principles of cooperation and to each other saved these brave pioneering weavers from disaster. During the first eight months of its existence, the store was constantly threatened with failure. However, these pioneers were smart enough to profit by each mistake, and as a result of their experiments, they set up eight cardinal principles of cooperation that have been used ever since that time as the fundamental principles of all successful consumer cooperative organizations.

**Rochdale Cooperative Principles.**

1. Low membership fee, or share value, within the reach of those interested in improving their financial status.
2. Wide distribution of shares, rather than being concentrated in the hands of the few.
8. Democratic control; one-man; one-vote, regardless of the number of shares owned.

4. Sell for cash, in order to avoid losses connected with the extension of credit.

5. Goods sold at regular retail prices, in order to avoid price-cutting wars with competitors.

6. Low rate of interest paid on capital stock, and the distribution of savings based upon the amount of patronage contributed by each member.

7. Political and religious neutrality.

8. A certain percentage of the profits set aside for educational purposes.

Low Membership Cost. The Rochdale Pioneers set the cost of shares as low as possible in order that anyone who was ambitious in improving his lot might do so. Their main objective was to enroll as many worthy families as possible who were experiencing the same financial difficulties as they were in keeping their collective heads above water.

Democratic Ownership. It was felt that the success of the cooperative at Rochdale would be assured if each patron owned at least one share of stock. However, to guard against the opposite extreme, they discouraged any one member from holding any great number of shares. Each shareholder would naturally take a certain amount of pride in being a part owner of the enterprise, rather than just a patron.

One-Man — One-Vote. In order to make the cooperative a true democracy, these wise Rochdale Pioneers decided that each member should be entitled to one vote, regardless of the number of shares he might own. This plan would prevent the policies of the organization from being controlled by a certain few, rather than from the entire membership.

Sell For Cash. No one will deny, even today, that there is usually some loss experienced when credit is extended in any kind of business. The Rochdale weavers recognized this fact way back in 1844, and therefore decided that it would be safer for their little store to sell for cash, even if it meant fewer sales, than to sell on credit and risk losing some of their capital.

Sell At Retail Prices. Some people think that a cooperative should sell at cost. This usually causes price-cutting wars on the part of competitors, and any competitor who has sufficient capital could soon run a small cooperative to the wall, by simply outlasting it, if the cooperative started cutting prices. The successful cooperative usually
sells its goods at the prevailing retail prices, unless such prices are too high. Thus the savings gained for its members are returned to them at the end of the year in the form of patronage dividends. However, some strong present-day European cooperatives have cut retail prices much lower than the American cooperative stores have dared to as yet.

**Low Interest On Shares.** In order to distribute the earnings of the cooperative in proportion to the amount of business contributed by each member, a comparatively low rate of interest was paid on the shares held by the various members of the Rochdale cooperative. This policy has the tendency of discouraging the more prosperous members from buying shares from the standpoint of investment purposes.

**Political and Religious Neutrality.** There were a great number of religious and political beliefs one hundred years ago, as there are now. To confine a cooperative society to one particular race, or political or religious creed would have been suicidal, as well as distinctly undemocratic. So the people of Rochdale, when setting up their first cooperative, wisely saw to it that their society would not have to overcome such barriers.

**Cooperative Education.** The last principle set up by the Rochdale weavers was in relation to education. They made special provisions in their by-laws whereby a certain percentage of their accumulated earnings were to be spent for education. This was certainly a wise provision on the part of these pioneers. After nearly 100 years of cooperative activities all over the world, those cooperatives who have likewise provided for educational allowances from their earnings have been far more successful than those who did not make such provisions. Membership education is always important.

**The Rochdale Cooperative Idea.** The wisdom of the Rochdale Pioneers has been established beyond a doubt. Following the success of this little group, a larger cooperative was formed in Manchester, England, in 1862. This was called the Cooperative Wholesale Society (C.W.S.). Now over 1,200 retail cooperative stores are the result of this early movement in England, Scotland, and Wales. This cooperative now enjoys a membership of over seven million shareholders in Great Britain.

**Rochdale Principles Sound.** Thousands of cooperatives, both buying and selling, have been organized since the pioneer Rochdale movement. However, not all have succeeded. Only those who have adhered strictly to the Rochdale fundamentals have weathered the
economic storms which are bound to cross the path of any new movement. Therefore, it is extremely important for members of cooperative organizations to thoroughly understand the eight cardinal principles of cooperation as set forth by the Rochdale Pioneers.

Other English Cooperative Ventures. Because of the pronounced success of the Cooperative Wholesale Society of England, members of this organization engaged in many other cooperative enterprises. Cooperative insurance was started in 1867. Shortly after this, the Society opened a cooperative bank. This enterprise, as well as cooperative insurance, met with instant success. For example, the cooperative banking department now has over 65,000 accounts, with total assets amounting to $350,000,000.

Cooperative Services. The Cooperative Wholesale Society also maintains many services for its patrons, such as architects, contractors, launderers, shippers, dentists, lawyers, funeral directors, printers, garage services, etc. It also operates several farms, milk depots, and tea plantations in Ceylon and India.

Farm Supply Cooperatives. Farmers of the British Isles have been purchasing their farm supplies cooperatively ever since 1870. Nearly $60,000,000 worth of farm supplies are purchased annually by these farmers. There are about 550 farmer cooperative purchasing associations, serving 225,000 farmers, or about one farmer out of every four. These farm cooperatives sell farm supplies to their members at the regular retail prices, and return the accumulated savings to the members annually, after deducting a small portion for building up their reserve capital. Feed consists of about 75 per cent of the business done by these cooperatives, while the selling of fertilizer makes up another 5 per cent. The remaining 20 per cent of the business done by these farm supply cooperatives consists of seed, machinery, implements, etc. Much of the farm supplies handled by these farm cooperatives is secured for them by means of the big English wholesale, C.W.S.

Experience or Education? The English succeeded first in making cooperation pay. But they did it the hard way. Cooperative history since the Rochdale experiment has been the same the world over. When other groups since 1844 tried to buy or sell cooperatively, they succeeded or failed according to their adherence, or lack of adherence to the Rochdale principles. But not all who would join these cooperative associations knew about these Rochdale principles. Thus it becomes quite essential that those who plan to take part in cooperative enterprises either follow sound cooperative principles that have
been proved in the field of action, or fall by the wayside as have so many who have failed to benefit by the experience of others. Cooperative education of some kind MUST precede cooperative practice if success is to be obtained. The pages of this book are being written to that end.

GUIDE QUESTIONS FOR CHAPTER 1

1. State the time and place of the beginning of the first successful consumer cooperative society.

2. Had there been previous consumer cooperative attempts before the one named in the answer to the previous question? Discuss.

3. How many consumer cooperatives were in existence in England by 1830?

4. What was the chief purpose of the cooperative Congress organized in England during this period?

5. State two reasons why these earlier cooperatives failed to survive.

6. How much money constituted the beginning capital of the Rochdale store?

7. Describe the manner in which the Rochdale cooperative operated their store at the beginning.

8. What was the attitude of the people in general towards the Rochdale weavers during their first year of business?

9. What main factor contributed to the success of the Rochdale cooperative store during its infancy?

10. State five principles of cooperation that were formulated by the Rochdale Pioneers.

11. Explain why the Rochdale Pioneers decided upon low membership fees.

12. Describe the reason why democratic ownership was adopted as a principle of cooperative societies.

13. Explain the significance of the one-man, one-vote idea followed by most cooperative organizations.

14. Why do most successful cooperatives always insist upon selling for cash?

15. What danger might be involved when small cooperatives start cutting prevailing retail prices?

16. Why do most cooperatives pay low rates of interest on shares?

17. Should a cooperative society be neutral in regard to racial, political or religious matters? Why?

18. Do most successful cooperative associations have an educational department? Why?

19. What is the C.W.S.?

20. Is there any proof that the Rochdale principles of cooperation are sound? Discuss.

21. Name several other activities engaged in by C.W.S. beside the cooperative stores.

22. Explain the activity of the farmers of the British Isles in the purchasing of their farm supplies.

23. Why is cooperative education essential to the success of any cooperative association?