A Worldwide Historical Perspective on Co-operatives and Their Evolution

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Abstract and Keywords

The birth of co-operatives in Europe in the middle of the nineteenth century shaped this form of enterprise by differentiating it from the established capitalist one, both in terms of internal organization and in terms of sectors of activity. This chapter highlights first the process of diffusion of co-operatives in the nineteenth century by grouping them into models—consumer, worker, financial, and rural co-operatives—that formed the pillars of the movement. The second part of the chapter is devoted to the novelties that emerged after World War II, especially social co-operatives and service co-operatives, giving a general account of developments of co-operation in Western Europe, North America, and Japan. A final glance of the new opportunities offered for co-operation through the Web is offered.

Keywords: financial co-operatives, social co-operatives, consumer co-operatives, rural co-operatives, diffusion of co-operatives, worker co-operatives

7.1 Introduction

THE historical development of co-operatives has not commanded an amount of research comparable to that of corporations, because co-ops have in general been smaller companies working in sectors that have not attracted much attention. Often, the history of co-operative enterprises has been part of the social history of self-promotion of the popular classes, together with the history of trade unions and of the political parties representing the working classes, rather than part of business history. Only in recent times has the economic importance of co-operation won more interest in academic and political milieus. Is this due only to the fact that a number of co-operative enterprises have managed to become large and build tightly connected networks? Recent consolidation of co-operatives is part of the answer, but to clarify the issue more thoroughly, it is necessary to sketch a quick outline of company history over time.
When companies appeared in Italian city-states in the Middle Ages, they were not standing alone, but belonged to associations of manufacturers (guilds) and merchants (chambers of merchants) which set the rules of the trade and administered justice (Bruni and Zamagni 2007). Such companies exercised responsibility towards their labour force and the surrounding society, for the well-being of which part of the profits were devoted. As companies started to enlarge and become active across oceans, such responsibility was lost, and companies started working only for the benefit of their capital owners, becoming therefore capitalist corporations without much interest in local low-profitability activities. Starting in the second half of the eighteenth century, the idea of promoting local businesses in an explicitly co-operative way started to spread in France, Austria, England, Spain, and Italy, as well as in the USA and Mexico. The first co-operatives were opened up by artisans (watchmakers), food producers (cheese), gardeners, and people who wanted to insure their houses against fire. This co-operative movement was part of a general effort by the working classes to self-help in order to counter the excessive growth of wealth concentration in the hands of capitalists.

Workable models of organizing these new businesses, however, were not developed until the middle of the nineteenth century, partly because the previous experiences had taught lessons, and partly because the capability of the working class to manage co-operatives had increased, both with regards to resources and to management. Co-operatives were rarely big business at the time, but they commanded the general interest of the working class, which multiplied their numbers, and the respect of economists and other intellectuals, who considered them an effective instrument for the progress of the economy of nations as well as for the improvement of the well-being of the working class. From different points of view, John Stuart Mill, Alfred Marshall, Leon Walras, Giuseppe Mazzini, Luigi Luzzatti, Giuseppe Toniolo, Sidney and Beatrice Webb, and George Holyoake, all agreed on considering co-operation a timely and viable model to overcome the shortcomings of capitalist corporations.¹

Fordism has been the real antagonist of co-operatives.² Capital intensive plants, standardized production, huge numbers of employees, rigid assembly lines using unskilled labour, hierarchical chains of command, and all the well-known features of industrial corporations worked against the diffusion of co-operatives, especially in the manufacturing sector. As these huge capitalist corporations were the ones promoting growth in the twentieth century and because enough jobs were supplied by capitalist corporations, the working-class’s interest in co-operatives diminished. What is even more relevant is that interest in co-operatives by economists and other intellectuals died out almost entirely. At most, co-operatives were seen as capable of filling in for businesses that were not desirable to capitalist corporations. The previous achievements of the co-operative movement were often maintained, but co-operatives seemed to have established themselves as marginal firms.

It is only in the late twentieth century, with the decline of Fordism, and the anti-social stance developed by many capitalist corporations, as well as the managerial strengthening of some co-operative enterprises, that such enterprises have had the opportunity to
be reconsidered as appealing. Today, in advanced societies, most jobs are to be found in services rather than in industry, and in many services Fordism cannot be applied, hence co-operatives show a comparative advantage. Even in industry, customization of products and quality, and intrinsic motivations by producers to respect traditions and the environment have come to weigh much more than before, with the consequence that in some branches of manufacturing co-operation today can be more attractive than in the past. Moreover, the footloose character of multinationals, their concentration on finance rather than on innovation, and their lack of attention to the environment and the social context have pushed many to reconsider working in small and medium sized firms, often self-managed by their employees, because they are more ‘human’ in their treatment of labour and more responsible as regards the social context where they are active. Finally, co-operatives have shown in more recent times a good ability to become larger and more efficient. According to an International Co-operative Alliance survey, the 300 largest co-operatives (or co-operative groups) of the world had annual revenues of $2.2 trillion in 2012 (see Table 7.1) and are mostly to be found in insurance (120), agro-industry (80), wholesale and retail (62), and banking (16). Only 22 out of 300 co-operatives operate in other sectors (industry, utilities, and health).

In a world like the present one, in which opportunities for the diffusion of co-operative enterprises are growing, it is fundamental to understand the strengths and weaknesses of existing co-operative enterprises, as well as the basic features of the contexts that are most conducive to their consolidation. This will be done in the next two paragraphs by analysing first the birth and early evolution of the most important models of co-operation, and then the developments of co-operative enterprises in advanced countries in the last half a century.

7.2 Birth and Early Evolution of Co-operative Enterprises

Co-operatives can be developed in any business, but they have been more successful in some. There are two possible ways of modelling co-operative enterprises: one based on who the members are and the other on the economic sectors in which the co-operative is active. The former approach subdivides co-operatives into the following four categories: users (consumer, utilities, banking, and insurance co-operatives); producers (agro-industry, retailers, and truck and taxi driver’s co-operatives); workers (manufacturing and services); community (social co-operatives). This approach is more useful to the theorization of co-operatives and the identification of their comparative advantage, which will not be adopted here (Zamagni 2012). The second approach follows the historical evolution of co-operatives more closely and is the one employed here.
| Table 7.1 The 300 Largest Co-Ops in 2012 (Numbers and Turnover) |
### A Worldwide Historical Perspective on Co-operatives and Their Evolution

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<th>Total</th>
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<td>Canada§</td>
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<td>Argentina</td>
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<td><strong>Total</strong></td>
<td><strong>300</strong></td>
<td><strong>2210</strong></td>
<td><strong>120</strong></td>
<td><strong>761</strong></td>
<td><strong>180</strong></td>
<td><strong>1449</strong></td>
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**Notes:**

* For Insurance co-ops revenues from premium.

§ UK and Canada have one composite group each.

# Italy has networks of organizations leaving single co-ops relatively small.

**Source:** Author’s elaborations from the ICA databank.
As already mentioned, towards the middle of the nineteenth century, in many European countries the time was ripe to establish sustainable and reproducible co-operatives. For the success of its rules—most of which were later adopted by the majority of co-operatives—the English model must be analysed first. It is not by chance that England, the cradle of the Industrial Revolution, was the place where the early social movements that criticized capitalism emerged. England was also the cradle of ‘social apostles’, active in the organization of cultural and political movements in favour of the working class. Among them was Robert Owen (1771–1858). In 1799 in New Lanark he organized a model mill run with respect to the workers, and an entire village where all basic services were provided to workers and their families in a co-operative way. Many other attempts to build co-operative enterprises were subsequently made, but it was only in 1843 that a small group of weavers and other artisans under the leadership of Charles Howart launched a subscription to build a consumer co-operative in Rochdale, a small city in Lancashire. Strenuous efforts to raise enough capital to start the enterprise (£28 from 28 persons) led, on 21 December 1844, to the opening of a store on Todd Lane selling flour, butter, sugar, and oatmeal, thanks to the volunteer work of its members. According to its Statute, ‘the objects and plans of this Society are to form arrangements for the pecuniary benefits and the improvement of the social and domestic conditions of the members’. The principles governing the operation of this co-operative store were the following: 1) sale for cash at fixed prices; 2) end of the year rebate proportional to purchases; 3) freedom of purchasing (members were not required to shop only at the co-op); 4) minimum interest on loans; 5) democratic government (one head, one vote; women too could be voting members); 6) ideological neutrality and tolerance.

This time it was a success. Housewives could accumulate a small treasure with the end of the year rebate and men found a place to meet and discuss their problems. In 1850, members already numbered 600. The following year, the store was opened every day with paid labour. The co-operative then added new sectors, giving work to many craftsmen. In 1855, a wholesale store was opened, the first of many, and the proliferation of subsidiaries began. A library was also opened as well as a meeting hall for men; schools and lectures were promoted, with a fund financed by 2.5 per cent of the operating surplus. The Rochdale Society of Equitable Pioneers eventually became a retailing giant, with an elegant, four-storey headquarters building and countless outlets (Holyoake 1893).

The Rochdale model was imitated throughout Britain and gained hegemony as British economists elaborated the principle of ‘consumer sovereignty’, especially when powerful wholesale societies were formed (the Co-operative Wholesale Society in Manchester in 1863 and the Scottish Co-operative Wholesale Society in 1868). These societies, however, opposed factory workers’ sharing in the profits (even in factories linked to the societies themselves), for fear that this would mean higher costs of products. From a million members in 1877, consumer co-ops climbed to some 10 million members by the end of the 1930s, but other types of co-operative activities remained comparatively small. In 1919, a Co-operative College and the Plunkett Foundation for Co-operative Studies were
created and in 1917 the Co-operative Party appeared. By 1940, the latter had reached more than 7 million members.

The second model is the workers’ co-operative, which first developed in France. A society of carpenters was formed in Paris as early as 1831, followed by associations of goldsmiths, stonecutters, and bakers. In 1848, with the *ateliers nationaux* experiment under Louis Blanc, there were 255 such associations in Paris. The first legislation on their behalf was introduced that same year, creating a fund for workers’ co-ops and giving them preference in public works’ contracting. In 1884, a consultative chamber of workers’ production co-operatives was formed with an original group of 29 societies; by 1904 this had grown to 200 (out of a total of 358 workers’ co-operatives). Many of these co-ops originated in the conversion of existing capitalist enterprises into co-operatives. In the late nineteenth century, however, the French co-operative movement flourished mostly outside the manufacturing sector, with credit and farmers’ co-operatives. In 1894, local and regional agricultural credit unions formed a central organization, the Crédit Agricole, which was later nationalized and then reintegrated to its original co-operative form.

The third model, from Germany, was the co-operative bank (labelled credit union in the Anglo-Saxon countries). In 1849, in Anhausen in the Rhine valley, Friedrich Wilhelm Raiffeisen, burgomaster and entrepreneur, founded the first rural mutual bank, lending only to members. Banks like it spread rapidly, and in 1876, a central German rural credit institute was formed, later to be named the Raiffeisen Bank of Germany. The majority of these banks were religiously inspired, but some were liberal. In 1910, they numbered 15,517, with 2.6 million members. In 1850, Hermann Schulze Delitzsch, judge and member of the national assembly in Berlin, founded the first urban mutual bank, called a popular bank. In 1859, there were already 111 of these, and in 1864 they formed a central institution. These second- and third-tier institutions helped individual co-operative banks consolidate and deliver services that they would not have been able to offer if they had remained isolated. By 1910, popular banks numbered 2,103, with one million members. Both Raiffeisen in the countryside and Schultze Delitzsch in cities subsequently extended co-operation to other fields. In 1913, Germany had over 35,000 co-ops with 6 million members. Their expansion continued in the Weimar period, and by 1933 there were 50,000 co-ops with 9 million members. The Nazi regime, however, put an end to this, dismantling all of the movement’s central structures and subjecting the co-ops to direct government control; membership plummeted and it later proved difficult to reorganize the system.

The fourth model, the farmers’ co-operatives, first developed in Scandinavia. The Danish Lutheran theologian and bishop Nicolas Friederich Gründtvigts (1783–1872) urged farmers in his diocese to promote farm co-ops and schools. After his death, these co-operatives grew considerably in the dairy farming and processing sector, which was becoming a Danish speciality. Starting in 1890, the dairy co-ops formed associations to export butter and, in 1901, the Co-operative Union of Danish Dairy Producers was founded, followed in 1920 by the Federation of Danish Dairy Producers, which virtually covered the entire industry. The co-operative formula began to spread to other sectors. In 1887, the first co-operative butchery and meat-packing operation began in Horsens.
1890, the Central Office of Co-operative Butchers was created, followed in 1897 by the Danish Union of Co-operative Butchers. Comparable institutions took root in Sweden and Finland. In the latter country the movement started in the second half of the nineteenth century in farming and, in 1899, gave rise to the Confederation of Finnish Co-operatives, Pellervo (deriving from the Finnish word for ‘field’), grouping 390 agricultural co-ops. The founder members included university professors, industrialists, and bankers who believed that co-operatives would serve not only to spread material well-being, but also to increase popular self-esteem and mass participation in the movement for economic and political liberation from Russia. Two apostles of co-operation devoted their entire lives to the movement: Hannes Gebhard, head of Pellervo, and his wife Hedvig, who was also a member of the Finnish Parliament. In 1902 a co-operative bank, Okobank, was created. Consumer co-ops followed; the largest of these, Sok, started in 1904 and now includes a large purchasing consortium, (Hankkija Maatalous Oy), forestry industry co-operatives ( Metsäliitto), and mutual insurance societies.

By the end of the 1930s, Denmark had a co-operative membership covering almost half of its population, Finland 20 per cent, and Sweden 10 per cent. Only Britain and France matched these achievements, with around 20 per cent of the population being members of at least a co-operative in the former, and around 10 per cent in the latter. Germany had reached similar percentages (12-13 per cent) before Nazism. Italy too had an important and highly diversified co-operative movement, which was not killed by fascism, but constrained into a State agency, leaving freedom of enterprise, but not of appointment of the governing body of co-operatives. At the end of the 1930s, roughly 7 per cent of the population were members of a co-op.

As the co-operative movement was growing in various countries, some of its leaders advanced the idea of promoting its international coordination. In 1867 in Paris, an attempt was made to organize an international meeting of co-operators, but the French government did not allow it for fear of disorders. Other attempts were made, but it was only in August 1895 that the meeting took place in London and the International Co-operative Alliance (ICA) was created. Nine of the 13 countries which participated were European, and the other four (the USA, Argentina, Australia, and India) derived their interest in co-operatives from Europe. The ICA, which soon evolved into an association of co-operative federations (single co-operatives could no longer join directly), acted mainly to defend the co-operative identity, not without difficulty, given the wars that set member nations in conflict with one another and the presence of authoritarian regimes that opposed the democratic functioning of co-operation.

The ICA also had to face the serious question of membership by organizations that were nominally co-operatives but actually companies under state control (particularly in the Soviet Union). The difficult decision not to expel Soviet co-operatives was eventually taken, but the ICA had to defend itself against the attempts of the Soviet bloc’s representatives to dominate the association. During the 1930s, the number of member federations plunged with the spread of dictatorships throughout Europe (in Italy, Germany, various Eastern European countries, Portugal, and Spain). At its Paris Congress in 1937, the
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Alliance nevertheless had the courage to reaffirm the democratic principles of the movement.

### 7.3 Developments in the Last Fifty Years

After the Second World War, co-operation prospered in many countries. If we ask the question ‘where have co-operatives been more successful in the recent decades?’ the answer is not easy, because membership numbers are especially high in less developed countries (notably China and India), where co-ops are, however, mostly confined to agricultural and rural credit banks. In developed countries, membership is not so massive, but co-operatives have consolidated their managerial profile in such a way as to be able to successfully compete with capitalist corporations. In this last half a century, what is first to be noted with reference to innovation in the field of co-operatives is the development of a brand new type of co-operative, the social co-operatives or community co-operatives (Borzaga and Defourny 2001). It is the only important co-operative model born since the nineteenth century and is largely the fruit of Italian creativity.

On 23 January 1963, the first co-operative for social assistance and solidarity was founded in Brescia (an Italian city north of Milan) under the leadership of the Catholic activist Giuseppe Filippini. The society, named after St. Joseph, had two distinctive features: bringing people together for social and cultural needs (training, education, assistance, recreation, and work for the disadvantaged); and acting not only for the benefit of its own members but also for ‘others’, as Filippini made clear at the first conference of the co-operative movement held in Italy in 1977. This pointed to an entirely new version of the mutualism that had existed before co-operatives. It implied a multi-stakeholder model of governance, a model previously unknown to co-operatives, in which the representatives of a number of different interest groups all have a say in decisions and a role in the governance structure. The co-operative boards thus comprise, not only worker-members, but also the beneficiaries of the co-ops’ services and representatives of the local community. The Italian law 381/1991 instituted the social co-operative, a model which serves as the prototype of the social enterprise in Europe (Borzaga and Janes 2006). It has also inspired the introduction of a seventh principle of co-operation on the part of the ICA in its centenary meeting of 1995 in Manchester, which states: ‘7. Concern for Community: Cooperatives work for the sustainable development of their communities through policies approved by their members.’

Statistics concerning co-operatives have not improved substantially in this recent period, so it is not possible to offer comparatives tables that summarize the evolution of co-operation in the last 50 years. But from a more qualitative literature, it is quite possible to pinpoint the countries where co-operation has been more dynamic. Among these, a remarkable absence is that of the UK, the cradle of modern co-operatives. The major factors working against a strengthening of co-operatives in the UK are two fold: the lack of complementarities among co-operatives resulting from the predominance of consumer co-ops, and the inadequate strategy of the leader Co-operative Wholesale Society (CWS).
CWS remained for too long stuck to the consumption model of a class of factory workers that was shrinking in favour of the middle class, which developed different consumption models, and its market share consequently plummeted. Not until 2001 did CWS merge with banking, insurance, and other co-operatives (mainly social, health, and community co-operatives) to form a new composite group, the Co-operative Group, which is busy recovering market share (Black and Robertson 2009).

A reference must also be made to the parable of British building societies, not least because they are a demonstration of the problems arising in the management of co-operatives in the present world. The origin of building societies reverts back to late eighteenth-century Birmingham, a city that was rapidly growing and hosted clubs and societies for co-operation. The first building society was founded by Richard Ketley in 1775, and implied the payment of a monthly subscription on the part of members into a fund used to finance the building of new popular houses for members. Soon there were hundreds of building societies in Britain, which developed also in Australia, New Zealand, and Ireland on the British model. In the USA, the savings and loans associations played a similar role, while in Austria and Germany some banks became specialized in mortgages and loans to the construction industry, but not all of them were mutual (often they were savings banks). In the 1980s, with the liberalization of financial markets, many of these building societies became de-specialized banks and a tendency to de-mutualize appeared, led by managers who wanted to profit from this. The first to de-mutualize in Britain was Abbey National in 1989, which was soon bought by Banco Santander, together with other demutualized building societies. In 1997, Northern Rock demutualized, adopting after that a highly speculative stance, which brought it to bankruptcy in 2008. It was bailed out by the British government, which came to control it and, in 2011 decided to privatize it. Today, less than 50 mutual building societies are left in Britain with 18 million members, while in Ireland they have practically disappeared.

As an opposite case to the British decline of co-operatives, we can quote Italy’s flourishing co-operatives. The two basic features of the Italian co-operative movement are a multi-sector approach that has allowed synergies among various co-operatives, and an ideological non-neutral inspiration, which has seen the organization of three tight umbrella organizations: the socialist (and for a period communist) Legacoop, the Catholic Confcooperative, and the liberal AGCI (often referred to as red, white, and green co-operatives, the colours of the Italian flag). They have competed but also collaborated on major issues. Italian co-operatives have developed a special capability of acting together (inside the three umbrella organizations) by means of federations, consortia, and groupings, keeping each co-op relatively small (with exceptions), but acquiring market power through networking (Menzani and Zamagni 2010). In 2011, the three umbrella organizations decided to build an Alliance (ACI, Alleanza delle Cooperative Italiane), which is promoting a process of merger. The achievements of the Italian co-operative movement have been truly impressive: Italian co-operatives (Coop and Conad, plus other smaller groups) are market leaders in retailing, with one-third of the Italian retail market (small shops excluded). A similar percentage of the market is supplied by co-operatives in insurance and construction, while in agro-industry the impact of co-operatives is 25 per cent. Many oth-
er services also see a qualified presence of co-ops: in catering, logistics, transportation, facility management, as well as in banking. There are also some well-functioning manufacturing co-ops. Social co-operatives deliver more than 50 per cent of social services. In 2014, Italian co-ops directly employed 8 per cent of the Italian labour force and indirectly (through joint stock companies controlled by co-operatives or supplying co-operatives) more than 10 per cent of it.

Today France is certainly the European country where co-operatives are most strategic in at least three sectors: banking, agro-industry, and insurance. The Groupement national de la coopération (GNC) was founded in 1947 as the umbrella organization and followed a strategy of diversification. The greatest success was achieved in banking, where the Crédit Agricole freed itself completely from government controls in 1988 and obtained stock exchange listing for its holding company in order to conduct major economic transactions nationally and internationally. The holding company was at first entirely owned by the regional credit unions, which later sold part of their holdings but retained a majority stake. Today, the Crédit Agricole in its hybrid form (partly co-operative and partly capitalist) is the largest banking group in France and one of the largest in the world. When added to the popular, mutual, and saving banks (which have been turned into co-operatives) it appears that 60 per cent of French banking deposits are co-operative, while mutual insurance societies account for 40 per cent of the French insurance market. Agro-industry has also grown very strong and 75 per cent of French farmers are members of at least one co-operative.

Today retail co-operatives in France have a quarter of the retail market, but much more as a result of retailer co-ops than of consumer co-ops. The former had a total turnover of €39 billion in 2006, with 17,000 points of sale, mostly non-grocery (9,000 of them are pharmaceutical). The latter had a turnover of €3 billion and four main regional groups. In 2006, the largest French retailer co-op, Leclerc, built with the Italian retailer co-op Conad, the German Rewe, the Belgian private chain Colruyt, and the Suisse Consumer Coop the first European co-op, Coopernic. In 2014, this alliance was dismantled and two were born out of it: Coopernic, between Leclerc, Coop Italia (the wholesale company of the Italian consumer co-ops), plus the Belgian Delhaize; and Core, which gathers the former four partners of Leclerc but has been incorporated into a Belgian co-op. Workers co-operatives are also important in France; in 2007 there were some 1,800 of them with 50,000 employees and a €3.5 billion turnover.

(p. 107) The German co-operative movement had to start up almost from scratch after the war. This new beginning adhered to the same principle that governed the rest of the economy in West Germany, namely decentralization in the name of democracy. At a time when the European economy was strengthening and was emulating the US model of large corporations, this formula was not likely to allow a flourishing of the co-operative movement. Co-operative credit—the strongest of the movement’s historical roots—succeeded in reorganizing, forming a single central institute (Deutsche Genossenschaftsbank, or DG Bank) in 1949, and a single national organization with a regional structure in 1972, the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR). In 2001, as a
result of successive mergers the Deutsche Zentral Genossenschaftsbank (DZ Bank) was created as the central institution of German co-operative banks, numbering around 1,100 in 2014, with 18 million members and about 24 per cent of German bank deposits.

The strategy for consumer co-ops, by contrast, proved inadequate. Between 1969 and 1972, German consumer co-operatives underwent a radical modernization with the creation of a central management organization (Bund Deutscher Konsumgenossenschaften GmbH), which in subsequent years renewed the retail network, intensified concentration, and began a campaign to transform the co-ops into public limited companies to facilitate financing. This change largely removed management activities from membership control. In 1975, the process of regionalization was well advanced; the eleven largest regional co-operatives accounted for more than 70 per cent of total sales by consumer co-operatives. However, the transition to a nationwide dimension proved to be difficult and concealed serious operational problems that management had kept hidden for a long time. When these problems emerged in 1989, bankruptcy was unavoidable (Fairbairn 1999). Today, Germany has a few consumer co-operatives, most of them small. Only three groupings are medium-sized (Coop Dortmund, Coop Schleswig Holstein, and Coop Nord Bayern). All in all, despite its significant presence in agriculture, banking, insurance, services, and small business, the German co-operative movement no longer commands the economic power that had distinguished it before the advent of the Nazi regime, mostly because of the weakness of its presence in the retail sector. However, thanks to the Mitbestimmung (codetermination, which implied that trade union representatives were sitting on the board of directors), the participation of workers in the governance of enterprises has been generalized in Germany in a way that is unknown in other nations of the world, although certainly in a form which differs from that of co-operative enterprises.

The case of Spain is special. Here too, the co-operative movement arose in the nineteenth century, when a series of powerful regional organizations were created. A nationwide federation came into being in 1928, but Franco’s dictatorship marked a discontinuation and the movement barely survived and later only partially recovered. Spanish co-operation is known in the world, not for its national organization, but rather for the presence of a unique co-operative experience, Mondragón (Williams 2007). The foundation of the first co-operative in the Basque town that lends its name to it stemmed from the activities of a priest, José Maria Arizmendiarrrieta, who became the parish priest of Mondragón in the 1940s. In 1943, he opened a vocational school for young people, and 1956 saw the founding of the first co-op, Fagor, which made stoves and radiators. It was the first of many, and by the end of the 1960s the Mondragón co-ops numbered 41. They were organized and financed by Caja Laboral, a bank which had been founded in 1959, the same year that the collective insurance company Lagun-Aro was activated. In 1969, a retailing society, Eroski, was created. Unlike anywhere else, Eroski is not a consumer but a worker co-op.

The original nucleus grew with the creation of a polytechnic school in 1962, and a research centre (Ikerlan) in 1974, both of which were incorporated into the University of Mondragón in 1997. In 1984, the need to reorganize led to the constitution of a group
governed by a congress, which linked consortia of co-operatives together. As early as 1991, this organization gave way to a new structure based on product group divisions, with central departments responsible for finance, innovation, internationalization, and co-operative identity; a truly modern corporation, as marked even by the change in name to MCC (Mondragón Cooperative Corporation). In this way, Mondragón was to face the challenges of globalization (Reed and McMurtry 2009). Despite its undeniable success, and with the sole exception of the Eroski retailing chain which has achieved a certain degree of geographical diversification, the Mondragón group remains an enclave in the Basque country, where it accounts for 8 per cent of local output and 14 per cent of employment.

Among the smaller European countries, all the Northern ones (Finland, Norway, Sweden, Denmark, Netherlands) have a very strong co-operative movement, mostly present in retail, agro-industry, banking, and insurance. There is another small European country with a large presence of co-operatives and it is Switzerland. The Swiss Union of Consumer Cooperatives, the country’s first large co-operative organization, was founded in 1890. It was not until after the Second World War, however, that the movement was coordinated, with the institution of a single logo in 1960. In that year, there were some 400 consumer co-ops with 3,320 retail outlets, but a series of mergers brought the number of co-ops down to 40, then 18, and then 14. In 2001, the final merger was completed, forming the new Coop society, which is broadly diversified into other branches, and controls 15 per cent of the Swiss retail market. Coop, however, is not the only Swiss consumer co-operative. There is also Migros, larger in size, whose origin is atypical. Migros was founded as a limited company in 1925 by Gottlieb Duttweiler, a merchant with progressive ideas and a strong sense of social responsibility. In 1941, he transformed it into a co-operative, which is today Switzerland’s leading retail organization, with 2 million members, 80,000 employees, and a presence in many other businesses. Co-operative credit is also important, with 1.4 million members and around 20 per cent of total bank deposits.

The insurance sector deserves a special mention. The presence of mutual insurance societies in Europe is substantial: in 2008, more than two-thirds of all insurers in Europe belonged to the mutual sector, reaching 25 per cent of all the paid insurance premiums. They have an association—AMICE (Association of Mutual Insurers and Insurance Cooperatives in Europe)—with more than 100 direct members. In some countries their presence is much more substantial: in France and Germany mutual insurers cover around 40 per cent of the market. The market share at the world level is only slightly below the European: 24 per cent, with Japan at 38 per cent, and the USA and Canada at 30 per cent. There is a world organization: the ICMIF (International Cooperative and Mutual Insurance Federation), which was initially established by ICA in 1922, but became independent in 1972. With only five members at the start, in 2010 ICMIF reached 210 members, one-third in Europe, one-third in the Americas, and one-third in the rest of the world. These 210 members directly represent 600 organizations, and indirectly (through their national mutual trade organizations) represent 2,700 of them, including joint stock companies controlled by co-operatives. Mutual benefit societies, once the only ones to deliver health and assistance to their members, must also be briefly mentioned here. In the last half a century, they have had to measure themselves with the state monopoly of welfare in
many European countries, but they have reacted creatively. In some countries (Germany, Belgium, the Netherlands, Czech Republic, and Slovakia), mutual benefit societies are running the compulsory health insurance covering from 80 per cent to 100 per cent of the population; in other countries (notably France) they provide complementary insurance against sickness or old age; and in others (UK and the Nordic countries) they still represent an alternative to the National Health system for those who want quicker services or higher pensions. All in all, in Europe 230 million people are covered by mutual benefit societies.

Moving out of Europe, only three cases will be presented, starting with the USA which, as Table 7.1 shows, presents the largest co-op, although the impact of co-ops in this country is substantial only in agriculture, insurance, and utilities. In the second half of the nineteenth century, there was an extremely intense US co-operative movement in all fields, including innovative industries such as telephones, electricity, and water supply. A book on the history of co-operation in the USA was published as early as 1888, testifying to the movement’s great early dynamism. A series of federations, institutes, and industry associations were formed. The strongest sector has always been that of farmer co-operatives. In 2009, US farmers’ co-ops still had 2.2 million members and accounted for a third of the country’s agricultural output. In the US credit sector, co-operation accounted for 91 million members and some 7,000 credit unions in 2009, with 7 per cent of the credit market. The other two sectors in which the co-operative movement is powerful in the USA are insurance, with 1,000 mutual societies (the largest 39 alone administer premiums for $370 billion (see Table 7.1)), and electricity, with around 1,000 co-ops serving 37 million customers and 40 per cent of the domestic market. Consumer co-operatives have retained only a niche role, such as that of REI (Recreational Equipment Inc.), which markets sporting goods and outdoor equipment, with 3 million members.

Overall, some 120 million Americans (well over a third of the total population) belong to at least one co-operative. A national co-operative organization was founded in 1916, as the Cooperative League of America. In 1922, when it incorporated the rest of the nation’s co-operatives, its name was changed into Cooperative League of the USA. In 1985, it changed name again, to National Co-operative Business Association. In the 1990s, the organization persuaded Congress to enact a programme of support for rural co-ops (Ben-Ner, Burns, Dow, and Putterman 2000). What is also to be noticed is the existence of ESOP (Employee Stock Ownership Plan), which was started in 1956 to allow employees to buy out the companies where they worked when the ownership was no longer interested in managing them. In the early twenty-first century, there are more than 11,000 ESOP companies, with 13 million workers.

Canada is an even more co-operative country than the USA. Co-operatives emerged in Canada at around the middle of the nineteenth century, at first in the consumer and farming sectors (McPherson 2009). Marketing co-operatives and creameries were established in many areas of the country and grew without interruptions. Today, they have become powerful corporations, accounting for over 40 per cent of total farm cash receipts. The first Credit Union was founded in 1900 by Alphonse Desjardins, the prototype of a large
French-speaking movement that counts today, together with its English-speaking counterpart (the Canadian Co-operative Credit Society), more than 10 million members and 20 per cent of the market. Insurance, housing, and fishery co-operatives are also strong, as well as healthcare and childcare co-operatives. In the field of retail co-operatives, a remarkable example is MEC (Mountain Equipment Co-operative) established in 1971 in Vancouver for the sale of outdoor equipment and apparel, which in 2006 counted 2.3 million members and is leader in the use of Internet technologies as well as in running sustainability and ethical programmes (Walzer and Merrett 2000). Along with the services they render to their member co-operatives and second-tier organizations, the two Canadian umbrella organizations—the French-speaking Desjardins Group and the English-speaking Canadian Co-operative Association born in 1909 (McPherson 2009)—run programmes promoting co-operatives in the developing world. Today, 40 per cent of the Canadian population is a member of a co-operative, making Canada one of the most highly co-operative countries in the world.

Finally, the case of Japan must be mentioned. When the country opened up to the Western market economy in the nineteenth century, the co-operative movement started to spread in the 1870s, patterned after European models. The first legislation regulating co-operatives was enacted in 1900, and under it the movement flourished, reaching a million members by 1912 and nearly 3 million members in 1922. The authoritarian governments that followed, like the European dictatorships, put a brake on co-operatives, but post-war resurgence was rapid. Membership rose to 22 million in 1972 and 57 million two decades later. The strongest sectors are agriculture, consumer co-ops, and insurance (with 14 million members). Banking was also present, but it suffered deeply from the banking crisis of the 1990s. Farmers’ co-operatives were the chosen instrument for applying government farm subsidies, performing a large number of diversified activities (supplying inputs, marketing of output, food processing, finance, insurance, building, and other rural services, including health, and cultural services). Japanese farmers’ co-operatives became a power with over 10 million members. In fact, with a market share of 70 per cent at the end of the twentieth century, they dominate Japanese agriculture and maintain social cohesion in the countryside. On the consumer front, the Japanese Consumer Co-operatives Union was formed in 1951 and began producing under its own brand in 1960. It now has a market share of 5 per cent and is the third largest retailer in a highly fragmented market (Hasumi 2010). Half of the co-ops’ total turnover depends on an original system of ‘Han’ groups that arrange for collective purchases and home delivery.

7.4 Conclusions

The co-operative movement, which is able to boast one billion members and at least 250 million jobs at the world level, should be better represented both at the political and at the cultural level. Indeed, when it was born in the nineteenth century, its originality and forcefulness were clear on both grounds. But then, on the one side, co-operation was for a long time confused inside the general political movements opposing capitalism and, on the other side, it was economically overwhelmed by Fordism. Now that history has made...
clear that there is no advancement without market economy, but that markets need not be populated only by Fordist corporations, there is room for a re-proposition of co-operation in new contexts. Co-operation today must not be limited to people living in the same place and forming small co-ops. Through the Web, co-operation can transcend physical boundaries and connect people across oceans for endeavours such as Wikipedia or crowd-funding, which were inconceivable back in time. Conceptualization as well as legislation must be adapted to these new dimensions and purposes of co-operation, as the European Parliament made clear in 2009.9

There are, however, some requirements distinguishing co-operative enterprises from capitalist ones that cannot be changed. A co-operative economic activity will always have to be participated in by a community of people, democratically run, and ready to distribute profits in a way that is equitable to all participants and respectful of workers (whether they are members or non-members), and of the natural and social contexts. In specific circumstances these requirements can be present also in enterprises incorporated differently from co-operatives and non-profit organizations, but in co-operatives they constitute their reason for existence.

References


Black, L. and Robertson, N., eds (2009), Consumerism and the Co-operative Movement in Modern British History: Taking Stock (Manchester: Manchester University Press).


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Notes:

(1) For a general overview of the opinions of nineteenth-century intellectuals on co-operatives, see S. and V. Zamagni (2010), Co-operative Enterprise Facing the Challenge of Globalization, Cheltenham: Elgar.

(3) Co-operative banking has a market share in the European countries of around 20 per cent, but most of the co-operative banks are small and do not appear in the 300 largest co-ops list.

(4) Lack of space prevents the inclusion in this essay of the quite interesting history of co-operatives in the rest of the world. A general overview that however stops in the 1990s can be found in J. Shaffer (1999), Historical Dictionary of the Co-operative Movement, London: The Scarecrow Press.


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