Worker Cooperatives in the United States:  
A Historical Perspective and Contemporary Assessment

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The philosophical foundation of the worker cooperative movement emerged in the 19th century in response to capitalist efforts to destabilize workers during the Industrial Revolution in England. Two main factors propelled popular demands for cooperatives: invention of the "spinning mule" and the steam engine—new technologies that shaped a vast expansion in textile production, reducing worker wages and lengthening the work day. Initiation of new mass production also reduced business demand for skilled labor and spurred migration to urban areas. The deskilling of labor contributed to arduous working conditions and long hours that expanded poverty in the burgeoning industrial cities. The concentration of laborers working in the factories spurred the formation of trade unions to shorten hours, improve working conditions, and increase wages. While labor unions gave some workers a voice in private businesses, other workers rejected traditional bureaucratic trade unions and sought a democratic voice in the fundamental decisions of their workplaces and communities. To achieve this goal, these workers organized in their rural and urban communities to democratically control and take ownership of their workplaces, and build greater certainty in their livelihood.

The origins of the modern cooperative movement are found in the Rochdale Principles codified in 1844 as a set of rules to govern cooperative enterprises. Written by the Rochdale Equitable Pioneers Society, the guidelines, rooted in worker self-organization and democratic management, endure as the moral and organizational standard for worker cooperative initiatives.
Rochdale Pioneers envisioned the development of a self-sustaining Cooperative Society that was urgently needed by workers. According to its plan, cooperatives should be formed: “as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education and government or in other words, to establish a self-supporting home colony of limited interests, or assist other societies in establishing such colonies.” Since Rochdale, the cooperative movement expanded through creating cooperatives throughout society for consumers, home dwellers, producers, and workers.

**Cooperatives in the United States**

The United States cooperative movement is rooted in sustained working-class struggles against the most rapacious forms of capitalism in rural agrarian regions and, since late-19th century, expanded into urban production industries. For about 150 years, working class efforts to form cooperatives have endured in response to predatory corporate expropriation and as a means of resisting capitalist oppression through establishing socialist self-management and workers democracy. Following the end of the US Civil War, in the 1870s, smallholding farmers struggled against wealthy robber barons who dominated commodity exchanges to oppose the crop-lien system, which offered credit that eventually forced farmers into debt peonage. Through crop-liens, merchants exploited smallholding farmers who were unable to obtain affordable credit for seeds and supplies.

The financial oppression of rural small farmers bears a striking resemblance to contemporary forms of neoliberal capitalism that has created monetary and financial instruments to oppress the working poor through expropriation and debt peonage. In the late-19th century,
farmers in US South and Southwest were forced to pledge future crops as a lien against credit advanced for the growing season. The crop lien bound the farmer to the merchant and restricted his options to buy elsewhere or dispose of his crop in the most advantageous manner. Disenchanted with the exploitative system, farmers formed collectives, such as the National Grange in the 1870s and the Farmers Alliance in the 1880s, to promote higher commodity prices through collective grassroots action.

In the 1880s, workers formed the Knights of Labor to resist capitalist efforts to reduce wages, create a reserve army of labor, and devalue worker skills. The Knights expanded to become the largest workers organization through mobilizing labor in factories and applying its resources to establish approximately 200 industrial cooperatives. By the end of the 19th century, as mercantile and finance capital established dominance over US politics, the Knights’ effort to create a national cooperative alliance with rural farmers failed to materialize. However these efforts reached an apogee in 1887 through the formation of a coalition with the Farmers Alliance and the organization of succession of new political parties to serve and represent the interests of the new cooperative movement.

In the 1880s, new worker-influenced political parties emerged, included the Greenback-Labor Party and the Populist Party to express the frustration of rural and urban workers against the growing domination of corporate trusts. Unfortunately, the movement was all but destroyed by the “Great Uprising,” the monumental confrontation between labor and capital that was building throughout the late 1800s and ended in the collapse of the Knights and the consolidation of corporate rule in America. Nonetheless, the farmer-workers movement demonstrated that the hegemonic powers of the capitalist-dominated state could be challenged by organized working-class movements. The dual strategy of worker organization at the point of capitalist production
and through the formation of cooperatives continues to inflect US labor struggles to establish
greater control and security over their work and social reproduction.

The demise of the Knights of Labor and the crushing of the cooperative development by
government and capital in the late-19th century diminished prospects for workplace democracy
in the US, however, utopian societies continued to create cooperatives on a small scale as a
means to escape the rapacious capitalist market. Most workers were forced to labor in
oppressive jobs, even without trade union representation at the point of production.
Subsequently, the establishment of mass production motivated “radicals” to pursue new forms of
worker organization through council communist, or anarcho-syndicalist, forms of industrial
unions that were expressed through the Industrial Workers of the World (IWW). The IWW and
its supporters were inflected by an anarchist vision of a stateless society that would soon
supersede the capitalist system with a socialist, stateless society built on international working
class solidarity.

However, syndicalist organizing efforts confronted similar obstacles of capitalist
opposition and demonization. The resurgence of the cooperative as an alternative to corporate
absolutism reflected a vision among workers that democratic unions would sweep away the mass
production system and introduce an egalitarian and socialist society. Workers who gravitated
toward syndicalist unions in the early-20th century also saw cooperatives as a compelling
alternative to capitalism. They envisioned worker cooperatives as a means of superseding the
wage system and producing for the needs of communities, rather than selling their labor to
capitalists, who would appropriate the surplus and reinvest in lower-wage-labor markets and new
technology.

In the first two decades of the 20th century, the capitalist class in the US consolidated
power in the industrializing republic through resisting worker self-organization and formation of unions. Capitalists also opposed experimentation with practical utopias and intentional communities as a threat to their power and developed propaganda warning workers of the danger to American society while violently crushing movements for working-class power in unions. Nevertheless, in 1920, the US Bureau of Labor Statistics reported 2,600 cooperative stores and buying associations in the United States, mostly in small towns that served farm communities. But following the end of the First World War, from 1920-22, most cooperative chains, wholesalers, and federations in the United States went bankrupt and by the mid-1920s most failed and ceased operation.

While worker cooperatives remained influential among some workers during the Great Depression, the profit incentives provided by the Second World War and prospects for “full employment” reduced interest in them at the same time as the US emerged as the capitalist and imperial center of world manufacturing and distribution. The workers movement and factory occupations of 1936-39 inspired many to consider a broader socialist control over production as a possible alternative to corporate domination. But, by 1939, the capitalist state and employer domination emerged mostly unchallenged. No doubt, trade unions expanded dramatically in the US from 1935-55, but the New Deal accord placed unions in a subordinate position vis-à-vis employers, who maintained ultimate power over the workplace, with the right to close and relocate enterprises to advance profitability.

By the 1960s, with the US in a state of social turmoil, worker cooperatives were an integral of the larger movement for social justice, rebelling against American individualism and materialism. Represented in the media as “counterculture,” they formed part of a counter-institutional effort in search of alternative means of organizing society. The alternative was
decisively located in the vision of collective and cooperative work, in which equality was the foundation of democracy and sharing resources a means of empowerment. The social movements of the 1960s and 1970s soon dissipated, replaced by the neoliberal market-oriented Reagan administration. In the 1980s, many successful cooperatives were abandoned or bankrupted, once again leaving the actuality of worker control in the past even as demands for stable employment and democracy at the workplace remained strong.

The standing of worker cooperatives in the US is linked directly to cyclical capitalist cycles of economic recession, depression, and periods of economic recovery. In every historical era, capitalist propagandists depicted cooperatives as dangerous to society and demeaned those individuals involved in the movement for retreating into frugal and modest living.

Notwithstanding this, throughout the last 150 years, cooperatives retained popularity. While cooperatives are vulnerable to economic cycles, just like private businesses are, during periods of relative prosperity the media and state disparaged cooperatives and promoted individualism and business ownership, despite the fact that only a small fraction of the working class could even hope to own a profitable enterprise. While American workers have always maintained a spirit of mutual aid in times of crisis, capital and the state have continually emphasized that individualism and private ownership were the only means to prosperity. During the New Deal, popular support for cooperatives waned after state intervention in the capitalist economy advanced the financial and corporate oligarchy that benefited from economic stimulus and wartime government spending.

Legislation about Cooperatives

In 1865 Michigan was the first US state to enact a cooperative statute. Wide-ranging
cooperative laws were subsequently adopted in Massachusetts (1866), New York (1867), Pennsylvania (1868) Connecticut and Minnesota (1870) and Wisconsin (1887). By 1911, twelve US states had special passed cooperative laws—and today all states permit worker cooperatives.

On the federal level, government legislation was less supportive. The passage of the Sherman Act in 1890, while containing no specific language on cooperatives, was used by government officials to ban them. Because agricultural cooperatives allowed farmers to set a common price, directors and officers of marketing cooperatives were indicted in six states from 1897 and 1910 for antitrust violation under the Sherman Act. However individual states overturned federal opposition: in 1897, Texas declared the antitrust law banning cooperatives to exempt agriculture, and in 1902 the state of Illinois followed suit.

Yet the Clayton Act of 1914 sanctioned cooperatives by exempting all “agricultural, or horticultural organizations, instituted for the purposes of mutual help, and not having capital stock or conducted for a profit,” from the Sherman Act. While the Clayton Act legalized non-profit cooperatives that issued no stock, the legal status of other cooperatives remained ambiguous until the 1920s.

In 1922, US Congress passed the Capper-Volstead Act, a measure that finally institutionalized the cooperative market. The Act, commonly referred to as the “Cooperative Bill of Rights,” allowed farmers to market products without violating antitrust laws. However, under the new law cooperative members were required to engage in agricultural production and all cooperatives had to follow a one-member-one-vote rule and annual dividends on stock or capital could was not to exceed eight percent. In addition, non-member business could not exceed 50 percent of the cooperatives total business. A decade later, in 1933, the US Congress extended the rights of cooperatives through passage of the Farm Credit Act that created a network of
cooperative lending institutions to provide loans for agriculture and farmers’ cooperatives.

In 1936, during the Great Depression, the Rural Electrification Administration was created by Congress to guarantee loans exclusively to those cooperatives supplying electricity to rural areas that were mostly underserved by private electric grids. Another key moment in cooperative legislation occurred in 1978 when Congress passed the National Consumer Cooperative Bank Act that established the National Consumer Cooperative Bank (NCCB). Formed by federal charter, the NCCB provided vital credit to a range of cooperatives.

**US Cooperatives in the early-21st century**

Today, the more than 29,000 cooperatives in the US have approximately 120 million members and employ more than 850,000 people. According to the National Center on Employee Ownership, approximately 13.6 million employees in the US are employee-owners through their participation in 11,300 employee stock ownership programs (ESOPs). Combined employee assets held in these ESOPs exceed $900 billion. Most recently, the Steelworkers Union, North America’s a large industrial union, has signed an agreement with Mondragon, a 100,000-member cooperative in Spain, to educate workers to gain ownership in failing businesses. The Steelworkers envision converting an existing site or starting a new venture, a natural extension of the union’s role in giving workers a voice with owners. Except this time, workers would also be the owners.

In June 2012, the UN declared 2012 the International Year of Cooperatives, urging governments worldwide to collaborate with cooperatives to reduce poverty and create more productive societies. In part, the growing popularity of cooperative organizations is a direct response to the worldwide capitalist economic crisis. In the US, as the capitalist system is
failing, worker interest in forming alternative enterprises, rooted in democratic participation, self-management, and ownership, has increased significantly. Given the general distrust and loss of public confidence in corporations, banks, and the financial system, the cooperative model makes sense more workers in the US.

Are cooperatives perceived as an antidote or a solution to the unpredictability and instability of capitalism? Have workers in Americans finally been pushed to the brink to overthrow capitalism? Probably not, but that doesn’t mean that they are not at least ready to begin to change its most tyrannical elements and to defend their rights through cooperative ownership.

For low-wage workers, especially those lacking any formal representation and working in jobs without benefits or prospects of advancement, the cooperative movement is emerging as a compelling opening to a new organization of enterprises. For precarious workers in the US, as in Argentina, Brazil, and throughout Latin America, cooperative ownership and self-management is viewed as indispensable to survive and a means for workers to defend their future as managers, stakeholders, and owners, while advancing the needs of their communities. We now turn to the US state of Wisconsin cooperatives as a case study of the potential for creating a successful social movement which unifies the working class.

Case Study: Wisconsin Cooperatives

The rural economy of Wisconsin has long-benefited from cooperatives, first, in the 1800s with the formation of the first town mutual insurance society and, later in the century, by the Grange movement that addressed the economic hardships facing farmers by advocating cooperative enterprises in stores, grain elevators, and mills. By the early 20th century, 46 percent of the state’s creameries and 37 percent of all cheese factories were farmer-owned.
Wisconsin enacted its first cooperative law in 1887 and was revised in 1911. The Wisconsin model has since been copied by 16 different states. Revised again in 1921, 1955 and 1989, the Wisconsin cooperative law is known as Wisconsin Chapter 185 and provided that a cooperative can be organized for any lawful purpose with the exception of banking and insurance. At least five or more adults are required to form a cooperative.

Cooperatives in Wisconsin are classified into one of three categories—marketing cooperatives, worker cooperatives, and supply and distribution cooperatives.

Marketing cooperatives must be businesses that are owned by and benefit members who produce similar products, a network of different cooperatives that pools their products. These cooperatives can negotiate better prices and provide access to larger markets for members. It can add further value through fabricating products and thereby increasing price and demand. Many varieties of agricultural cooperatives fall into this category. Wisconsin Cranberry Cooperative is an example of such a cooperative that markets cranberries that are grown by its member-owners who own individual family farms. CROPP Cooperative is owned by nearly 750 organic family farmers nationwide and markets its organically produced milk, egg, cheese, soy, juice and produce products under the Organic Valley Family of Farms brand, and beef, pork and poultry products under the Organic Prairie Family of Farms brand.

Worker cooperatives are businesses owned and controlled by the workers, who directly benefit from the business. Profit distribution is based on some combination of job position, hours worked, seniority and salary. Worker cooperatives are found in a wide variety of industries. Union Cab is a worker-owned company providing taxi services that is located in the heart of Madison. One of the most nationally-recognized worker cooperatives, it was founded in 1979 by a group of drivers, dispatchers and mechanics after a failed labor struggle against
Checker Cab. After the second attempt to enforce a contract, the owner shut down the company, and organizers turned to the cooperative model. Union Cab has over 200 members and the largest fleet in the city.

Drivers enjoy some of the best working conditions in the industry. Union Cab has offered health care to its membership since the mid-1980s and in the mid-1990s the cooperative began paying a percentage of an individual’s premium. Union Cab operates a democratic workplace maintaining the principle of one member/one vote. Its board of directors consists of an elected group of drivers, mechanics and dispatchers that serves as the governing body. Other examples include Isthmus Manufacturing, a worker-owned builder of automated equipment and Cooperative Care which provides homemaker service and certified nursing assistant care to the disabled and elderly in their homes.

Finally, distribution cooperatives supply specialized goods and services to their member-owners to meet their specialized needs. By combining member demand, the cooperative can provide better pricing, availability, or delivery of products or services to farmers, businesses or consumers than would be available otherwise. For example, Homestead Cooperative of Mt. Horeb provides 25 homes to “active seniors.” Ridge Side Co-op in Madison offers nine units of affordable housing in an increasingly high-priced neighborhood. Adams-Friendship Cooperative Homes is a community of five separate homes built on cooperatively-owned land. Landmark Services Cooperative provides its rural and urban members with fuel, fertilizer, feed, grains, marketing and agronomy services, as well as operates retail automotive and convenience stores. Viroqua Food Cooperative provides its consumer members with organic and natural foods. Adams-Columbia Electric Cooperative is a rural electric distribution enterprise that provides its member-owners with utility services. Independent Pharmacy Cooperative negotiates with
wholesalers to get better pricing and services for its members, who own independent pharmacy businesses. And UW Credit Union provides customized financial products and services to meet the money management goals of its members.

Most recently, Wisconsin cooperatives have benefited from technological improvements that have made larger scale operations both necessary and feasible. Consolidation efforts have resulted in agricultural cooperatives entering strategic alliances or pursuing mergers or acquisitions with both cooperative and non-cooperative types of businesses. New agricultural cooperatives have been created to market “value-added” products. Ethanol from corn, or milk produced in accordance with organic standards are both examples of value-added products made by Wisconsin cooperatives.

One of the older cooperatives in Madison is Nature's Bakery, which recently celebrated its 40th year in business. Nature’s Bakery was a product of a cooperative explosion that occurred in Madison in the late 1960s. Founded in September 1970 by a small group of women who began baking in a large oven donated by Edgewood College, Nature's Bakery has continued to thrive by refining the management of its membership. The bakery consistently updates its methods of keeping business records and increases the efficiency of shifts and scheduling that enables members to financially invest in the bakery.

Lastly, Community Pharmacy began in 1972 as a University of Wisconsin-Madison Wisconsin Student Association-sponsored store to provide affordable prescription medicine and basic body-care products to students and community members. Shortly afterwards, it became an autonomous entity, run collectively by workers and pharmacists. After two decades of thriving in downtown Madison, it was reincorporated as a worker cooperative with a mission to promote health. Community Pharmacy has expanded the definition of health to include a right to eat, a
right to a home, a right to a humane workplace, a right to a clean environment, and a right to move through that environment without fear of violence or silencing.

The tradition of mutual aid that continues to thrive in Wisconsin now includes about 850 cooperatives serving approximately 425,000 members, contributing close to $4.5 billion in annual sales to the economy. In addition, the University of Wisconsin houses one of the largest academic departments dedicated to the advancement and study of worker cooperatives in the US.

Wisconsin officials have observed that, while businesses distribute profit to owner-investors based on the amount of individual investment, cooperatives focus on returning profit to members according to individual member use or “patronage.” Because members use cooperatives, the incentive to increase investor earnings at the expense of delivering the products and services to members is reduced. Cooperatives also differ from business structures because, in addition to economic viability, they operate on principles reflecting member, worker, social and community needs.

**New Cooperative Developments and Initiatives**

Worker ownership can describe a variety of different business structures, but what separates the cooperative model from others is a complete rejection of any notion that capital should control the business and enjoy an unlimited return. Because of this, the typical Wall Street investor may not be attracted. In addition, it has long been held that, because workers typically do not have capital to invest, cooperatives are rarely found in capital-intensive industries. Rather, they are restricted to labor-intensive service industries, which do not require expensive tools.

If there is a significant trend in the development of cooperatives in the US it certainly is
in the industries they have penetrated. True, some are labor-intensive service industries such as agriculture and the domestic trades. However, what contemporary cooperatives do have in common is a commitment to eco-friendly production. In addition, such cooperatives are more of a reflection of the distrust of corporate production and the use of harmful pesticides and other harmful chemicals that have come to be associated with increasing production while lowering costs. The long practiced tradition by corporate capitalists of putting profit before people has resulted in the development of cooperatives necessary for workers and the general health of their communities. In more cities throughout the US, cooperatives have expanded and are beginning to develop linkages and forms of solidarity.

Distrust of corporate grocery chains and the use of genetically-modified foods are encouraging cooperative members out into the fields to produce food without potentially dangerous chemicals and hormones. In addition, the production of alternative sources of energy such as bio fuels, wind technology and solar power seems to be evermore penetrated by cooperative firms, not necessarily because there is money to be made, but because there is a genuine concern over the burning of fossil fuels.

PV Squared, located in Massachusetts and Connecticut, is a worker-owned business that provides turnkey renewable energy system installations at homes, businesses, municipalities and institutions. Its mission is to promote a sustainable society by learning and adapting to new circumstances in ways that nurture and restore, rather than harm, natural systems. In addition, a number of cooperatives have begun to offer courier services and hauling that burn no fossil fuels. Pedal People Cooperative in Northampton, Massachusetts hauls anything up to three hundred pounds, all by bicycle.

Cooperative Home Care Associates in New York’s South Bronx allows its 1,600
members save money toward a $1,000 stake in the cooperative, entitling them to annual dividends. In addition, workers are offered affordable health insurance, retirement plans, and other benefits.

La Base and Working World: Bringing the Argentine Cooperative Model to the US

Worker cooperatives in the US today are benefiting from transnational cooperation. One of the most ambitious is The Working World (TWW), a cooperative founded in Buenos Aires that established its third office, the first in the US, in New York City in April of 2011. TWW’s first work upon arrival has been to deepen its connections to the existing cooperative community and canvas other community groups of all kinds to explore the potential for partnerships in launching new worker-run initiatives. To as many of these groups as possible, TWW has opened lines of dialogue to demonstrate how success in Argentina and Nicaragua, where it also operates, can be duplicated in working class, poor, and racially-oppressed neighborhoods in New York City.

TWW is not imposing its model, but working with cooperatives to advance their cause. It is working with the Brooklyn’s Center for Family Life, which organized successful cooperatives among marginalized and immigrant workers, the Bronx Green Workers Cooperatives and members of the related Green Workers Roundtable, Art for Change founder and Harlem community organizer Eliana Godoy, the immigration department at The Door, and the Lower East Side Community Board #3—all who are helping TWW’s plan to support cooperative growth in the New York City region. TWW is sharing experiences drawn from Argentina and Nicaragua with local community organizations, academics, students and pro bono professionals, who have shown interest in working together and building a larger cooperative
movement in New York, the most wealthy US city with the highest income inequality in the US. Through cooperatives, TWW hopes to support local and community efforts to build an alternative economy and establish meaningful partnerships in the New York area.

According to Ethan Earle, director of TWW’s New York, the organization is supporting the expansion of a successful cleaning service cooperative. Si Se Puede and BeyondCare, a cooperative which provides day care and domestic services, are both operated in Sunset Park, Brooklyn through the support of the Center for Family Life. TWW is also planning two new projects: Fujian Chinese tea house and sweet shop, run and owned by young women who were victims of human trafficking and are struggling to emerge from years of debt bondage and dire working conditions. It is now planning to reopen a grassroots café, dance hall and cultural space that once was a popular fixture in East Harlem, as a cooperative owned and operated by members of the local community.

Earle says that New York City is an ideal location to develop worker cooperatives and, more broadly, to import what TWW learned and the practices developed over the last seven years in Latin America. Having tested and proven its model in Argentina and Nicaragua, Latin American countries with disparate geographic, political, and economic development, TWW is eager to bring its innovative approach toward supporting an alternative economy to yet another, vastly different setting, in an advanced capitalist country. TWW views New York as a world center of media and finance, a city of unparalleled riches, yet it has the widest gap between the upper class and the poor in the US. New York’s official unemployment rate is 10% (unofficially closer to 20%). With more and more people forced to work longer hours for less pay under worsening labor conditions, Earle said TWW is focusing on dispossessed workers who are disproportionately exposed to economic hardship: women, African Americans, Latinos, and
TWW provides direct services to worker-run cooperatives to improve their economic performance and future viability. It measures success in a concrete manner—the revenue generated by the investments it supports. In seven years of providing funding hundreds of cooperatives in Argentina and Nicaragua, TWW-funded projects have successfully completed more than 95% of their projects. TWW views its formula as a “progressive finance model in which we share the burden of risk.” In New York, with a business failure rate exceeding 50 percent, TWW acknowledges the challenge in seeking to open successful cooperatives in a setting with little recent history of cooperative activity. Says Earle: “We do not expect 95% of our investments to succeed. However, we do expect to again show the resiliency and market advantages that accompany the more equitable social elements of the cooperative work model.”

**Conclusion**

In assessing the impulse of workers to form cooperatives, one must stress the importance of their efforts to control their fate and eliminate the degradation of work in the US. Since the reorganization of productive processes by corporate capitalists, American workers have been forced to work at lower wages in authoritarian businesses. As political economist David Harvey argues, in communities that are dominated by corporations engaged in “appropriation by dispossession,” asserting that modern private capitalism, with the compliance and sponsorship of the State, is resorting to pre-capitalist forms of expropriation of essential resources indispensable for human reproduction in early capitalism. The working class is not only losing their jobs, but also their homes, rights to health care, education, and to basic survival. These circumstances create the environment for the development of popular assemblies and cooperatives to establish enterprises that support communities.
References


Dollars & Sense. October.

