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The Meaning of Rochdale

**The Rochdale Pioneers
and the Co-operative Principles**

BRETT FAIRBAIRN

Occasional Paper Series

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CENTRE FOR THE STUDY OF CO-OPERATIVES



UNIVERSITY OF
SASKATCHEWAN

THE MEANING OF ROCHDALE

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THE ROCHDALE PIONEERS AND THE CO-OPERATIVE PRINCIPLES

Brett Fairbairn

Centre for the Study of
CO-OPERATIVES



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Centre for the Study of Co-operatives
University of Saskatchewan

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CENTRE FOR THE STUDY OF CO-OPERATIVES

THE CENTRE FOR THE STUDY OF CO-OPERATIVES is an interdisciplinary teaching and research institution located on the University of Saskatchewan campus in Saskatoon. Contract partners in the co-operative sector include Credit Union Central of Saskatchewan, Federated Co-operatives Ltd., Concentra Financial, and The Co-operators. The centre is also supported by the University of Saskatchewan, which not only houses our offices but provides in-kind contributions from a number of departments and units —the Johnson-Shoyama Graduate School of Public Policy, Management and Marketing, and Sociology, among others — as well as financial assistance with operations and nonsalary expenditures. We acknowledge with gratitude the ongoing support of all our sponsoring organizations.

The objectives of the Centre are:

- to develop and offer university courses that provide an understanding of co-operative theory, principles, developments, structures, and legislation
- to undertake original research into co-operatives
- to publish co-operative research, both that of the Centre staff and of other researchers
- to maintain a resource centre of materials that support the Centre's teaching and research functions

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Our publications are designed to disseminate and encourage the discussion of research conducted at, or under the auspices of, the Centre for the Study of Co-operatives. The views expressed constitute the opinions of the author, to whom any comments should be addressed.

This paper discusses a number of versions of the co-operative principles. The most recent variation appears on the facing page. It was adopted at the 1995 Congress and General Assembly of the International Co-operative Alliance, held in Manchester, England, to celebrate the alliance's centenary.

Recommended to the congress by the ICA board, the statement was the product of a lengthy process of consultation involving thousands of co-operators around the world.

The process was chaired by Ian MacPherson, who prepared numerous drafts of the identity statement and its background paper in an effort to understand the state and needs of the co-operative movement at the end of the twentieth century.

The statement was first published in Ian MacPherson's *Co-operative Principles for the 21st Century* (Geneva: International Co-operative Alliance, 1996).

THE ICA STATEMENT ON THE CO-OPERATIVE IDENTITY

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

First Principle:

Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

Second Principle:

Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

Third Principle:

Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the com-

mon property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Fourth Principle:

Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Fifth Principle:

Education, Training, and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of co-operation.

Sixth Principle:

Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

Seventh Principle:

Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

The Meaning of Rochdale

The Rochdale Pioneers and the Co-operative Principles

by Brett Fairbairn

Rochdale, England, is known by millions for one reason: a handful of labourers established a co-operative there in 1844 known as the Rochdale Society of Equitable Pioneers. That co-operative was adopted as the inspiration and model for a movement that now includes nearly 700 million people around the world. As this paper is being written, co-operators around the world are preparing to celebrate the 150th anniversary of its birth. But what did Rochdale mean? Why is it considered so important?

Symbols and Reality

Rochdale is part myth. There was also a concrete historical reality, accessible to us through documents and first-hand accounts and modern books that interpret those old sources. But entirely apart from the historical reality, Rochdale is a living, active symbol that influences understanding of co-operatives in countries around the world today. The myth of Rochdale has to do with twenty-eight impoverished weavers who started a shop in Toad Lane in 1844; a shop that became the first successful co-operative in the world; a co-operative that defined the principles for all later co-operatives to follow. Each of those three contentions, by the way, is largely false: that Rochdale was opened by starving weavers, that it was the world's first successful co-operative, that one need look only at its statutes to find the true co-operative principles. But no matter, the myth has its own kind of truth, and such myths and such truths are to be respected. This myth is a good and constructive one and contains elements that are true by anyone's definition. Rochdale is a historical reality, and it is an icon or totem for the world co-operative movement, an object of belief and inspiration for millions. What does it mean? The important thing to remember is that the meaning of Rochdale is constructed by each generation to meet its own needs.

The problems of 1844 in some ways resemble those in developing countries and less-developed communities today. The solutions in Rochdale look something like the modern idea of socially sustainable development: in the most general terms, Rochdale stands for development in the long-term interests of people and communities — development controlled by the people it affects. Rochdale is a vision of participation in social change. This is a good reason to look closely at the meaning of Rochdale. But what one finds may not be simple.

This essay contains three parts. First, it analyzes the origins and development of the Rochdale Society of Equitable Pioneers — a story often told, but one whose details are rich with lessons and illustrations. Second, this paper reflects on the ways in which Rochdale has been interpreted by co-operative leaders and scholars who tried to distill the secret of co-

operative success over the last 150 years. The many different interpretations of Rochdale show that no simple list of principles can capture the nuances of the rich and complex tradition. Finally, this paper looks at a concrete example: the conflict between Rochdale and non-Rochdale ideas of co-operation in the North American farm co-operative movement of the early twentieth century. Such examples show, as no theoretical discussion can, that Rochdale ideas have been contested by different groups of co-operators; that there have been many approaches to co-operation; and that the widespread acceptance of Rochdale principles in today's co-operative movement is the result of battles, defeats, and compromises. All of these stories have been told before — this essay does not pretend to be a work of original research or even of comprehensive synthesis and interpretation. It does aim to pull together selected points of view about Rochdale to give readers a convenient point of entry into some complex issues.¹

Rochdale in historical reality; Rochdale in the debate and abstract thought of international co-operators; Rochdale as a contested concept in a foreign setting; for 150 years the *idea* of Rochdale has been a source of inspiration, challenge, and friction.

Part One:

The Historical Reality of Rochdale

The labourers who organized the Rochdale Pioneers, 150 years ago, were people suffering from the social dislocations of the industrial revolution. They struggled to survive periodic unemployment, low pay, unhealthy cities, and dangerous workplaces. They had no social benefits — no insurance or health care or pensions from their employers or from the state. They were dependent on merchants who were sometimes unscrupulous, who exploited the helplessness of the poor by selling at high prices, by adulterating goods, or by trapping them with offers of credit. And the Rochdale labourers faced these challenges in a time and place when they had no vote, no democratically elected government to represent them, no interventionist state to protect them. Their answer to daunting social problems was a special kind of self-help: mutual self-help, in which they would help themselves by helping each other. It was a small start to a large international movement.

The Social and Political Context

Rochdale was a textile-based manufacturing town whose chief industry was in decline due to the industrial revolution. For centuries Rochdale had been a centre for the manufacture of flannel; but in the early decades of the nineteenth century, handloom weavers faced competition from the power loom and lost markets due to American tariff policies. Discontent in Rochdale centred among the weavers. There was repeated labour unrest, including violent strikes in 1808 and 1829. After the first of these incidents, troops were stationed near Rochdale until 1846. The town was also an important centre of working-class, radical politics. Workers from Rochdale played important roles in the trade-union movement, in the massive but unsuccessful campaign of Chartism to obtain the vote for

¹ The focus here is on Rochdale, and, while the discussion inevitably spills over into broader discussion of co-operative principles, this essay cannot do justice to the many wise commentators who have written about the principles of co-operatives. There are rich schools of thought on this subject in France, Germany, and elsewhere whose views are hardly mentioned in this, an introductory essay from a particular point of view. General co-operative principles and their application in Canada are subjects surveyed in another paper in this series, McGillivray and Ish (1992).

ordinary people, and in the Factory Act movements for regulation of industry and protection of workers. In 1819 some thirteen thousand people attended a reform meeting in Rochdale, where one of the speakers was Tom Collier, uncle of the later Rochdale Pioneer John Collier. Famous reform-oriented, liberal politicians were also associated with Rochdale: John Bright was from there, and Richard Cobden was for a time Rochdale's member of parliament.²

Crucial to the later success of the Rochdale Pioneers was the fact that Rochdale had for years been a centre of co-operative activity. The "Rochdale Friendly Co-operative Society" had been formed in 1830 by about sixty flannel weavers. It had a retail store from 1833–35 at No. 15 Toad Lane, just down the street from the premises used after 1844 by the Pioneers. Several later Pioneers were associated with this early venture: Charles Howarth, James Standring, and John Aspden.³ In other words, even the Rochdale Pioneers, whose success in retrospect seems almost magical, were the result of decades of hard work, failures, and disappointments.

The Owenite movement was also strong in Rochdale and made a lasting impression on many of the founders of the Pioneers. Owenism, named after maverick industrialist and reformer Robert Owen, was a philosophy that lay at the origins of socialism, trade unionism, social reform, and co-operation, in a day when these ideas were not distinct from one another. Perhaps Owen's key social criticism of his age was that workers were denied the full value of their labour, toiling in poverty for the profit of others. Owen had no high opinion of the moral and cultural values of the poor, but saw economic and educational improvement as essential for creating a better population. In order to capture more of the value of their labour, Owenite workers banded together to form associations for mutual aid and education. They aimed to increase wages by collective action and by starting their own worker-owned enterprises; they aimed to raise the standard of practical education — and by practical they meant especially knowledge of politics and economics — through libraries and courses; and they aimed to extend workers' purchasing power through co-operative buying. Owenites were active in Rochdale in the 1830s, and in 1838 an Owenite branch was formed which took over a pub, *The Weaver's Arms*, and set it up as "The New Social Institution," a centre of Owenite activity. Owenite speakers gave lectures every week. One visitor noted that Rochdale stood out in its Owenite zeal: "Almost every night in the week is devoted to the cultivation of the mental and moral faculties."⁴ Moreover, at the time the Rochdale Pioneers were founded, the last great Owenite community project at Queenwood was underway, and the struggles and debates related to Queenwood probably energized the Rochdale Owenites in their efforts to bring about the creation of a new co-operative association. Briefly, one of the issues at Queenwood was the ability of the Owenites to pursue their ideals regardless of Owen. The reaction of activists against Owen's meddling did not save Queenwood, but it energized a number of experiments like Rochdale that Owen would not have sanctioned. The Owenite movement had struggled to find its own dynamism independent of Owen's grandiose and poorly guided projects. Rochdale was one result.⁵

But Owenites were identified as "socialists" — a newly coined word — and persecuted. Their posters and building were vandalized. Perhaps because the Owenites were

² Bonner (1961), pp. 41ff.

³ Bonner (1961), p. 42.

⁴ Bonner (1961), p. 43.

⁵ Cole (1944), pp. 57–59.

controversial and marginalized, it was not the Owenite movement as such that created Rochdale, but a core of Owenite activists working in conjunction with other groups. Charles Howarth, who had been the local leader of the Owenite branch, was a leading figure in the Pioneers, and James Daly, one of the Owenite branch secretaries, became the first secretary of the new co-operative.

The Founding of the Rochdale Pioneers

William Cooper, another Owenite among the original Pioneers, said in 1866 that the failure of a weavers' strike early in 1844, and the subsequent attempt to form a flannel weavers' production society, were part of what precipitated the formation of the Pioneers. The 1840s were a bitter decade in Rochdale and many other parts of Europe, associated with poverty, hunger, and unemployment. No group was more desperate than weavers. However, the role of weavers in setting up the Rochdale Pioneers has been exaggerated by many casual writers. A close reading of the founding documents shows that weavers made up a large proportion of the first list of subscribers who supported the creation of the Pioneers. However, by the time of the founding meeting on 15 August 1844, many of the weavers had dropped out — perhaps because they were too desperate or too destitute to invest time or money in a co-operative venture. The creation of the Pioneers is better seen as a kind of partnership between a group of Owenites, the weavers, some ex-Chartists, and some temperance campaigners.⁶ Of thirty names of identifiable founding members, fifteen were Owenite socialists, including many of the leading activists in Rochdale. Only ten were weavers. Arnold Bonner suggests that most of the founding members were not starving and desperate, but were “comparatively well-paid skilled artisans... Idealism, the vision of a better social order, not hunger, inspired these men... There is sometimes a tendency, perhaps an inclination, to forget that the Pioneers commenced business with the purpose of pioneering the way to a new and better social order... Without an ideal there would have been no Co-operative Movement.”⁷

The founders of Rochdale were of course poor compared to their social superiors. They lacked real economic or political power, or high social status. And the poverty and misery surrounding them in Rochdale were undoubtedly a large part of their motivation for creating a co-operative. It is, therefore, reasonable to say that the forces of poverty and need inspired the formation of the Rochdale co-operative. But they did so somewhat indirectly, mediated by the agency of idealism and critical social thought, and by the activists of Owenism, Chartism, and other social movements. The Rochdale Pioneers did not rise spontaneously from need, but were organized consciously by thinkers, activists, and leaders who functioned within a network of ideas and institutions. The same can probably be said of all successful co-operatives in all times and places: they arise from need — when some activists, institutions, or agencies consciously promote and organize them. Also, while co-operatives have frequently been tools for the relatively poor or marginalized, there is evidence that (just as in Rochdale) they are rarely led by the very poorest.

The founders in 1844 were looking for a mutual self-help organization that would advance their cause and serve their social objectives through concrete economic action. They called their new association the Rochdale Society of Equitable Pioneers, a name that rang with overtones of Owenism. “Equitable” had been one of Robert Owen's favourite words — as in his plan for Equitable Labour Exchanges that would allow workers to exchange goods

⁶ Bonner (1961), p. 45, discusses these questions concisely. See also Cole (1944), pp. 59–60.

⁷ Bonner (1961), p. 45.

and services directly with each other, bypassing employers and middlemen. To Owenites, “Equitable” signified a society that would eliminate capitalist-style exploitation, and that would exchange goods and reward labour fairly according to Owen’s ideas. The word “Pioneers” might have been inspired by the newspaper *The Pioneer*, which had been the organ first of the Operative Builders’ Union, an early trade union, and later of Owen’s Grand National Consolidated Trades Union. To choose a name like “Equitable Pioneers” in 1844 was a social and even political statement, and implied that the Pioneers were consciously taking a place in the movement for social reform and the advancement of the working class and its interests.⁸

The new Rochdale society had pragmatic economic purposes, but within the context of an activist working-class culture and a visionary ideological outlook. The connection between ideology and pragmatic action is apparent from the first article of their statutes, in which the Pioneers laid out the objects of their society.

**Objects of the Rochdale Pioneers
From the Statutes of 1844⁹**

Law the First

The objects and plans of this Society are to form arrangements for the pecuniary benefit, and improvement of the social and domestic condition of its members, by raising a sufficient amount of capital in shares of one pound each, to bring into operation the following plans and arrangements.

The establishment of a store for the sale of provisions and clothing, etc.

The building, purchasing or erecting of a number of houses, in which those members, desiring to assist each other in improving their domestic and social condition, may reside.

To commence the manufacture of such articles as the Society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages.

As a further benefit and security to the members of this Society, the Society shall purchase or rent and estate or estates of land, which shall be cultivated by the members who may be out of employment, or whose labour may be badly remunerated.

That 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 united interests, or assist other Societies in establishing such colonies.

That, for the promotion of sobriety, a temperance hotel be opened in one of the Society’s houses as soon as convenient.

⁸ Cole (1944), p. 77.

⁹ Reproduced in Lambert (1963), p. 292; Bonner (1961), p. 46; Cole (1944), p. 75. The three sources use slightly different punctuation.

Some observations come to mind. First, the Rochdale Pioneers existed for the financial benefit of their members, but also for the improvement of their social and household condition. The Pioneers combined economic and social purposes and evidently saw no conflict between them. Second, the Rochdale Pioneers were conceived as what we might now call a *multipurpose* co-operative that would undertake a variety of different kinds of economic activities on behalf of their members. The founders did not intend that the Pioneers would operate stores only. And there was a sequence to these economic activities. First the Pioneers would open a store; it would mobilize the purchasing power of members, and begin the accumulation of capital. Then, using the accumulated share capital and surpluses from store operations, co-operative housing would be undertaken, and co-operative production in which the society would provide employment to its members. Products from employment of members could be marketed through the society's stores. Finally, they would create a utopian community (self-supporting home-colony) in which nonexploitive social and economic relationships would be achieved. Each of these stages, including stores, worker-owned productive enterprises, co-operative housing, worker-run agricultural estates, and co-operative communities, represented something with which Owenites had experimented in the previous decades. This ultimate goal of creating a utopian, co-operative community was Robert Owen's great dream. The particular method of reaching that goal — namely step-by-step accumulation of capital and expansion from retailing into housing and manufacturing and agricultural production — was the plan outlined in the 1820s by co-operative leader and theorist Dr. William King of Brighton. The objects of the Rochdale Pioneers were pure Owenism, outlining pragmatic steps toward a far-off, idealistic vision. The last-listed object, a temperance hostel, reflects the presence of teetotallers among the founders as well as the spirit of moral improvement among working-class reformers.¹⁰

Co-operative housing, worker co-operatives, even collective agricultural co-operatives, can all look back to the original Rochdale plan for inspiration, for they were all pieces of the Pioneers' vision. In 1844 these pieces were not separate, for consumer co-operation had not yet become split from producer co-operation, nor one sector from another, to the degree that has become common in the twentieth century. The Rochdale Pioneers conceived in one association of what would now make a multisectoral co-operative movement. The complementary half of this multisectoral vision is that it was a localized vision: integrated co-operation within a geographically compact community. The Pioneers imagined their association growing in terms of diversification and integration — what we might in the twentieth century call horizontal and vertical integration. In aiming at integrated community-scale co-operation, the Pioneers were undoubtedly reflecting the culture and practical experience of working-class organization in Britain.

The plan laid out in the statutes of the Pioneers was one of active progress toward the vision of a new kind of society. Economic success, efficiency, accumulation of surpluses, amassing of capital: these things were all clearly necessary, but were merely steps toward the much larger goal of a comprehensive co-operative system. These aims, of course, were Owenite aims. But there were co-operatives (businesses owned and operated by their users) before Rochdale — at least as long ago as the Fenwick Weavers' Association created in 1769 in Scotland. There had been Owenite co-operatives with aims similar to those of the

¹⁰ It may appear odd that the Pioneers were dedicated to temperance when, like the Rochdale Owenites, they frequently met in pubs. Cole (1944) says that temperance activists at the time were concerned mainly with hard liquor, and that beer was considered harmless. The Rochdale Pioneers never opened a temperance hostel, but for many years British co-operatives did refuse to sell intoxicating liquor. (p. 77)

Pioneers since the 1820s. By any reasonable standard these had successes.¹¹ Why was Rochdale different? Why did it become so influential? There are several possible places to look for an answer. First, in the details of the structure and rules of the Rochdale Pioneers, second in the way these were implemented, and third, in the fortuitous accidents of historical development.

Structure of the Rochdale Society

Charles Howarth and James Daly — Owenites both — drew up the bylaws of the Rochdale Pioneers. They took many from “The Rational Sick and Burial Society,” an Owenite Friendly Society (mutual-aid association) founded in 1837, and from the model rules for co-operatives adopted by the Owenite 1832 Co-operative Congress. The drafters had to take care to ensure that the bylaws would be acceptable to the Registrar of Friendly Societies, for only under the Friendly Societies Act could the co-operative gain legal recognition and protection. Thus the original Rochdale rules were far more precise, detailed, organized, and businesslike than one would expect if the organization had been dreamed up from scratch. The Rochdale rules were distilled from the previous decades of experience and from existing institutional and legislative models. They suggest a group of people dedicated to careful, cautious, and pragmatic action toward their ambitious social and economic goals.

The statutes of the Pioneers are presented here, in much-shortened form but still in some detail, to illustrate the care with which the founders laid out the procedures for the new co-operative. These were extensively revised in later years, but it is noteworthy that some things later considered co-operative principles are present in the earliest statutes of the Pioneers. These included the general idea of a member-based business, in which members are owners, have rights, and have procedures for controlling the co-operative. As outlined in the “law the first,” the capital of the co-operative was to be based on members’ share contributions. The subsequent articles detailed the ways in which overall control, property, membership, profits, capital, and operations were to be handled for the benefit of the members. Co-operators may be amused to note that the tradition of serving a meal at annual meetings was even enshrined in the first bylaws of the Pioneers!

Officers were elected — an expression of democracy, though nowhere was the principle of one member, one vote explicitly mentioned in 1844. This is not because democracy was unimportant to the Pioneers: their association with Owenism, Chartism, and working-class causes indicate democracy was an uppermost concern. Most likely democracy was left out because it was taken for granted. Friendly Societies, and probably all associations the founding members had ever encountered, all functioned in a democratic manner. Curiously, then, one may take the omission of the principle of democracy as an indication of its centrality to Rochdale co-operation.¹²

¹¹ A standard of success for a co-operative is that it provide meaningful benefits to its members for a period of time. It would be a mistake to say a co-operative is a failure if it ceases business. Those who refer casually to Rochdale as the first successful co-operative, because only it gave rise to a world movement, are also then saying that Rochdale is the only successful co-operative ever — because no other co-operative has done the same. It is better to call Rochdale the “most” successful co-operative; but if benefit to members is the criterion, how can we know Rochdale was the best? What we really know is that Rochdale was accepted as a model by the most co-operatives.

¹² As Lambert (1963) does, p. 74.

Laws of the Rochdale Pioneers

Selections from the Statutes of 24 October 1844¹³

2. That the government of this society shall be vested in a President, Treasurer, and Secretary, three trustees and five directors ... to be elected at the general meeting...
3. That two auditors be appointed each to remain in office six months, and retire alternately....
4. That the officers and board of directors shall meet every Thursday evening, at eight o'clock, in the Committee Room, Weavers' Arms...
5. That general meetings of the members shall be holden on the first Monday in the months of January, April, July, and October...
6. That an annual general meeting be holden on the "First Market Tuesday," on which occasion a dinner shall be provided at a charge of one shilling each person...
[Articles 7–9 dealt with duties of president, secretary, and treasurer; Articles 10–12 dealt with trustees, ownership of property, and management of investments]
13. Any person desirous of becoming a member of this society, shall be proposed and seconded... and if approved of by a majority ... shall be eligible for election at the next weekly meeting...
15. That should any member wish to withdraw from this society such member shall give one month's notice...
[Articles 16–20 dealt with the relationship between the society and its members, the society not being responsible for members' debts, arbitration of disputes]
21. That ... the officers of this society shall not in any case, nor on any pretence purchase any articles except for ready money, neither shall they be allowed to sell any article or articles except for ready money....
22. That at each quarterly general meeting the officers in their financial statement shall publish the amount of profits realized by the society during the preceding quarter, which shall be divided thus; interest at the rate of 3 1/2 per cent per annum shall be paid upon all shares paid up previous to the quarter's commencement; the remaining profits shall be paid to each member in proportion to the amount of money expended at the store.
[Articles 25–34 described the management procedures for the store:]
25. That the store be opened to the public on the evenings of Mondays and Saturdays: on Mondays from seven till nine; on Saturdays from six till eleven.
27. That a cashier and salesman be appointed to conduct the business of the store, each to serve six months alternately, and be eligible for re-election.
28. The salesman shall weigh, measure, and sell ... but shall not receive payment for any articles or goods sold.
29. The cashier shall receive payment for all goods purchased at the store; he shall give a receipt to each purchaser for the amount received ... he shall pay over to the secretary at each weekly meeting the money drawn at the store.
34. That the store be opened at the proper time by the president.

Membership, under the 1844 bylaws, was open in principle, although new members had to be approved; and membership was voluntary, since members could leave with due notice. Transactions were to be for cash only; share capital was to receive only a limited return; and

¹³ Reproduced in Lambert (1963), pp. 292–97. Note that property had to be vested in the hands of trustees, because societies registered under the Friendly Societies Act were forbidden to hold property. The 1852 Provident Societies Act first permitted co-operatives to own property including up to one acre of land.

a portion of the operating surplus was to be distributed to members on the basis of patronage. Charles Howarth believed this last point to have been original to the Pioneers, but co-operative historians long ago discovered co-operatives paying patronage refunds as early as 1826 and 1827.¹⁴ In truth, none of the Pioneers' statutory provisions was really original.

The 1844 statutes left out many things later considered (even by the Pioneers themselves) to be co-operative principles. Not only was there no mention of one member, one vote; there was equally no mention of things like co-operative education, selling only pure and unadulterated goods, religious and political neutrality, or co-operation among co-operatives. The 1844 statutes are a combination of visionary idealism in the first article, and some minutely prescribed organizational practices. They do not allow one easily to identify intermediate-level co-operative principles — principles in-between the precision of specifying that the president will open the doors at opening time, and the generality of striving to create a “self-supporting home-colony.” The statutes of the Pioneers are an incomplete record of the meaning of co-operation. The most one might say is that they show a group of co-operators who had both an idealistic vision and a practical sense of organization; who combined a set of useful if unoriginal rules, in a society that had a clear sense of long-term social purpose.

The statutes were revised within a year of the founding of the co-operative, and of course periodically thereafter. The stipulation that members have “each, one vote, and no more” was introduced in a new rule registered on 7 August 1845. Also in 1845, provision was made for monthly general meetings of members to discuss the general affairs of the co-operative, providing for more continuous involvement by general members. The detailed rules on management were rescinded; instead, setting regulations for the management of the store was made a duty of the board of directors.¹⁵

In 1854, further significant amendments were made. The Pioneers clarified their ideas about the uses to which surpluses should be applied. The 1844 statutes had mentioned paying interest on capital, and paying out the remainder of the surplus on the basis of patronage; but this was clearly incomplete since it said nothing about developing reserves. The revised statutes of 23 October 1854 made clear that surpluses were applied first to covering costs of management, paying interest on borrowed capital and limited interest on share capital, paying depreciation, building up reserves, investing in business development, and paying for educational programs — and only after all of this was the remainder to be distributed in patronage refunds. Education, in particular, was singled out for special attention. The 1854 statutes provided that 2.5 percent of Rochdale's annual surplus before distribution was to be deducted and put into “a separate and distinct fund ... for the intellectual improvement of the members” and their families.¹⁶ This fund was to pay for the co-operative's library and instructional programs. These provisions formalized a longstanding commitment to education whose roots went back to the Owenites before the Pioneers were ever founded.

Also in 1854, a bylaw was introduced stating that, in the event of the dissolution of the co-operative, its collective assets were not to be sold for the benefit of the members, but rather donated to some charity or other disinterested institution. This bylaw, and others like it passed by later co-operatives, have been unduly neglected by students of the Rochdale

¹⁴ Cole (1944), p. 67; Lambert (1963), p. 62.

¹⁵ See Lambert (1963), p. 64.

¹⁶ Reproduced in Lambert (1963), p. 299.

movement. Such provisions are an important hint about how Rochdale members saw their ownership of their co-operative and its purpose in the community. But however interesting these statutes, it was not the statutes alone, but also the organizational and economic success of the co-operative, that contributed to its wide influence.

Growth and Development of the Rochdale Pioneers

In the meantime, the Pioneers were in business. Their premises were on the ground floor of a warehouse at 31 Toad Lane, quite near the centres of previous Owenite activity in Rochdale. The upper floors of the warehouse held a chapel for Dissenters (nonconformist Protestants) and a school. The Pioneers' space was dingy and inconvenient, but with little initial capital they had to concentrate on the basics. The store was stocked with 28 lbs. of butter, 56 lbs. of sugar, 6 cwt. (hundredweight) of flour, a sack of oatmeal, and tallow candles; the total inventory was worth £16. 11s. 1d.¹⁷ With these bare provisions, the simple store opened for the first time on the evening of 21 December 1844. For the first 3 months, was open only two evenings a week, as specified in the bylaws, but in March 1845 it began opening every weekday evening except Tuesday. The initial progress of the Pioneers showed slow but accelerating growth in membership, sales, and capital. A recession in 1847 might perhaps have wiped out the fledgling society if not for its insistence on cash trading.

Year	Members	Sales	Capital	Profit
1845	74	£710	£181	£22
1846	80	1,147		81
1847	110	1,925		72
1848	140	2,276	397	561
1850	600	£13,180	£2,300	£991

In line with the ambitious objectives of the founders, the Rochdale society began to diversify early. It handled butchers' meat on a small scale in 1846, opened a drapery department in 1847 (beginning with a length of cloth printed by one of the members — an illustration of the principle of selling members' products in order to create employment for them), and in 1848 opened a newsroom with papers and journals for members to read. The key point in the society's growth appears to have come with a spurt in 1848–50, which made Rochdale a substantial co-operative and began to set it apart from its predecessors. Co-operative historians have offered a number of explanations for this breakthrough. The final defeat of Chartism came in 1848, and the collapse of working-class politics may have ended the division of energy and left more activists free to concentrate on the growth of the co-operative. In 1849, "The Rochdale Savings Bank," a worker-oriented business, failed, leaving the co-operative as the best working-class savings institution in town. (By deferring refunds to the end of the year, and by collecting members' payments toward their shares, Rochdale

¹⁷ Bonner (1961), p. 50, and the same source for the following information. Before the 1970s currency reform, there were 12d. (pence) in a shilling and twenty shillings in a pound sterling. Thus £16. 11s. 1d. was slightly more than sixteen and one-half pounds sterling.

¹⁸ From Bonner (1961), pp. 50–51.

served as an agency for working people to save small amounts of money.) Finally, in 1850, “The Rochdale People’s Institute,” a working-class educational agency, failed, and the Pioneers acquired its library. This made the Pioneers the foremost educational institution in Rochdale, and they also gained a key organizer and educator from the Institute, Abraham Greenwood. Greenwood later became president of the Rochdale Pioneers and eventually the key figure of the organization of the Co-operative Wholesale Society.¹⁹ Of course, the growth in 1848–50 might just have been an expression of a life-cycle pattern, or an accident, or the result of careful management and word of mouth. It is suggestive, however, that the failure of three other institutions (one political, one financial, and one educational) left the Rochdale Pioneers with a kind of monopoly: not so much a monopoly of business as a monopoly of community support and leadership. Could it be that Rochdale’s phenomenal success is due in part to the accident of an empty community niche that the co-operative could fill?

Whatever the reason, growth continued. Rochdale by 1850 was a large society for the time. There were many other co-operative societies in Britain — at least 130 in 1851 — often with about 30–40 members. Many new ones were being formed in 1850–51, and more and more often Rochdale was the example that inspired them. New co-operatives in the 1850s were clustered in northwestern England, around Rochdale.²⁰

With Rochdale’s growth came horizontal and vertical integration, though not entirely along the pattern originally envisaged. A co-operative community was never created, although many new kinds of interlocking co-operative businesses did emerge. Branch stores were set up very early in the Pioneers’ history; by 1859 Rochdale had six of them. In 1850 the Pioneers attempted to start a co-operative flour mill. The Co-operative Corn Mill Society was owned by Rochdale together with five other retail societies, together with ninety individuals, many of them members of the Pioneers. Some co-operative commentators see this initiative as the beginning of a trend: a movement away from the “home colony” idea, and toward, instead, a federalist system and a second tier of productive enterprises owned by local co-operatives.²¹ In 1854 a Rochdale Co-operative Manufacturing Society was set up, rented a mill, and installed ninety-six power looms. The company was based on shareholder investments, with profits divided among workers in proportion to their wages. This early experiment — an industrial worker co-operative started by a consumer co-operative — was cut short in 1862 when its owners abandoned profit-sharing with the workers and converted it into a straight joint-stock company. It failed a few years later. There were also a Rochdale Equitable Provident Sick and Burial Society, a Rochdale Co-operative Card Manufacturing Society, a Co-operative Building Society, and a Co-operative Insurance Company in 1867 which (though it had to be registered as a joint-stock company due to legal restrictions) was run out of the offices of the Rochdale Pioneers. The progressive spirit of Rochdale co-operation — moving on from one successful venture to expand into new fields either as subsidiaries or as new co-operatives — is clearly evident.²²

The greatest challenge was wholesaling. As Rochdale grew and as other societies multiplied, the question arose of how they could work together in obtaining wholesale the goods that they all sold in their retail stores. Attempts to organize wholesaling saw the

¹⁹ Bonner (1961), p. 51; Cole (1944), p. 79.

²⁰ See the maps provided by Cole (1944).

²¹ Bonner (1961), p. 53.

²² On the growth and development of the movement after Rochdale, summarized briefly here, see Bonner (1961), Chapter 4, and, at greater length, Cole (1944), Chapters 5–9.

Rochdale Pioneers first try to act as a wholesaler to smaller co-operatives (in 1856), then (when this proved structurally unsound) the Pioneers led in bringing together retail co-operatives to form a federated wholesale — a central wholesale owned by and subservient to the local Rochdale-style societies. This emerged as the Co-operative Wholesale Society or CWS in 1863.²³ The CWS became an economic powerhouse, supporting the rapid spread of co-operatives in the 1860s and 1870s, and quickly branching out into manufacturing.

The extent of the growth was remarkable. An inquiry into the state of retail co-operation in 1878–79 reported that there were about 1,200 societies in Britain, 584 of which, with 326,000 members, were affiliated with the CWS. The total trade of the co-operatives was estimated at £12 million per year.²⁴ This was a vast movement created within barely more than a quarter of a century, and all looking to Rochdale as the leader by example.

The development was not solely commercial. Throughout this period of rapid growth, Rochdale maintained a solid emphasis on carrying out educational activities. Lectures were offered; the library was maintained; the co-operative ran a reading room. A university professor from Cambridge was invited in to give lectures on astronomy — one of the groundbreaking episodes in the development of university extension classes. History makes clear that when the Rochdale Pioneers talked about education, even devoting a fixed percentage of their surplus to it, they did not mean solely education about co-operatives, nor just training in business techniques required in co-operatives, though both of those things might be included. Education meant “the intellectual improvement of the members” in every respect and in all subjects touching their lives, from science to economics to accounting to co-operative theory. Among co-operative societies, Rochdale was unusual in its stress on education, though this emphasis was also a distillation of the Owenite tradition.

Attempts were made at the national level to emulate the educational example provided by Rochdale. A new series of Co-operative Congresses was undertaken in 1869, reviving a tradition that had been dead since the days of Owenism a quarter-century earlier. One of the early congress resolutions, in 1870, was to urge all societies to follow the example of the Rochdale Pioneers in devoting 2.5 percent of their surpluses to educational programs. Efforts to found a permanent national office for co-operatives in 1869–71 represent the earliest origins of the Co-operative Union, the central educational and political organization for co-operatives established in 1873. In 1871 the co-operative movement received its first national newspaper, the *Co-operative News*, published by a workers’ co-operative consisting of personnel associated with the *Manchester Guardian*. Connections with the trade-union movement were formalized to help co-operatives spread: in 1868 the Trades Union Congress resolved “to use the organization of the Trades Unions for co-operative purposes,” and in 1875 the Co-operative Union began exchanging delegates with the trade unions.²⁵ Organization of education at the national level continued with a central Education Committee being created in 1883, and received a further boost with the creation of the Women’s League for the Spread of Co-operation (later the Co-operative Women’s Guild) in 1883. In 1890 the co-operative movement started to offer correspondence courses. Co-operatives also strongly supported the Workers’ Educational Association founded in 1903. By 1914, co-operative education in Britain involved over twenty thousand students per year, a

²³ It was incorporated as the “North of England Co-operative Wholesale Industrial Provident Society Ltd.,” under the 1862 Industrial and Provident Societies Act, which first made possible the federation of co-operatives through local co-operatives owning shares in a central. The name was soon changed to simply Co-operative Wholesale Society Ltd. A Scottish CWS followed in 1868.

²⁴ Bonner (1961), p. 96, quoting the *Report on Co-operative Stores* of Dr. John Watts.

²⁵ Bonner (1961), pp. 79–80.

budget of £113,000, and training in everything from Economics to Secretaryship, Elocution to Management, Literature to Economics of Co-operation — as well as special classes for women in the subject of Co-operation and Citizenship. A Co-operative College, first proposed in 1869–70, took three-quarters of a century to establish on a firm footing.

These educational projects were undertaken by, and contributed to the growth of, an expansive movement. The organizational and commercial success of Rochdale and the Rochdale-inspired British co-operative movement seemed to prove the soundness of Rochdale's philosophy and principles. Social purposes, membership growth, education, and commercial success appeared to fit together as a package. The number of co-operative societies grew to over a thousand by the late 1870s, though only about half of these were affiliated to the Co-operative Wholesale Society — the rest tried to work independently. The number of affiliated societies kept growing until the 1920s, though at a decreasing rate, and finally began to fall as consolidation and amalgamation set in. On the other hand, the parallel trend was for each surviving society to grow larger, open more branches, and bring in more members, so the movement as a whole kept growing in membership through to the 1950s. Rochdale's movement enjoyed well over a century of uninterrupted growth. As is natural enough in all social movements, growth led to a reinforcement of certain patterns and trends, and thus to an institutionalization or narrowing of the movement.

Growth, Institutionalization, and Changing Principles

In growing as it did, the Rochdale movement became more and more focused on retail activities. The multifunctional vision of the Pioneers was not entirely lost, for co-operation did spread out into manufacturing and housing and many other kinds of activities. However, the basic units of the movement, the local Rochdale-type societies, evolved into more and more purely retail-oriented operations. It was as if, having accomplished the first step in the visionary program set out by the Pioneers' "law the first" of 1844, co-operatives decided retailing activity was an end in itself, at least for the local societies. If the movement was to branch out into other sectors, that was a task for co-operators to undertake through new co-operatives, not by expanding the mandate of the existing ones. Contrary to the statutes of the Pioneers, functional specialization became a hallmark of Rochdale co-operation. The need to meet increasingly efficient competition, such as that provided by chain stores in the 1920s, was undoubtedly part of what lay behind this trend.

Growth of Retail Societies Affiliated to the CWS ²⁶		
Year	Number of Societies	Members
1878	584	326,000
1881	971	547,000
1914	1,385	3,054,000
1919	1,357	4,131,000
1940	1,065	8,716,000

²⁶ Bonner (1961), *passim*.

The focus on retail activities also meant a focus on the consumer. Through to the 1890s the British co-operative movement had many projects in worker ownership and profit-sharing with workers, some quite successful. But these were gradually abandoned. Two forces, one commercial and one intellectual, account for this abandonment of copartnership with workers. The first was the massive development of the CWS, which, under J.T.W. Mitchell (president, 1874–95), embarked on its own program of industrial development through wholly-owned subsidiaries. Factories were to be run by the consumers — for which one could read, by the CWS; or indeed, by Mitchell and colleagues — not by the workers. The CWS was of course a crucial institution, a powerful economic central supporting the success of the retails. But it also proved to be a conservative influence, stifling experimentation and guiding the development of the movement into well-worn channels — or ruts. On the one hand this was understandable, for retails appeared to be the most successful co-operatives, and the CWS was the flagship of the movement. Success is its own legitimation. Yet on the other hand, part of the Pioneers' vision fell away as the movement grew and narrowed.

A reinforcing influence came from a quite different source: the Fabian Socialists, a group of intellectuals among whom Sidney Webb and Beatrice Potter are the best known. The Fabians held that the consumer must be supreme in the co-operative movement, for only consumption was a universal interest binding together all people — everyone is a consumer. The advance of consumer co-operation could ultimately, thought the Fabians, lead to co-operatives encompassing and reorganizing all of society. Co-operation of workers or producers, on the other hand, was limited to separate, narrow functional groups within each sector; and the successful co-operation of any of these particular groups could lead to the exploitation of the wider consuming public. The Fabians' argument is interesting. One cannot criticize it for lack of idealism and social vision, for they had these qualities in abundance to match the Rochdale Pioneers. The difference, perhaps, is that the Fabians were more grandiose and more systematic in their vision, trying intellectually to impose one model on all of British society. Rochdale's vision was local, experimental, and gradual, and allowed for many kinds of co-operation on a small scale working towards distant long-term goals. The Fabians' ideas lack much of a sense of pluralism, experimentation, and local action. Outside the British movement, the Nîmes School in France (Charles Gide, Bernard Lavergne, Ernest Poisson, and Georges Lasserre) also promoted the idea that co-operation of consumers was morally superior to all other forms. According to Gide, for example, producers' societies lack any sense of public interest or the greater good: they are just "collective egoisms."²⁷

All of this completely turned on its head the original ideas of the Rochdale co-operative movement. When in 1879 co-operative publicist, George Jacob Holyoake, argued, "the consumer must be kept in view if co-operation is to be complete... Co-operation to benefit ... the workman at the expense of the consumer, still maintains a virtual conspiracy against the purchasing public," he was advancing the view that consumers should not be left out.²⁸

²⁷ Lambert (1963), p. 161. Lambert provides a critique of this school of thought, focusing on the idea that producers have their own interests that also deserve to be protected, alongside those of consumers. As will be discussed in the second section of this paper, Lambert's idea is much closer to the original ideas of the Rochdale Pioneers and of their allies like George Jacob Holyoake.

²⁸ Holyoake (1879), p. 77. Holyoake was an Owenite reformer and propagandist who became a fixture of the British movement. He lectured at Rochdale on Owenite ideas in 1843; he had a long association with the Pioneers and wrote the first history of the Pioneers in 1858 as well as general works on British co-operation in 1875–79, 1888, and 1891. When the modern series of co-operative congresses began in 1869, Holyoake

He was not advocating that consumers be the sole partners in co-operation, but that they had to be brought in alongside the workers. Within two decades the field was reversed: advocates of worker copartnership, profit-sharing, and worker seats on co-operative boards had to plead for consideration of their interests alongside those of consumers. Within another two decades the idea of sharing profits or control with employees had been virtually expunged from the British and international co-operative movements. Historical development brought a kind of consumers' revolution in the movement, and the traditions and principles of co-operatives were remade in the interests of consumers.

Both the ideas of functional specialization and of exclusive consumer supremacy represent a narrowing of the Rochdale movement as it grew, even a contradiction to the original aims of the Pioneers. The Pioneers scattered many seeds, and only some of them reached fruition in Britain in the first century of the movement's growth. Perhaps the huge success of the retail co-operative model had its drawbacks, much as the healthy growth of a single plant may cast a shadow that inhibits the development of others.

The development of the Rochdale movement also elevated the idea of co-operative federations almost to a co-operative principle in its own right. Local co-operatives may have become larger and remained specialized, but certainly kept their autonomy. The CWS and the Co-operative Union were democratically governed institutions, owned by local co-operatives in a sprawling and relatively decentralized movement. This co-operative federalism appeared to have three chief merits. First, it provided a way for co-operatives to work together, setting up common wholesale and manufacturing enterprises, and thereby achieving economies of scale. A group of co-operatives working together in federation could be about as efficient as a centrally owned and vertically integrated chain of stores. Since chain stores were themselves new and innovative, this put British co-operatives into the forefront of efficient retailing. Second, while federations conferred many of the advantages of centralization, they allowed each co-operative to retain a distinct identity in its local community, and thereby to maintain the involvement and support of members. Finally, federal structures limited risk, of failure of any one co-operative could harm the movement only in one location. As Paul Lambert later put it, co-operative federalism delivered the advantages of concentration among co-operatives, and a method to reconcile local initiatives with central planning.²⁹

The federal idea, uniting as it did both commercial efficiency and local autonomy, became a fundamental feature of the Rochdale movement. Like the ideas of functional specialization and consumer supremacy, it was a co-operative principle that evolved through the movement's growth. Unlike those two ideas, however, one can argue that federalism was implicit in the original statutes and early behaviour of the Pioneers — in their commitment to local action and their record of working together with other co-operatives.

The actions of competitors also helped hone certain co-operative ideas to a fine point. As the movement grew, it faced the marketing devices of its competitors. Tea companies in the 1880s promised lavish gifts to encourage consumers to buy their products. In the early twentieth century, large soap companies deceptively reduced the weight of their products while keeping the price the same; they also harassed co-operatives with lawsuits.³⁰ These

was a leading figure and spoke frequently at congresses until his death in 1906. As the last Rochdale-era figure, Holyoake was revered. The headquarters of the Co-operative Union was named Holyoake House after he died.

²⁹ Lambert (1963), p. 92.

³⁰ Bonner (1961), p. 112.

kinds of experiences sharpened the co-operative movement's commitment to ideas of honest weights and measures and no-frills marketing, and reinforced a suspicion of advertising and gimmicks. Such ideas were outgrowths of the Rochdale Pioneers' original concept of a simple, consumer-controlled business.

Other challenges from private retailers were more political than commercial. In the 1890s, butchers in Glasgow tried to organize a boycott of co-operatives, refusing to sell to them or to anyone who dealt with a co-operative. Scottish co-operators enlisted the help of trade unionists to fight the boycott. In the end, the solidarity of co-operatives was strengthened, and they were encouraged to look further afield — even to buy direct from local farmers and from Canada — in order to bypass the hostile middlemen. The longstanding fight over income tax was similar. Merchants claimed co-operatives enjoyed unfair tax immunities, and lobbied loudly for new taxes to be imposed on co-operatives. Co-operatives steadfastly maintained that, while they might pay other kinds of taxes, they would pay no income tax because they made no income in their own right — they only generated savings for their members. If this gave them in any sense a competitive advantage (they argued), it was surely counterbalanced by the fact that they had to maintain large organizations for education and member democracy, which their competitors did not. Such political conflicts heightened the consciousness and commitment of co-operators and impelled them to work together.³¹

However much they had to work together, co-operators continued to understand Rochdale principles in various ways, and simplified or narrowed these principles to serve their own inclinations. For example, consider the idea of “the divi” or dividend — patronage refunds, the one Rochdale procedure that the Pioneers considered to be their own original invention (though it was not). The patronage refund was a well-defined retail co-operative practice. It offered a clear, measurable benefit to members, and helped attract patronage to the societies. Yet the refund, perhaps because it was quantifiable and useful in membership propaganda, became something of an obsession. More and more co-operatives paid higher and higher refunds as time went on, until at the turn of the century 73 percent of co-operatives were repaying two shillings or more per pound sterling in patronage refunds — in other words, in excess of 10 percent! That a significant percentage of co-operatives paid 20 to 25 percent refunds (four to five shillings on the pound) is remarkable. This fact suggests that co-operatives at the time may have been more efficient than the small retailers who made up most of their competition — how else could they keep earning large margins in the face of competition? But it is difficult to believe that this is the whole story. Surely some co-operatives, in order to pay large and attractive dividends, were falling prey to the temptation to charge slightly higher prices, a practice with two drawbacks: it would have left them vulnerable to cost-cutting competitors, and it would exploit poor working people who might want to patronize the co-operative in good faith, but who could not really afford to wait until year-end to get their savings back.

The real problem with paying high patronage refunds, however, is both less obvious and more damaging in the long run. Even if the refunds were legitimately earned by trading at competitive prices, paying out large percentages is an indication that too little attention may have been paid to developing financial reserves in the co-operative, and to investment in new business opportunities. This is a problem that has bedeviled co-operatives ever since Rochdale: if refunds are high, the co-operative becomes starved of capital and lacks resources to undertake new ventures. Essentially this is a straightforward conflict between the short-

³¹ Bonner (1961), pp. 112–13, 178, 194.

term *individual* interest of members in receiving large refunds, and their long-term *collective* interest in having a healthy and growing community institution. The problem goes back to Rochdale, but so does the solution: the 1854 statutes of the Pioneers made it clear that refunds were only one of the purposes to which a surplus should be applied, *after* necessary development of reserves and of business activities. That this point should be so clear in theory, so clear in the statutes of the Pioneers, yet so often missed in practice, is a sign of how difficult it is in the real world of co-operatives to maintain a balanced view of the principles and practices of co-operation.³² This is one reason why 150 years of effort to identify simple, clear co-operative principles has generated ambiguity.

Patronage Refunds by British Co-operatives ³³				
Percentage of All Societies Paying Refunds (per £) of...				
	1–2 shillings	2–3 shillings	3–4 shillings	4–5 shillings
Year				
1879	28%	55%	10%	–
1900	20%	35%	32%	6%

Part Two: Rochdale as Symbol and Model

Rochdale could mean many things to many people: practical rules of honest commerce (cash trading, fair measures, and patronage refunds), or emancipation through education and democracy; commercial success and expansion, or lofty dreams of the transformation of society; a concrete set of model statutes, or a strategy of localism, gradualism, and federalism. All of these things were legitimately part of the history of the Rochdale Pioneers and the movement they energized. The second part of this essay reviews the ways in which co-operative leaders and theorists have come to terms with the various, possible “Rochdale principles.” One must begin by pointing out that the Rochdale experience inspired reformers and activists around the world.

International Influence

Within Britain — in those days when Britain was not a democratic country — the success of Rochdale was taken as proof that democracy could work. Rochdale, before all adult men gained the vote in 1884, was an illustration that the common people could be trusted to make sound decisions, that democracy was not the same thing as anarchy. John Bright, in arguing for the extension of the franchise, used the Rochdale Pioneers as an example. William Gladstone, when a suffrage bill was introduced into the House of Commons,

³² Unfortunately for co-operatives, income tax regulations in many countries struck a compromise by saying only the portion of surplus distributed to members was to be considered tax-free. This functions as a disincentive to build up collective capital in co-operatives. One can argue that tax regulations have encouraged shortsighted co-operative practice — but only because it reinforced co-operators’ own bias in favour of emphasizing short-term rather than long-term benefits to their members.

³³ Bonner (1961), pp. 101–102.

proclaimed that Rochdale “probably has done more than any other town in making good to practical minds a case for some enfranchisement of the working classes.”³⁴

Throughout Europe and around the world, co-operatives inspired by Rochdale stood at the origin or at the take-off point of co-operative movements in dozens of countries. Rochdale certainly inspired V.A. Huber, the conservative social theorist who became the first advocate of co-operatives in Germany. It probably helped inspire Hermann Schulze-Delitzsch, who began founding credit and other kinds of co-operatives in Germany in 1850. And Eduard Pfeiffer, a pioneer of German consumer co-operation in the 1860s, visited Rochdale and based his co-operatives directly on what he saw there. In France, too, socialist workers were inspired by the Rochdale example to form consumer co-operatives, after decades in which workers’ co-operatives had been at the top of the agenda. A Lyon newspaper serialized George Jacob Holyoake’s history of the Rochdale Pioneers in 1862, and in 1864 a Rochdale-model consumer co-operative was created in Paris.³⁵ In Italy, Giuseppe Mazzini, pioneer of national unification and progressive causes, was an acquaintance of Holyoake, and popularized co-operative ideas. Holyoake and Edward Vansittart Neale of the British movement attended a meeting in Milan in 1886 where a national association of Italian co-operatives was created.³⁶ Denmark’s world-famous co-operative movement began in the 1860s with consumer co-operatives that were directly inspired and borrowed their model statutes from Rochdale.³⁷ In Norway there were co-operatives before the 1860s when Rochdale became well-known, but the movement was rejuvenated in the 1890s after an Oslo lawyer named Ole Dehli went to England and studied the British consumer co-operative movement. Dehli returned to Norway, lectured on co-operatives, and led Norwegian co-operatives finally to create a co-operative union and wholesale society in the early twentieth century.³⁸ In Finland, the first attempt to found a consumer co-operative, in 1866, was by a professor who had heard of Rochdale.³⁹

In North America, too, Rochdale was the inspiration for many new co-operatives. Probably the first Rochdale-model co-operative on the continent was in Stellarton, a mining town in Nova Scotia, where a store opened in 1861. This was the first of dozens created in mining and industrial communities before 1914, in many cases by workers of British background who had direct experience of the British movement. The largest of these co-operatives was the British Canadian society in Sydney Mines, N.S., which promoted trade connections with the parent British movement and eventually joined the CWS.⁴⁰ Just one year after the Stellarton co-operative, the first Rochdale-model co-operative was created in the United States. The Union Cooperative Association No. 1 of Philadelphia was organized in 1862 with bylaws obtained directly from Rochdale.⁴¹ Rochdale ideas became well-known in the U.S. in the 1860s, and in the 1870s the Grange farm movement in the Mid-West created hundreds or thousands of farmer-owned stores and purchasing or marketing operations on the Rochdale plan.⁴²

³⁴ Backstrom (1974), p. 66.

³⁵ Furlough (1991), pp. 47–49.

³⁶ Earle (1986), pp. 11 and 17.

³⁷ Smith-Gordon and O’Brien (1919), p. 39.

³⁸ Grimley (1950), pp. 14–20. Hall and Watkins (1937) suggest that the travels of William Pare, a leading figure in the British movement, spread co-operatives to many European countries (p. 250).

³⁹ Odhe (1931), pp. 26–27.

⁴⁰ MacPherson (1979), p. 22, p. 129, p. 169.

⁴¹ Sekerak and Danforth (1980), p. 35.

⁴² Wieting (1952), p. 7.

Rochdale became so well-known, in fact, that its name was taken in vain by all manner of ill-considered schemes. The Rochdale Wholesale Company of San Francisco organized fifty-one stores around California in 1900-1905, which prospered for a few years and then collapsed due to hasty and ill-considered expansion.⁴³ Those thoroughly familiar with Rochdale's development might have questioned the concept of starting with a wholesale and using it to develop retails, rather than the reverse pattern of development as had occurred in Britain. Another such imitation was The American Rochdale Plan, a centralized union-managed enterprise created in 1918 in Illinois. As in California, the result was aggressive, hasty expansion with little regard for development of local autonomy and member control. And again, the enterprise succeeded marvelously — for a very short time. It went under in 1920.⁴⁴ In cases like these, it is clear that promoters wished to copy the success of Rochdale without having to follow the patient, step-by-step progress of British co-operatives: quick success, without having to worry about growth from within, member development, creating solidly rooted local societies before going on to higher-level co-operation. To be fair, there were those in the U.S.A. who clearly understood Rochdale. The Cooperative League of the U.S.A., founded in 1916 to promote “true Rochdale cooperation,” expelled the promoters of the American Rochdale Plan.⁴⁵ They had their hands full, however, not only with well-meaning co-operators who misunderstood Rochdale, but also with dubious, non-co-operative businesses using the name. In a famous scheme in Chicago in 1919, a Rochdale Wholesale Company was incorporated that raised shares from 81,000 people, made \$8.7 million in commissions for a securities agent, and then went broke. The majority of the funds raised never made it to the company.⁴⁶

One could undoubtedly quote similar examples from other countries. These cases illustrate why co-operators were concerned to define just what “Rochdale” really meant, and thereby discriminate between various organizations which might call themselves a Rochdale co-operative.

Constructing the Rochdale Principles (i): The 1860s and 1870s

The first word should go to the Pioneers themselves. In 1860 the Rochdale Society made a statement in its annual almanac of its rules of conduct. Significantly, the Pioneers' first point deals with the question of the nature of capital in a co-operative, suggesting that capital is provided by the members — the business is member-financed — and does not earn a speculative return. Then the Pioneers referred to their business practices, emphasizing quality, honesty, market prices, and cash trading. Finally, the 1860 list concludes with democratic governance, and provision of education and information to members.

Of course there were things left out of this list. The Pioneers did not refer to open and voluntary membership, even though these ideas were in their statutes; nor to long-range social purposes. They did not mention the idea of local autonomy as opposed to centralization. This list also does not mention the idea of copartnership with employees — the staff of the co-operative sharing in the division of profits — even though in the same year, 1860, the Rochdale pioneers advocated such profit-sharing. Finally, it suggests that all

⁴³ Sekerak and Danforth (1980), p. 38. An attempt was made in 1913-22 to revitalize and expand this movement, but again proceeding from the idea of development and supervision of local retails by the central wholesale. And again, it collapsed, this time amid accusations of managerial fraud.

⁴⁴ Sekerak and Danforth (1980), pp. 39-40.

⁴⁵ Sekerak and Danforth (1980), p. 43.

⁴⁶ Sekerak and Danforth (1980), pp. 29-31.

“profits” be divided among members. Perhaps it is implicit, as the 1854 statutes had specified that what was divided was the remainder after administration, borrowed capital, members’ capital, depreciation, investment in new business, and deduction for education had been paid (the technical definition of profits). The fifth and eighth points given above would appear to be in conflict — how can a fixed percentage of profits be devoted to education if all profits are distributed? — unless one assumes that the Pioneers spoke loosely about what was meant by “the profits.”

Rochdale Practices (Rochdale, 1860)⁴⁷

The present Co-operative Movement does not intend to meddle with the various religious or political differences which now exist in society, but by a common bond, namely that of self interest, to join together the means, the energies, and the talents of all for the common benefit of each.

1. That capital should be of their own providing and bear a fixed rate of interest.
2. That only the purest provisions procurable should be supplied to members.
3. That full weight and measure should be given.
4. That market prices should be charged and no credit given nor asked.
5. That profits should be divided *pro rata* upon the amount of purchases made by each member.
6. That the principle of “one member one vote” should obtain in government and the equality of the sexes in membership.
7. That the management should be in the hands of officers and committee elected periodically.
8. That a definite percentage of profits should be allotted to education.
9. That frequent statements and balance sheets should be presented to members.

Of those who interpreted and commented upon Rochdale, the best writer (and the best-known) was undoubtedly Holyoake. In testimony to a commission in 1878–79, Holyoake summarized the movement’s practice as follows:

Our ambition is that Co-operation shall signify genuineness in food and honest workmanship in articles of use. We take no fees; we give no commission, we accept no credit; and we permit no debt among our members.... We make profits by our methods of business. We buy largely in the wholesale markets, we make no debts... we build our stores, and save in rents; we need no advertisements, and we spend no money in enticing custom. Then we care for our members; we set apart a portion of the profits for their instruction, because you cannot make co-operators out of the ignorant.⁴⁸

As in the Pioneers’ 1860 almanac, this passage focuses on what might be called procedures more than principles.

⁴⁷ From Bonner (1961), p. 48.

⁴⁸ Quoted by Bonner (1961), p. 97.

Holyoake's writing is more illuminating where he talks not about lists of practices, but rather about the definition of co-operatives. Holyoake was one of the first to go beyond the question of what practices Rochdale would recommend to other co-operatives, to the larger question of what defined a co-operative, and what features were essential to co-operation. His answers might be surprising. In general, Holyoake most strongly emphasized the nature of profits in co-operatives. That he was not alone in seeing profit as the essential point is illustrated by some of the contemporaries he quotes.⁴⁹

It is not co-operation where a few persons join for the purpose of making a profit by which only a portion of them benefit. Co-operation is where the whole of the produce is divided. What is wanted is that the whole working class should partake of the *profits of labour*. [John Stuart Mill]

Any society should be regarded as a co-operative which divided profits with labour, or trade, or both. [Newcastle-on-Tyne Co-operative Congress, 1873]

Two things are significant. First of all, Holyoake and the others defined co-operatives simply and on the basis of the fact that they *divided their profits*. (Profits meaning excess earnings after all other uses, including reinvestment and education, as discussed above.) Second, they did not talk exclusively in terms of patronage refunds, but rather, *distribution of profits to all those who had a hand in generating them*, including both consumers (division on the basis of trade) and employees (division on the basis of labour). The ultimate goal was for the profits of labour to be fairly distributed. Holyoake and others of his day saw no division in principle between consumers' co-operation and workers' co-operation. Both consumers and workers could and should share in profits.

In Holyoake's discussion of co-operatives, it is striking that he refers to "the main principle of co-operation," "the main idea that should never be absent from the mind of a co-operator," and also to "the definite co-operative principle" — it is almost as if he plays with the reader, saying several different ideas are each the most important and fundamental. Perhaps what Holyoake was expressing was that issues he was discussing (profits, the nature of capital, the type of distribution, and so on), though complicated, hung together in an interrelated whole, which as an ensemble defined what was essential about the co-operative form of business. This at any rate is one's feeling when reading a selection of sequential passages, as excerpted below.

In Holyoake's discussion of co-operation, the principle of fixed return on capital takes on an almost transcendent importance. This is interesting, because among the modern co-operative principles, this is one of the ones most apt to leave people scratching their heads and wondering, why is this in here? Here is Holyoake's explanation:

All the dangerous and ceaseless conflict between capital and labour arises from capital not being content with the payment of its hire. When it has received interest according to its risk, and according to agreement, there should be an end of its claims. Labour then would regard capital as an agent which it must pay, but when it has earned the wages of capital and paid them, labour ought to be done with capital. Capital can do nothing, can earn nothing, of itself; but

⁴⁹ Both quotations from Holyoake (1879), p. 77. As late as 1896 the ICA, in its first adopted statutes, reiterated this position when it referred to "the participation of personnel in benefits being the characteristic of all co-operation." Lambert [1963], p. 186, dates the domination of the ICA by consumer interests as beginning with the 1910 Hamburg congress's declaration of fundamental principles, which focussed instead on model working conditions and wages instead of profit-sharing.

employed by labour, the brains, and industry of workmen can make it productive. Capital has no brains, and makes no exertions. When capital has its interest its claims are ended. Were capital content with this, there would be no conflict with labour. It is capital claiming, or taking without the courtesy of claiming, the profits earned by labour that produces the conflict. It is only co-operation which treats capital as one of the natural expenses of production, entitled to its proper price and no more, and thus limiting its absorbing power — which puts an end to conflict....

To Holyoake, it was a key purpose of co-operatives to put capital in its place, to end its rapacious demands, to deny it any speculative or percentage share of profits, and thereby to help bring about peace between labour and capital.

Key Points of Co-operation (Holyoake, 1879)⁵⁰

Co-operation is a scheme of shopkeeping for the working people, where no credit is given or received, where pure articles of just measure are sold at market prices, and the profits accumulated for the purchasers.

The main principle of co-operation is that in all new enterprises, whether of trades or manufacture, the profits shall be distributed in equitable proportions among all engaged in creating it.

Co-operation consists [of:]

1. Concert regulated by honesty, with a view to profit by economy.
2. Equitable distribution of profits among all concerned in creating them, whether by purchases, service in distribution, or by labour, or custom in manufactures.
3. Educated common sense in propagandism.

The main idea that should never be absent from the mind of a co-operator is that equity pays, and that the purchaser at the store and the worker in the workshop ... should have a beneficial interest in what he is doing.

The definite co-operative principle ... is that which places productive co-operation on the same plane as distributive, and which treats capital simply as an agent, and not as a principal.... Capital, a neutral agent, is paid a fixed interest and no more.

... Capitalists ... hired labour, paid its market price, and took all profits. Co-operative labour proposes to reverse this process. Its plan is to buy capital, pay it its market price, and itself take all profit. It is more reasonable and better for society and progress that men should own capital than that capital should own men. Capital is the servant, men are the masters...

Capital is used in co-operation and honestly paid for, but the capitalist is excluded.... The capitalist sells his commodity to the co-operator. The capitalist has no position but that of a lender...

⁵⁰ Holyoake (1879), pp. 72-88 (selections).

Holyoake made a distinctive contribution to the debate about which ideas or principles were most fundamental to Rochdale and its success. Rochdale's uniqueness may indeed have had something to do with the particular combination of rules it followed or the effectiveness with which they were implemented; but also, Rochdale's meaning was connected to its overall approach, long-range vision, and set of values. The Rochdale Pioneers inspired people because they evinced philosophical idealism within the context of a commercially successful co-operative. Their specific rules were situated within this wider field of ideas, and the larger vision is what proved impossible to capture in concise lists of rules and principles. Nevertheless, the formation of the International Co-operative Alliance in 1895 gave new impetus to the discussion of Rochdale rules or principles. For as co-operatives attempted to build international structures, they were faced more and more often with the question of what makes a co-operative.

Constructing the Rochdale Principles (ii): 1890–1910

British co-operators greatly outnumbered all the rest at the international congress in London in 1895 where it was decided to form an international organization for co-operatives. There were delegates, though, from Belgium, Denmark, France, Holland, Hungary, Italy, Serbia, Russia, and the United States. The initial, working definition of a co-operative was a broad one and included bodies like the French agricultural syndicates.⁵¹ Most of the time at the first congress was spent becoming acquainted with the different branches, sectors, and national movements represented. When it came to resolutions to outline the purpose of the new alliance, the organizing committee proposed that the ICA “promote co-operation in all its forms, taking for its basis the principles of property, liberty, and participation in profits.”⁵² This led to complicated and emotional debate, as all sorts of amendments were proposed, and objected to, on the basis of wildly different considerations. From the very beginning, the discussion of co-operative principles was a source of controversy! In the end, the resolution was to describe the purpose of the ICA as being “to promote co-operation and profit-sharing in all their forms.”⁵³ With the suggested principles of property and liberty being deleted, profit-sharing was the only “co-operative principle” mentioned in the preamble, and it was mentioned as being equal to co-operation itself! The dedication to profit-sharing reflected the fact that oldtime co-operators including Holyoake himself attended the early congresses.

Both the 1895 London congress and the Paris congress the following year affirmed that the ICA would not concern itself with politics or religion; the Paris congress adopted rules which included the statement, “Co-operation is a neutral ground on which people holding the most varied opinions ... may meet and act in common... Co-operation is self-sufficient and must not serve as the instrument of any party.”⁵⁴ The Paris congress also saw renewed battles over the question of how fundamental the ideas of profit-sharing and workers' copartnership were to co-operatives — and whether co-operatives that did not practise them were to be excluded from the ICA. Incidentally, the 1896 congress was also the congress

⁵¹ Watkins (1970), p. 31.

⁵² Watkins (1970), p. 37.

⁵³ Watkins (1970), p. 39.

⁵⁴ Watkins (1970), p. 49.

where the concept of the rainbow flag as a symbol for the co-operative movement was adopted.⁵⁵

In following years, the advocates of profit-sharing and copartnership lost ground to the consumer co-operators, until by the Hamburg congress of 1910 the ICA's rules had been amended to remove references to these ideas; the 1910 statutes described it as one of the goals of the ICA gradually to define co-operative principles, and said nothing about what such principles might be.⁵⁶ A lengthy declaration on the purpose of co-operation, passed in 1910, said somewhat more: it described co-operation as a social movement that, through economic mutual help, aims to strengthen the returns to labour, and reduce the role of profits on capital, interest, and rent. Doubts were expressed as to ability of co-operatives of producers — whether workers or farmers — to put the interests of the community ahead of their special interests; and therefore the Hamburg congress favoured consumer co-operatives as those most likely to transform the capitalist system. The resolution also urged consumers' societies to federate and work together, to establish model terms of employment by bargaining with unionized employees, and to move toward international understanding.⁵⁷ While this declaration was not formally adopted as a statement of principles, it can be taken as a step in that direction. It described the social purpose of co-operation, the limitation of returns to capital, and co-operation among co-operatives, among other ideas. And it formalized the victory of the adherents of consumer co-operation over all other forms.

This was, needless to say, only the beginning of the ICA's debates. In the twentieth century, co-operative theorists have rearranged the principles, subtracted some, articulated new ones, added more and more explanation, and broached the question of the values and ideals behind the principles — all in efforts to clarify more precisely what “the Rochdale Principles” really mean. All of these efforts illustrate the indisputable fact that Rochdale is not a list of objective principles, but a complex, interwoven tradition that is never complete, but is rediscovered or reconstructed by each generation of co-operators.

Constructing the Rochdale Principles (iii): The 1930s

Over the years, there emerged some agreement that four specific notions were key to the Rochdale method: the idea of democratic governance of the society (men and women one vote each), the patronage refund or dividend, the open door (open membership), and finally, that capital in co-operatives be remunerated only with limited interest (not at high or speculative rates of return). But while these ideas were mentioned more often than most, the classic 1937 textbook by Hall and Watkins mentioned only three of them, omitting open membership, and included several others. Profit-sharing was, of course, also omitted. Though such lists of “rules and methods” were reasonable as far as they went, none of the points was original to Rochdale. And were these rather precise rules and procedures really what was essential about co-operatives? Such questions acquired renewed urgency in the 1930s.

⁵⁵ Watkins (1970), p. 53.

⁵⁶ Watkins (1970), p. 86.

⁵⁷ Watkins (1970), pp. 84–85.

Rochdale Rules and Methods (Hall and Watkins, 1937)⁵⁸

1. To sell goods at prevailing local prices.
2. Restriction to a fixed rate of the interest upon capital — this interest to have first claim upon the profits.
3. The distribution of profits (after meeting expenses and interest charges) in proportion to purchases.
4. No credit — all purchases and sales to be paid for in cash when the goods were handed over.
5. Both sexes to have equality in membership rights.
6. Each member to have one vote and no more.
7. Regular and frequent meetings to be held for the discussion of the society's business and of receiving suggestions for improving the society's welfare.
8. Accounts to be properly kept and audited; and balance sheets to be regularly presented to the members.

William Watkins, a longtime British co-operator who served as director of the International Co-operative Alliance from 1951–1963, argues that the effort to codify an official list of co-operative principles in the 1930s derived from several forces. Co-operatives always face pressures to water down the principles of the movement. These derive in part from competitive pressures — as Watkins puts it, “the temptation to sacrifice considerations of principle to the need to counter the aggressive methods of competitors by turning their own weapons against them.”⁵⁹ According to Watkins, this is all the more likely when managers of co-operatives are not well-versed in the traditions of the movement, in how co-operatives work and how their distinctive features can be used to attain competitive advantages. The tendency of co-operatives to drift toward the capitalist mainstream is a reason, then, to review and reaffirm co-operative principles every generation or two. For over a hundred years, this quest to find the right or true principles of co-operation has been cast as a search for the “Rochdale” principles. A quite different challenge to the nature and identity of co-operatives arises (says Watkins) from political forces: co-operatives may be tempting objects for political parties, nationalists, or religious movements who hope to make them subservient to their causes rather than allowing co-operatives to pursue their own distinct objectives. After the Russian revolution of 1917, growing pressure came to deal with the demands of co-operatives in Communist countries. Did these co-operatives follow Rochdale principles? And what were Rochdale principles? Delegates from the Soviet Union had begun to question whether ideas like equal shares or patronage refunds were not really capitalist rather than co-operative principles. The question was significant since Soviet co-operatives, based on membership, were by this point paying 43 percent of the ICA's income.⁶⁰ Henry J. May, general secretary of the ICA, began to call attention to the question of

⁵⁸ P. 87.

⁵⁹ Watkins (1986), p. 4.

⁶⁰ Watkins (1970), p. 170–71. The proportion fell drastically in 1935 when the Soviet authorities liquidated consumer co-operatives in 580 towns and cities. *Ibid.*, pp. 197–98.

defining the principles in the 1920s. This was a specific impetus that led the Vienna congress of the ICA in 1930 to begin reviewing the application of the Rochdale principles.⁶¹

A special committee was created which reported to the ICA congress in 1934 and finally to the Paris congress of 1937. In order to judge how Rochdale principles could be enforced, and whether some so-called co-operatives could be excluded from the movement, the committee had to identify what the Rochdale principles in fact were. They came up with a list of seven features of the Rochdale system that were deemed to be essential, and which were, therefore, referred to as principles.

The Rochdale Principles (ICA, 1937)⁶²

1. Open membership.
2. Democratic control.
3. Distribution of the surplus to the members in proportion to their transactions.
4. Limited interest on capital.
-
5. Political and religious neutrality.
6. Cash trading.
7. Promotion of education.

The committee did not regard all seven points as equal. The first four were held to be essential to the co-operative character of any organization, as they had been for decades, and today (1994) are still pretty much enforced as requirements of associations wishing to affiliate to the ICA. The last three of the 1937 points, however, were seen as parts of the co-operative system but not features required for admission to the ICA. These latter points, “while undoubtedly part of the Rochdale system, may be regarded as essential methods of action and organisation, rather than standards, the non-observance of which would destroy the Co-operative character of the society.”⁶³ In trying to distinguish between “standards,” whose violation would destroy the co-operative character, and “essential methods of action and organisation,” the committee was suggesting that some principles were somehow more fundamental or less technical than others. Yet, as Watkins notes, the first four items designated as principles are just as much “methods” as the last three. “All seven,” says Watkins, “would probably be more properly termed *practical rules* which, if faithfully and efficiently carried out, ensure that a society will preserve its Co-operative character and, if not make a success of its business, at least avoid some of the commonest causes of failure.”⁶⁴

In addition to the seven principles, the committee observed that there were two more principles inherent in the Rochdale system though not explicitly formulated in any rules or resolutions of the Rochdale Pioneers: trading exclusively with members, and voluntary

⁶¹ Watkins (1986), pp. 3–5.

⁶² As given by Watkins (1970), p. 204.

⁶³ Committee quoted by Watkins (1986), p. 6.

⁶⁴ Watkins (1986), p. 7.

membership. Both of these ideas had been points of contention between co-operatives and governments in various countries. Based on the committee's 1934 report, these could be considered nonobligatory principles of co-operation as well. The committee also discussed other practices such as sale at current or market price, allocation of net assets to individual accounts, and indivisible reserves, and disposal of collective assets, all of which might be considered integral to co-operation.⁶⁵ In its final report the committee acknowledged that all of these practices formed part of the co-operative system, but it stopped short of saying that they were indicators of whether any particular co-operative was to be considered genuine or not.⁶⁶ In its judicious framing of the principles, its choices of what to exclude, and its division of the principles into two groups, the committee evidently did a most politic labour: the committee report was adopted with only two votes against, and even the Soviet delegates supported it.⁶⁷

Several points about the 1937 list merit particular comment. First, the advocacy of profit-sharing with employees of co-operatives — so prominent in Holyoake's day — was once again absent from the list. There was no mention of use of profits other than to say that members should receive a distribution based on their transactions. This excluded not only profit-sharing; it also was a poor fit for any kind of co-operative but a consumer co-operative. In the debate, the committee did make clear, though, that the phrasing of the principle was not intended to require that everything beyond costs be distributed; the "surplus" consisted only of what was left after deductions for education and social purposes and allocations to reserves.⁶⁸ If the continued exclusion of profit-sharing reflected a subtraction from the Rochdale Pioneers' original views, nevertheless the addition of education as a seventh co-operative principle was something of which they would likely have approved.

More interestingly still, the phrase "neutrality in politics and religion" appears here for the first time in any official list of Rochdale principles. The ICA had articulated its own aim "not to concern itself" with politics or religion, declaring international co-operation as "neutral ground," but this had been intended as a rule for the ICA itself — not for all co-operatives everywhere. Neutrality was not mentioned in the early statutes of the Pioneers, nor in their 1860 almanac statement; nor was it presented as part of the basic co-operative principles in the works of Holyoake and other prominent writers. The idea of avoiding political and religious controversy did, though, have some basis in the history of the co-operative movement.

Well before Rochdale, at the Co-operative Congress of 1832, the Owenite movement was struggling to resist Owen's personal domination, and to distance itself from his controversial views. On the one hand, Owen was considered an atheist and a dangerous socialist by the Tories of his day, and this may have complicated the efforts of Owenites to undertake their plans. But also, Owen's political views were in some respects not sufficiently progressive for his followers. For example, Owen proposed an "Address to the Governments of Europe and America," calling on established regimes to undertake social reform. Delegates to the congress objected that there was no use appealing to governments; only the people themselves could make changes. Delegates also firmly believed in democracy and opposed

⁶⁵ Watkins (1970), p. 188. In the following pages Watkins provides an interesting summary of the speeches by delegates from various countries in reaction to the committee's interim report.

⁶⁶ Watkins (1970), p. 204.

⁶⁷ Watkins (1970), p. 205.

⁶⁸ Watkins (1970), p. 205.

Owen's belief that one could appeal to any form of government no matter what its basis. Furthermore, the delegates objected to Owen's tendency to take all power in the movement into his own hands. Under the circumstances, it seemed best to limit Owen's influence and disassociate the movement somewhat from his person. Delegates voted in favour of internal democracy in co-operatives. And they also passed a famous resolution on religion and politics:

Whereas the co-operative world contains persons of every religious sect and of every political party, it is resolved that co-operators as such, jointly and severally, are not pledged to any political, religious or irreligious tenets whatsoever; neither those of Mr. Owen, nor of any other individual.⁶⁹

This was considered sufficiently important that it was made part of the banner on all congress publications. The main intent was to make it clear that the movement was not synonymous with one man. Beyond that, it seems to suggest that co-operatives not take stands on issues which divide their own memberships.

The Rochdale Pioneers raised something like an idea of neutrality when they passed a motion in 1850 that each member have "full liberty to speak his sentiments on all subjects when brought before the meeting at a proper time and in a proper manner."⁷⁰ In other words, co-operatives should not enforce positions that preclude free debate among their members. Then in their almanac in 1860 (previously quoted) the Pioneers said the co-operative movement "does not intend to meddle with the various religious or political differences which now exist in society." Yet the word "neutrality" was not used, nor was it likely what the Rochdale Pioneers had in mind. British co-operatives were always pro-democracy and supportive of the working-class movement, an attitude which reflected their membership. They did not make a practice, in the nineteenth century, of campaigning in elections or sponsoring particular candidates. But it is quite unlikely that Rochdale would have welcomed Tories into its midst or failed to be friendly to trade-unionist, labour, and reform politicians. Rochdale was not "neutral," and neither were British co-operatives in general. Independent; dedicated to free discussion; respectful of controversies which divided their membership; not organizationally affiliated in a formal, partisan way — yet also not exactly neutral.

Nevertheless, in 1937, more than a century after the oft-quoted congress resolution, the ICA decided that "neutrality" was a co-operative principle. Delegates from the Soviet Union objected strongly to the idea that neutrality was a principle, and the fact it was elevated to become one was likely related to the political conflicts of the 1930s. On the other hand, it was not made an obligatory condition of ICA membership. The elevation of the idea of "neutrality" reflected the growing pains of the ICA, which was striving to accommodate a more and more diverse membership with fundamentally contradictory outlooks. One could interpret the affirmation of neutrality still to mean no more than that the ICA itself should be neutral. This at any rate was the interpretation Paul Lambert attached to this principle in the 1950s.⁷¹

In many times and places, co-operation has been consistent with high degrees of political commitment — even in Britain among Rochdale's successors. British consumer co-operatives adopted their first election platform in 1917, and in 1918 ran their first Co-

⁶⁹ Bonner (1961), p. 30.

⁷⁰ Quoted by Lambert (1963), p. 86.

⁷¹ Lambert (1963), p. 86.

operative Party candidate for parliament — interestingly, this was the H.J. May who was then head of the ICA. By 1920 there were over five hundred co-operatives affiliated and paying dues to Britain's Co-operative Party, and 180 co-operative constituency associations had been created.⁷² In light of facts like these, the “neutrality” affirmed in 1937 seems difficult to pin down. One formulation may be as follows: co-operatives should remain autonomous, and not become tools of politicians, religions, or social movements. Yet there seems to be little in the Rochdale tradition to preclude co-operatives from taking political and even partisan positions, if these are arrived at by democratic means and based on free discussion.

In the construction of the co-operative principles, each era reinterprets Rochdale in light of the needs and challenges of the present. For this reason, the co-operative movement needs periodically to go back and check its Rochdale myths against the Rochdale realities.

Paul Lambert and the Rochdale Principles

Paul Lambert, a professor at the University of Liège in Belgium, published one of the most lucid and provocative discussions of Rochdale principles with his 1959 book *La doctrine coopérative* (published in 1963 in English as *Studies in the Social Philosophy of Co-operation*). Lambert analysed Rochdale and co-operative thought before and since, and, based on this systematic review, presented his own interpretation of the Rochdale principles. Lambert began with the usual seven 1937 principles. With them, Lambert included the principle of pure and quality products, to make eight. He then added sale at market prices and voluntary membership as additional principles widely understood to be part of the Rochdale tradition. Thus Lambert distinguished “open” or unrestricted and “voluntary” or nonmandated membership as two separate ideas.⁷³

Most interesting, however, were Lambert's three new principles. He based these in two cases explicitly on the Rochdale Pioneers' own early statutes, and in the other case on the Pioneers' general philosophy and approach. These principles were: disposal of assets without profit to the members in the event of dissolution; promotion of members' interests only to the extent these coincide with community interests; and the commitment to reform society and the economy into a co-operative system.

First and foremost among the Rochdale Principles, however, was (in Lambert's mind) the idea of democracy. Lambert argued cogently that democracy was *the* fundamental principle of co-operation: perhaps the sole principle universally applicable in all sectors of co-operation without needing to be modified to fit special circumstances; and the principle most sharply differentiating co-operatives from capitalist businesses. Lambert also observed, like many others before him, that democratic procedure does not stand alone. *Who* exercises democracy in a co-operative? And for what purpose? Democracy in a co-operative is a democracy of member-owners, *who are also the users* of the co-operative's services. This identity between members and users of a co-operative is fundamental and is a concept deeply rooted in twentieth-century French and German co-operative theory. The Rochdale Pioneers did not specify the identity of members and users as a principle (just as they did not, at first, specify democracy), but it is clear from history that in fact all the members were users.⁷⁴

⁷² Bonner (1961), p. 143. The Co-operative Party later merged with the Labour Party.

⁷³ Lambert (1963), pp. 63–66.

⁷⁴ Lambert (1963), p. 64. See also p. 77.

The Rochdale Principles (Lambert, 1959)

1. Democratic control
2. Rules governing the accumulation and distribution of the surplus and the treatment of the net assets:
 - distribution of the surplus among the members in proportion to their purchases
 - payment of limited interest on capital
 - sale at market prices
 - dispersal of the net assets without profit to the members in the event of dissolution of the society
 - spirit of service (promotion of the members' interests only in so far as the latter are consistent with the general interests of the community)
3. Freedom for new members to join (principle of the open door)
4. Voluntary membership
5. Cash purchase and sale
6. Political and religious neutrality
7. Education of the members
8. Determination to take over the world's economic and social system and to reorganise it on co-operative lines (i.e. to achieve the "co-operative commonwealth")

Also of interest is the way Lambert combined in his second point a number of principles usually regarded as separate. These include patronage refunds, limited return on capital, sale at market prices, dispersal of assets, and community service. His treatment is significant, because the various principles he groups together are functionally related to one another and together help define the nature of profit and capital in co-operatives.

Patronage refunds are the best known of Rochdale ideas concerning profits and capital. Indeed, co-operatives in many times and places have considered patronage refunds as the be-all and end-all of Rochdale co-operation. Lambert provided an antidote to such simplifications. He noted that the patronage refund is not the yardstick of the co-operative movement; it is a practice that has to be considerably modified from place to place and from one type of co-operative to another. There is nothing in the Rochdale principles to *require* that patronage refunds be paid, Lambert argued; rather, the importance of this principle is as a negative: *under no circumstances will profits be distributed in proportion to capital invested*. That, according to Lambert, is the real significance of the patronage refund idea.⁷⁵ It expresses the idea that co-operatives will not be driven by the interests of capital, by speculation, or by profit motives, but rather, that operating results will be used for the good of members and the community. Though his ideas are slightly different from Holyoake's and take account of a wider range of models and experience, there is a clear resemblance or compatibility between the nineteenth-century Rochdale tradition and Lambert's twentieth-century reinterpretation.

⁷⁵ Lambert (1963), esp. pp. 82–83.

Lambert deserves credit for stressing that the concept of patronage refunds is not the same as “distributing the surplus to the members” — a type of language sometimes used to explain refunds. The “surplus” in a co-operative is a vague concept, and, depending what one means by it, only part of it is ever distributed. The 1854 rules of the Rochdale Pioneers, noted Lambert, clearly stated that patronage refunds were to be paid out only *after* all other deductions had been made, including expenses of management, interest on loans, depreciation, interest on subscribed capital, “increase of capital for the extension of business,” and the 2.5 percent deduction to pay for educational programs.⁷⁶ Clearly “the surplus” was not all to be distributed. Of special interest is the allowance “for the extension of business.” The Rochdale Pioneers did not advocate draining co-operatives of capital or restricting their growth in order to pay out patronage refunds.

Patronage refunds are a significant principle, however, when viewed in relation to other Rochdale ideas, beginning with the concept of limited return on capital. Lambert observed that nothing in the Rochdale rules requires capital to be rewarded at all; paying interest on capital is merely a practical expedient, necessary in the real world.⁷⁷ The important principle is that this payment be limited, so that the motive of earning a return on investment does not become the driving motive in the co-operative. Again one can hear echoes of Holyoake. Distributing profits according to patronage (if distributed at all), and limiting the return on capital, are two sides of the same coin. Patronage refunds and limited returns on capital together express the idea that co-operatives belong to the members as users, not to investors.

Patronage refunds are also integrally related to the principle of selling at market prices. Many co-operatives fell prey to the idea of benefiting their members by selling at cost. This was fine as long as no mistake was made; but when selling at cost there is no margin for error. Cost selling may also provoke competitors into deadly price wars. Rochdale-type co-operatives sold instead at or only slightly below market prices, paying refunds at the end of the year when the books were closed and all costs were known. Unless the principle of selling above cost is observed, there are no surpluses to use and no refunds to distribute.

To this discussion of capital and surpluses, Lambert tied in the idea that the assets of a co-operative should not be sold off to profit the members in the event of dissolution.⁷⁸ No one group of members should be able to cash in the reserves and other assets accumulated over time by all past and present members. The principle of nonprofit dissolution suggests the notion that there is collective or community property in a co-operative — something more than the sum of the individual self-interests of the members at any given point in time. This is reinforced by Lambert’s inclusion, here, of the principle that co-operatives must not strive to benefit their members at the expense of the community. They may amass capital, they may distribute it, but if they do so to benefit the few at the expense of the many then they are violating Lambert’s principles of Rochdale co-operation. Lambert’s interpretation of the Rochdale principles suggests a transcendent, communitarian purpose that informs the more specific and mechanistic ideas of patronage refunds and pricing policy.

Lambert’s discussion of other principles was equally interesting and influential; but let one more point suffice to show the nuances of his synthesis of Rochdale ideas. The principle

⁷⁶ Lambert (1963), p. 74; quoting Holyoake.

⁷⁷ Lambert (1963), p. 76.

⁷⁸ This had been suggested by Philippe Buchez in 1831 as a rule for worker co-operatives; but the Rochdale Pioneers also adopted a similar rule in 1854 and Lambert argues convincingly that this should also be considered a Rochdale principle. Many other co-operative theorists after Rochdale also advocated such a rule. See Lambert (1963), pp. 81–82.

of the “open door” is one that is frequently criticized by co-operators of many kinds. Worker co-operatives say it cannot apply to them, because workers must be able to choose their coworkers selectively. Many farm-related co-operatives say the open door does not apply because special equipment or expertise is needed. And some co-operatives have to impose ceilings on membership because of limited facilities or resources. Lambert conceded all of these points explicitly, but considered them no reason to reject the principle. Lambert said that open membership as a principle is to be applied wherever possible; and of course there are cases where limitations must be set. He argued the principle must absolutely be retained:

this principle bears out the altruistic spirit of Co-operation, since the social wealth built up by the exertions of past and present generations is made available to any members who may enter the co-operative at some later date. In other words, it is exactly the opposite of the wealth that people accumulate for themselves or for a small group.⁷⁹

It is this spirit that Lambert did not wish to lose by rejecting the principle of openness: the idea that co-operatives are working for something more than the individual benefit of a current set of members; that they are, at least in principle, as open as they can be to anyone who wants to join. In this case, as in others, Lambert’s discussion is helpful precisely because it reveals the Rochdale Principles to be shifting approximations, general rules applied in various ways in various places, which take on their full meaning only when interpreted intelligently in relation to each other. Rochdale principles are not absolute, to be enforced to the letter unrelentingly in every case. Yet neither can one evade them by legalistic manoeuvres — an organization cannot hope to remain fully a co-operative, even following every single rule to the letter, if its behaviour contradicts the whole. This is why Lambert suggested additional principles that embody value-based attitudes: community service, determination to reform the world social order. As Lambert showed, the book of co-operative rules and methods needs to be read in the light of a culture and tradition of co-operation.

Constructing the Rochdale Principles (iv): The 1960s

Between the 1930s and the 1960s the world, and with it the co-operative movement, changed radically. Decolonization and the growth of co-operatives in developing countries brought more and more non-European, non-North American members into the International Co-operative Alliance or ICA. There were more new kinds of co-operatives, and with them more questions about structures. And of course the split between the Communist and non-Communist worlds persisted, preserving the urgency of question of what constituted a genuine co-operative within a centrally planned economy and who was to receive the legitimation of being allowed into the ICA.

The 1963 Bournemouth congress of the ICA appointed a second commission on the Rochdale principles. This commission consisted of one representative of the British movement; one from developing countries (India), D.G. Karve, who chaired the commission; one from western Europe; one from eastern Europe; and one from the U.S.A.⁸⁰

⁷⁹ Lambert (1963), p. 84.

⁸⁰ Arnold Bonner, author of the reference work on British co-operation cited frequently in this paper, was the representative of the British movement and the Rochdale tradition. Watkins (1970), pp. 326–27; International Co-operative Alliance (1966), p. 155.

The commission aimed at “clearing up confusion and removing unnecessary rigidity rooted in unbalanced or over-simplified interpretations, a process of refurbishing which permits the underlying Principles to shine with a brighter light.”⁸¹ They came up with a new list that articulated the four key points of 1937, raised the status of co-operative education to be equal to the first four, and added a new principle of co-operation among co-operatives. That they did so unanimously is a small marvel.

The Rochdale Principles (ICA, 1966)⁸²

1. Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, religious or racial discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership.
2. Co-operative societies are democratic organizations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.
3. Share capital should only receive a strictly limited rate of interest, if any.
4. Surplus or savings, if any, arising out of the operation of a society belongs to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others. This may be done by decision of the members as follows:
 - (a) by provision for development of the business of the co-operative;
 - (b) by provision of common services; or
 - (c) by distribution among the members in proportion to their transactions within the society.
5. All co-operative societies should make provision for the education of their members, officers, and employees, and the general public, in the principles and techniques of co-operation, both economic and democratic.
6. All co-operative organizations, in order to best serve the interests of their members and their communities, should actively co-operate in every practical way with other co-operatives at local, national, and international levels.

It is clear that these principles reaffirm parts of the historic record of co-operative thought. Co-operatives are owned by those who use them, not by investors or partners

⁸¹ Quoted by Watkins (1986), p. 7.

⁸² The principles are commonly referred to by the titles: Open and Voluntary Membership, Democratic Control, Limited Interest on Capital, Distribution of Surplus (or Patronage Refunds, both titles being slightly misleading), Co-operative Education, and Co-operation Among Co-operatives.

whose interest is to make a profit from them. This is why the return on debt capital invested by members is strictly limited to a specified interest rate and why trading surpluses are returned, if at all, only as rebates on transactions you can only really benefit from a co-operative by using it. Being an owner of a co-operative, by itself, brings no special return. Furthermore a member only gets one vote no matter how many shares are purchased: the co-operative is an organization of people, not of sums of capital. All of these points make co-operatives clearly different from corporations or private businesses.

Although the principles say co-operatives “should” do this and “should” do that, they were presented to the 1966 congress as universal and “inseparable” principles that “all possess equal authority” and “should be observed in their entirety by all cooperatives.”⁸³ In other words, there might be other kinds of principles that apply to this type of co-operative or that, but these six apply universally to every co-operative, and any organization that fails even one of the six tests is not (according to the 1963–66 commission) a co-operative. While there may sometimes be a tendency to treat this as a list of optimum or desirable characteristics of co-operatives, it is not — it was intended as a description of the rock-bottom minimum features of co-operatives. The commission made quite clear that co-operatives ought to aim beyond these principles: “the common element at all times has been that Cooperation at its best aims at something beyond promotion of the interests of the individual members who compose a cooperative at any time. Its object is rather to promote the progress and welfare of humanity. It is this aim that makes a cooperative society something different from an ordinary economic enterprise.”⁸⁴ And again: “Co-operative institutions, in all their activities and especially where they have to deal with the general public, should be characterised by a high sense of moral and social rectitude.... Cooperative institutions should be able to justify their existence, not only by the advantages they yield to their members, but also by their sense of responsibility and their high standards of probity in all that they undertake.”⁸⁵ Such statements make evident that the commission struggled with the strictures of attempting to reduce principles to a list of operating standards and felt it necessary to identify many things that they viewed as important co-operative principles even though not mentioned in the list.

The 1963–66 commission gave greater definition to concepts like “open” membership, now clarified as openness to those able to make use of the services of the co-operative, and political neutrality, which was reformulated without using the word “neutrality,” as lack of artificial discriminations to membership. The principle of one member, one vote was now attached only to primary co-operatives (those whose members are individual people), legitimating the use of proportional voting in federations of co-operatives. The practice of paying patronage refunds was now only one option for the use of surpluses in co-operatives, with the key point now being that such surpluses be used in such a way that one member not gain at the expense of another. This was a broadening of the principles compared to the 1937 version, and hinted at Lambert’s ideas. Use of surpluses for social purposes, as in provision of community services, was expressly sanctioned. According to Watkins, the commission wished to stress that co-operatives served purposes beyond the promotion of members’ individual economic interests, and that co-operation served moral and social values.⁸⁶ Some of the language they used hints at these larger goals, in contrast to the terse and mechanical descriptions of 1937. But Watkins, who served as rapporteur of the 1963–66

⁸³ International Co-operative Alliance (1966), pp. 160 and 181.

⁸⁴ International Co-operative Alliance (1966), p. 160.

⁸⁵ International Co-operative Alliance (1966), pp. 177–78.

⁸⁶ Watkins (1986), p. 7.

Commission on Co-operative Principles, argues that the statement failed to make clear the distinction between practices or rules on one hand, and principles or general ideas of co-operation on the other.

Practices, Rules, Principles, Values

Watkins proposes that the “principles” of the movement should be identified as grand, enduring, values-based goals, and proposes seven such principles.⁸⁷ These, according to Watkins, are the underlying aims of the co-operative movement, of which the Rochdale Pioneers and their rules were one particularly effective expression. In his book, Watkins aims to show how these values lay behind the intentions and the devices employed by the creators of Rochdale. Of these principles, he regards the idea of association, the drive for human solidarity, to be the fundamental underlying force behind co-operation, more important than democracy.⁸⁸

Co-operative Principles (Watkins, 1986)⁸⁹

1. **Association (or Unity)** Human solidarity is an end in itself.
“Co-operators not only accept the associations — family, community, nation — into which they are born, but also seek other associations deliberately and purposefully for the sake of the material and spiritual advantages they offer.”
2. **Economy** Members join for economic advantages. “The essence of Co-operative Economy is the assumption by an association of the functions of ownership, organisation and risk-bearing” — counter to modern trends toward specialization and division of labour.
3. **Democracy** “Rules, although indispensable, are not by themselves sufficient” to ensure democracy. Democratic structures must express the “general will of the members ... not the sum of all their individual wills ... but their will when they are seeking their common good as members of their society and considering its affairs from that standpoint... Members ... must be active rather than passive.”
4. **Equity** Equity is an “ethical” concept related to the “distributive aspect of justice.” Equity is important in two ways: striving to achieve a more equitable distribution of wealth and power in society, and equity within the co-operative in treatment of different groups and individuals.
5. **Liberty** Liberty consists not only of the freedom of “individual men and women ... to join or leave [co-operatives] at will, but also their freedom of thought and action while they are members.” Also, the movement must advocate “the freedom, individual and collective, required by Co-operative organisations” to function effectively.

⁸⁷ Watkins (1986), pp. 9ff.

⁸⁸ Watkins (1986), p. 19.

⁸⁹ Watkins (1986), descriptions of each principle from pp. 15, 37, 55–56, 73, 110–11, 123–24.

- 6. Responsibility** “A Co-operative society serves its members by performing functions in their interests, but it cannot do so effectively or even at all unless they in turn faithfully fulfil their responsibilities towards it.” A co-operative is an association of people and an enterprise. The concept of membership is the vital connection between the two.
- 7. Education** “There can be no Co-operation without Co-operators and Co-operators, unlike poets, are not born but made. ... [Education is] the sum-total of acts and experiences which promote the mental and moral growth of the individual Co-operator and the development of his or her capacity for working with others... [Co-operators] have to be not simply educated ... they have to be continuously re-educated in Co-operation.”

Watkins’s ideas deserve note not only because he reported on behalf of the last commission on co-operative principles, but also because he is one of the elders of the world co-operative movement. His attempt is also interesting because it is one of the few efforts to break away from the pattern (begun by the Pioneers themselves) of trying to sum co-operation up in particular procedural rules.

Watkins identified reasons why co-operative principles need periodic review — as co-operatives drift under competitive pressures towards the economic mainstream, and as political and religious forces seek to make them dependent. With his idea that there are broader and more permanent principles lying behind the changing rules and practices usually described as “Rochdale principles,” Watkins raised another reason for revisiting and rethinking the principles. Both impulses — the need for periodic review as co-operatives face changing circumstances, and the desire to identify some deeper principles or values in a more satisfying way — have contributed to the newest review of co-operative principles. On the 150th anniversary of Rochdale, a revised statement of co-operative principles is being developed, and is to be adopted at the ICA’s one hundredth congress in Manchester, England in 1995.

Constructing the Rochdale Principles (v): The 1990s

The groundwork for the latest review of ICA principles was laid by Sven Åke Bööck of Sweden, who submitted his findings concerning “co-operative values in a changing world” to the Tokyo ICA congress in 1992. Bööck proposed that co-operatives agree on several levels of principles: basic values of co-operatives; basic ethics for co-operative organizational culture; and basic principles in the sense of relevant guidelines for co-operative organizations, the latter being what have usually been considered in discussions of Rochdale or ICA principles. To these Bööck added a fourth category, Basic Global Values, which was intended to provide more concrete, action-oriented expression of the Basic Values with a view to the global values being incorporated into long-term co-operative programs.

Bööck’s list clearly combines the kind of statement of underlying principles or values advocated by Watkins, with the approach of listing essential rules or methods usually referred to as principles. Bööck states that the 1966 ICA statement reflects his basic principles fairly well. The main changes he recommends have to do with the nature and role of capital — a subject on which Bööck’s “basic principles” are silent. Bööck’s review concluded that capital was becoming more than a servant in today’s co-operatives. He argues that

alternatives for treatment of capital can be investigated if three problems were addressed: keeping capital structures that encourage co-operatives to serve their members; finding an appropriate balance in the roles of individual and collective capital; and avoiding the “dangerous” implications of substituting too much outside capital for members’ own capital.⁹⁰ In the end, Böök says that, as a minimum, the Rochdale Principles need to be modified in four chief ways: to make the principle of limited interest on capital more flexible; to introduce a new principle explicitly discussing the appropriate methods of capital formation — stressing that co-operatives should rely on member’s own capital as much as possible, and to preserve the co-operative’s independence when raising capital; to add to the idea of democracy a statement about employees’ participation in co-operative governance; and finally to add a new principle emphasizing the need for a proper degree of independence (presumably, from governments). More ambitiously, Böök recommends that co-operative principles be sorted out into co-operative principles and co-operative practices, with the former being formulated in the most universal possible way, and the latter being drawn up in different forms appropriate to each branch or sector of co-operation.⁹¹

Co-operative Basics (Böök, 1992) ⁹²

Basic Values

- Equality (democracy) and Equity (social justice)
- Voluntary and Mutual Self-help (solidarity and self-reliance)
- Social and Economic Emancipation

Basic Ethics

- Honesty
- Caring (humanity)
- Pluralism (democratic approach)
- Constructiveness (faith in the co-operative way)

Basic Principles

- Association of persons
- Efficient member promotion
- Democratic management and member participation
- Autonomy and independence
- Identity and unity
- Education
- Fair distribution of benefits
- Co-operation, nationally and internationally

Basic Global Values

- Economic activities for meeting needs
- Participatory democracy
- Human resource development
- Social responsibility
- National and international co-operation

⁹⁰ Böök (1992), p. 141.

⁹¹ Böök (1992), pp. 239–40 and pp. 16–18.

⁹² Pp. 11–15; see also pp. 51–53.

Following Böök's inquiry, a statement is being prepared by Professor Ian MacPherson of the University of Victoria, Canada, of what he calls "the co-operative identity." This statement will be considered at the Manchester congress in 1995. An early draft indicates that MacPherson proposes to begin by describing co-operatives in a few sentences, defining them as groups of persons who have united voluntarily to meet common economic and social needs through a jointly-owned and democratically-controlled enterprise; describing the way in which they join in federations and alliances; and referring to their values of self-help, mutual responsibility, equity, honesty, and "transparency" on which they are based.

This, he suggests, should be followed by a statement of seven principles that co-operatives are expected to use "as guidelines in their activities": voluntary and open membership, democratic structure, equitable economic structure, autonomy, co-operation among co-operatives, co-operative education, and community responsibilities.⁹³ It remains to be seen, of course, what ICA members will agree to, but the inclusion of principles of autonomy and community responsibility is an interesting articulation of ideas long discussed and inherent in the Rochdale tradition. MacPherson appears ready to omit any specific principle on the treatment of capital in co-operatives. Instead, the statement on "equitable economic structure" may refer to co-operatives being organizations where members equitably contribute to the capital, and where, after capital and labour are fairly rewarded, surpluses are distributed or used to development business or services.

At this point it remains to be seen what changes may result from the work of Böök and MacPherson. The current review of principles makes clear once again that the Rochdale heritage is re-examined and reinterpreted every generation. There will never be one final and definitive list of co-operative principles, because co-operatives are a living movement in a changing world. However, it may be that we are seeing the end of the "Rochdale" principles. Noticeably, both Böök and MacPherson avoid the phrase "Rochdale principles," and refer instead simply to co-operative or ICA principles. After the ICA has incorporated perspectives on co-operation from around the world, it is perhaps time to admit that the influence of Rochdale as such has become attenuated. There is something possibly pretentious now in referring to our current version of principles as the Rochdale this or that. But before this paper lets go of Rochdale, let us go back and look at one historical case study, as a reminder that the testing ground for co-operative principles is not in some abstract realm of theory, nor in the political compromises of the ICA, but in the real lives of organizations and co-operators — where survival or collapse may depend on the decisions being made.

Part Three:

Rochdale Principles and North American Farm Co-operatives, c. 1880–1940

So far this paper has considered the history of the Rochdale Pioneers and the movement which the Pioneers inspired; and the abstract discussions of the nature of the principles to be derived from Rochdale. But the debates over applications of Rochdale principles did not take place in a vacuum; they occurred in the midst of social, political, and economic pressures that could generate confusion and disagreement among even the most well-meaning co-operators. It would be incomplete to suggest that co-operative principles are something only to be debated by theorists and co-operative leaders, for it is perhaps even more important that they be debated at the smallest level in relation to the daily practice of co-operatives. Accordingly, the third section of this paper considers a more specific case: the

⁹³ MacPherson (1994).

conflicts concerning Rochdale principles within the farm movements of North America, with particular emphasis for our purposes on Canada.

Three-quarters of a century ago, if you had asked knowledgeable farmer co-operators in North America what was meant by “the Rochdale plan,” few would have mentioned anything much resembling current lists of co-operative principles. Perhaps more surprisingly, many of them would have claimed the Rochdale model was a poor one and inappropriate for farmers. What was Rochdale understood to mean? And why did Rochdale ideas come to be accepted, only in the course of this century, as the guiding principles of the co-operative movement?

Farm Movements and Co-operative Ideas

Early North American farm organizations such as the Grange, as previously mentioned, organized co-operative buying in their local chapters, and in many locations set up local farmer-owned stores following Rochdale principles. But this first wave of agrarian self-help in roughly the 1870s was followed by a later wave of agrarian mobilization.

In the 1880s and 1890s, farmers organized more tightly, more politically, and on a mass scale. They did so in reaction to the development of industry and to the late-nineteenth-century emergence of interest-group politics, large concerns, trusts, monopolies, and economic concentrations of power. The mobilization of farmers, alongside the development of modern trade-unionism among North American working people, were two aspects of the popular reaction against this new social and economic order.⁹⁴ The more aggressive farm politics was expressed locally and regionally in the development of Farmers’ Alliances and associated co-operatives, and in support for the new People’s Party and associated farmer or reform candidates in state and federal elections. Lawrence Goodwyn has argued convincingly that local co-operatives were the organizational foundation on which farmers’ Populism was based. Populism itself was arguably the most promising third-party movement ever to challenge the American political establishment, and had the potential, at least initially, to create a different kind of democracy in the United States.⁹⁵

The new-wave farmers’ co-operatives also broke with or went beyond Rochdale principles. Late-nineteenth-century farm leaders were not impressed by the experience of the Grange stores. These had stayed too small, grown too fitfully or too slowly, and did not satisfy farmers’ needs and expectations. They required capital contributions that were hard to raise, and — the most widespread criticism — the Rochdale-inspired policy of cash-only trading was impractical for farmers. Because farmers generally earned all their income at one or two times a year when they took their products to market, they had to be able to buy on credit in the intervening months.⁹⁶ But while cash trading may have been the most specific criticism of Rochdale co-operatives, there seem to be two more general differences of outlook underlying the search for alternative co-operative models.

Farmers wanted something bigger and more powerful than a small local store. They wanted something that would give them clout economically and politically, so that mobilized farmers could earn their rightful place in the fractious interest-group battles of the time. These new co-operatives should grow quickly, and with less capital, building up a business using farmers’ organized economic power rather than the Rochdale-style

⁹⁴ See Hays (1957), pp. 48–70.

⁹⁵ Goodwyn (1978).

⁹⁶ Goodwyn (1978), p. 32.

painstaking accumulation of small savings. And what organized farmers wanted, above all, was the organization of marketing, not of consumption. Since farmers earn their livelihood by selling, it was the co-operative control of selling that was most important to them. Farmers were becoming organized around products and marketing, to gain a better income in competition with other interests; and this implied a conflict with consumer-oriented Rochdale principles. There was a parallel to this attitude in the working-class movements of the day: trade-unionism was the organization of workers to control the marketing of their labour; many working-class leaders were starting to see this as being more important than Rochdale-style consumer co-operation. Because of this parallel it is apt to refer to the farm movements of the day, in the words used by some contemporary co-operative leaders, as “farmers’ trade unionism.”

Instead of stores, the farm co-operatives that began to spread widely in the 1880s, promoted by Farmers’ Alliances, took quite different forms: co-operative elevators, fruit and vegetable marketing associations, livestock shipping associations, wool pools, and nut marketing associations. Such co-operatives reflected a growing sense by farmers that, if they only united, they could fight against merchants, railroads, banks, and monopolies. When farm organizations did devote effort to co-operative buying, they tended to make it subsidiary to their marketing-oriented regional organizations.

Such developments came a couple of decades later in Canada, where conflicts over co-operative principles became heated because of the presence of a small but significant number of British-born farmers and co-operators well-versed in Rochdale ideas. The Canadian cases are interesting to analyse because the conflicts were clearly articulated.

Farm Groups and Co-operative Wholesaling in Canada, 1900–1930

Farmers in Ontario were among the first in Canada to organize co-operatively. Between 1900 and 1914 there were numerous new enterprises, including the 1906 Ontario Co-operative Fruit Growers’ Association, which inspired honey producers to organize in 1909 and tobacco growers in 1914. But the most important new co-operative was the United Farmers’ Co-operative (UFC) founded in 1914 as the economic counterpart to the political and educational organization, the United Farmers of Ontario.⁹⁷ Early in its development the UFC opened a supply department to provide farm inputs like binder twine, fertilizers, pesticides, and machinery to local buying clubs or co-operatives.

At first the ownership structure of the UFC was unclear. On one hand, Rochdale principles were advocated by George Keen and W.C. Good of the Co-operative Union of Canada, a body created in 1909 to promote Rochdale-style, primarily consumer co-operation. To Keen and Good, Rochdale principles meant that autonomous local co-operatives should be the driving force in the movement, and centrals like UFC should be owned by them and serve them. On the other hand, farm leaders like J.J. Morrison had a vision of central control, put little stock in ideas of autonomy and federalism, and were impatient with the hindrances to growth posed by Rochdale ideas. Such pragmatists regarded men like Good and Keen as impractical idealists whose devotion to abstract principles would hold back the development of the movement. At first, Keen’s ideas were more influential: the UFC was to be owned by member associations with one vote per

⁹⁷ MacPherson (1979), p. 19.

association; surpluses would be distributed on the basis of patronage; and interest on capital would be limited, though at a high level.⁹⁸

But over time, the advocates of pragmatism and centralization steadily won ground, while idealistic advocates of Rochdale purity were marginalized. This struggle reached a turning point in 1918–19, in the midst of postwar economic disruption, unrest, and radicalization of the farm movement. An advocate of rapid commercial expansion, R.W.E. Burnaby, won the presidency of UFC, and hired T.P. Loblaw to manage the company. Loblaw was an able private manager who later founded a well-known grocery chain. Under Burnaby and Loblaw, UFC was moved away from a federated structure to become a centralized operation. Local farmers would become direct members of UFC rather than of local stores, and the stores would be run as branches under UFC-appointed managers. For a few years this more efficient approach appeared to work: by late 1919 UFC had nearly ten thousand members and looked to be a burgeoning retailing and marketing giant; by 1920 it had doubled again to twenty thousand members. It organized a livestock branch, an egg and poultry department, a seed department, a fruit department, a subsidiary wholesale company, and a separate dairy co-operative.

The bubble burst in 1921. The UFC collapsed financially, shut many stores, and lost hundreds of thousands of dollars. There were many contributing factors: Loblaw had left, and it appeared the company was too complex for his successors to manage. Agriculture was still in recession. Competition was keen. While such factors might appear to have been beyond the control of co-operators, they would not have been exposed to such risks if the organization had developed more slowly or in a less centralized way. Whatever the reason, the collapse was a catastrophe for the Ontario co-operative movement. UFC's aggressive growth had eclipsed all other co-operatives. When UFC fell apart, the province was left with nothing, and co-operation had earned a bad name. Although UFC was rebuilt in later years, the Ontario co-operative movement has never, since 1921, been considered strong.⁹⁹

This story was not limited to Ontario. In the Maritimes, too, the co-operative movement was at first strengthened when a United Farmers' Co-operative Company was organized in 1916 by the New Brunswick and Nova Scotia farm movements. It grew rapidly, opened dozens of branch stores — and encountered financial problems after 1920 due to overextended resources, the recession, and internal divisions. In 1922 it was broken up into independent local stores, but too late — by the mid-1920s most had disappeared.¹⁰⁰ Retail and wholesale co-operation were rebuilt in following decades on the basis of local autonomy, but one has to wonder what opportunities were lost.

And it was the same story in the Prairies. Farmers organized buying clubs and local co-operatives; central farm organizations ran central wholesale operations to supply them; and battles ensued between the competing concepts of centralized strength and efficiency, versus local autonomy and independence. The Alberta Co-operative Wholesale Association, founded in 1928, served some independent local co-operatives, but was under the influence of the United Farmers of Alberta, a political organization that at the time also formed the government of the province. Under pressure from UFA leaders to expand aggressively, the wholesale leaped into business in 1929 with ambitious purchases of inventory, in the hopes of selling to UFA local chapters. These deals ended in disaster, as the Depression caught the wholesale overexposed, indebted for an inventory it could not sell, and undercapitalized.

⁹⁸ MacPherson (1979), p. 30.

⁹⁹ MacPherson (1979), pp. 56–57 and 75–76.

¹⁰⁰ MacPherson (1979), pp. 57 and 76–77.

The Alberta wholesale was rebuilt by the painful effort of local co-operatives, but the co-operative movement in the province as a whole never recovered.¹⁰¹ The story in Manitoba was not dissimilar: Manitoba Co-operative Wholesale, which entered into business in 1928, had too narrow a base of well-developed local co-operative societies on which to depend. When the Depression hit, it was overextended, in part due to an ill-advised attempt to diversify into the printing business.¹⁰²

In Saskatchewan there were fierce battles over whether local co-operatives would be permitted to run the farmers' wholesale operation, or whether it would be run by the United Farmers of Canada, Saskatchewan Section. In 1928 co-operators were alarmed to hear that W.M. Thrasher, secretary of the United Farmers, had developed "an elaborate scheme" for a "co-operative chain of stores" across the West. Thrasher invoked the legitimacy of the Rochdale movement when he claimed "the hearty co-operation of the great British Wholesale in Manchester" for his endeavour.¹⁰³ United Farmers leaders talked about top-down creation of new co-operatives across the province, of co-operatives limited to UFC members only, of co-operatives that would do away with patronage refunds and sell on a cost-plus basis. To Keen and his allies in the province, these ideas violated just about every Rochdale principle they knew — local independence, open and voluntary membership, political autonomy, patronage refunds — and tied the success of co-operation to a single farm organization when it should be (they believed) a broad grassroots movement. The co-operative stores in Saskatchewan fought the United Farmers' ideas in a drawn-out battle for control of wholesaling. The United Farmers' Trading Department was taken over by the co-operatives only in 1929 when massive fraud was discovered on the part of the manager. The co-operatives took over a crippled wholesale, and laboriously built it up through the 1930s and 1940s into the strongest of the three prairie wholesale companies.¹⁰⁴

One can of course argue that the disasters were due to recessions like 1921 and depressions like that after 1929. Possibly under ideal conditions the various United Farmers' organizations could have run their own centralized, provincial co-operative systems with success. But then, can one ever expect conditions to be ideal? The fact remains that every single farmers' venture of that era in centralized co-operative wholesaling was a failure.¹⁰⁵

¹⁰¹ B. Fairbairn (1989), pp. 37–42.

¹⁰² B. Fairbairn (1989), pp. 29–31.

¹⁰³ B. Fairbairn (1989), p. 48; fuller quotation from Waldron to Keen, 9 Feb. 1928, and "Co-operative Chain of Stores Planned by United Farmers," stamped received 27 Feb., both in Public Archives of Canada, Co-operative Union of Canada papers, volume 44, f. "Co-operation and Markets Branch, Saskatchewan Department of Agriculture."

¹⁰⁴ B. Fairbairn (1989), pp. 45–54. The three wholesales, together with that of British Columbia, as well as the Consumers' Co-operative Refineries Ltd. of Regina, merged between 1944 and 1971 to form Federated Co-operatives Limited.

¹⁰⁵ The United Farmers of Alberta started a wholesale farm-supply operation in 1931 that eventually became UFA Co-operative, which still exists. Such supply co-operatives are an exception to the generalization that centralized farmers' companies failed. On the other hand, in the 1940s the UFA Co-op started a series of co-operative chain stores, promising to do in a generation what it had taken the Rochdale Pioneers a century to accomplish. These stores lost money and were turned over to independent local co-operatives within a decade. Thus the UFA succeeded in the supply business, but failed like all the others in the chain-store business, confirming at least part of the generalization. See B. Fairbairn (1989), Chaps. 13 and 18. Although one can cite few examples of its success, the idea of centralization keeps recurring to those who wish to organize co-operation rapidly and widely.

Advocates of Rochdale co-operation like George Keen basically told the farmers in advance that they would fail. In 1928 Keen wrote to Alberta co-operators as follows to describe how his vision differed from that of the farm leaders:

There is a vast difference between marketing organizations and consumers' societies.... While the former centralize operations and hire highly paid service from capitalist undertakings upon which they depend for success, consumers' societies must rely upon local initiative, the cultivation of the co-operative intelligence of individual members, and a comprehensive social vision.¹⁰⁶

It is revealing that Keen referred to marketing operations as “organizations” and not as “societies,” a term he reserved for what he considered genuine co-operatives. In Keen’s vision, genuine Rochdale-model co-operatives had to start small and grow only to serve their members’ organized economic needs. Co-operatives should never undertake speculative expansions — expansions that went beyond what their current members were ready to buy, expansions that depended on the anticipated custom of nonmembers, or expansions that could not be financed out of the capital provided by the members. If a co-operative wanted to grow, it had to do so through education: by gaining new members, or intensifying the loyalty of existing ones — “cultivating their co-operative intelligence” — and then expanding to meet the members’ needs. This was a vision in which education and member development led the way, followed by the growth of the co-operative’s business and facilities. Similarly, at the wholesale level, the development of the local co-operatives was the primary goal — “local initiative” — with the wholesale following to keep up with the member co-operatives’ needs. Commercial policies, too, were to be cautious. Instead of engaging in price-cutting, attempting to sell at cost, co-operatives should stick to the Rochdale idea: not try to cut costs, but return savings at year-end. That way the co-operatives would not be exposed to risks if markets changed or prices and costs were miscalculated. And all trading, of course, was supposed to be on a cash basis. Keen scrutinized co-operative operating statements and balance sheets minutely, analysing profit and cost ratios, debt and capitalization. His version of co-operative principles did not exclude careful business practice. The whole system, to people like Keen, was virtually foolproof, because it minimized risk, speculation, and hasty growth. The different principles and practices all fit each other as an interrelated whole, tried and proven by time, and it was all tied together by a “comprehensive social vision.”

This sounds like simple repetition of Rochdale ideas, but Keen and others had to explain the concepts again and again. It is important to put oneself into the shoes of people who had not heard of Rochdale, or who doubted Rochdale’s relevance. Why do you need shares at all? The business is sure to make a profit and generate its own capital. Why does membership have to be voluntary? We can have a big membership right away if we make every United Farmers supporter automatically a member of the co-operative. Why not open the store to nonmembers, too? Their business will help the co-operative. Why not sell at cost? It provides a better and more immediate benefit to members — they don’t have to wait for year end. And of course, farmers need credit; why should a farmer-owned co-operative not provide what the members want? These were all perfectly legitimate questions that well-meaning people asked. Keen and others thought they had answers. But the answers were complicated and abstract. They sounded a little like religious dogma.

It should be clear enough what farm leaders disliked about this Rochdale fundamentalism. The ideas of people like Keen seemed to put obstacles in the way of

¹⁰⁶ Quoted in B. Fairbairn (1989), p. 39.

everything farm leaders wanted to accomplish: rapid growth, market power, maximum returns to farmers with minimum investments. Perhaps, indeed, the Rochdale model, as interpreted by idealists like Keen, was poorly suited to farmers' needs. But the Rochdale model had proven its success: farm leaders had yet to prove that their alternative ideas would work as well. They had struck out in co-operative wholesaling in every region of English Canada. What about co-operative marketing?

Alternatives to Rochdale: Sapiro's Pool Plan

The experience of farmers with co-operative elevators, other handling and processing co-operatives, and small-scale marketing associations only whetted their appetite for the real thing: co-operative selling on a large enough scale that farmers could influence or indeed control the markets for their products. There were many advocates of such ideas, but by the early 1920s the concept of "commodity pooling" was the leading edge, and Aaron Sapiro, a mostly California-based lawyer, was its most famous advocate. Sapiro spoke to and for North American farm leaders when he outlined an alternative approach to co-operation.

A 1923 article by Sapiro discussed how his plan differed from the Rochdale model of co-operation. This article is interesting both because it illustrates key features of what farmers were trying to accomplish across North America, and (for our purposes) because it shows what they thought Rochdale meant. "*There are two types of cooperative organizations to-day in the world that are worth real attention,*" wrote Sapiro with emphasis. "*One is the so-called cooperative marketing movement, which is a producers' movement. The other is a cooperative buying movement, which is a consumers' movement.*"¹⁰⁷

The Rochdale movement, of course, was "the consumers' movement," developed exclusively from the consumer's perspective. In Sapiro's analysis, consumption meant stores and inventories, stores and inventories meant capital, and all of this together meant that members had to buy shares and stores had to pay them patronage refunds. This was not wrong, said Sapiro: "It was a normal and right development for a consumers' movement. ... *But that is cooperation developed from a consumer's standpoint.* That is why you have to have capital to start with and give the so-called patronage dividend to the people who buy from you."¹⁰⁸ Sapiro argued that the Rochdale approach simply did not work for farmers, and he analyzed the experience of marketing co-operatives that had tried to follow Rochdale practices. By buying from each farmer at market prices, they end up paying different prices to different farmers. Under these circumstances, the system of market prices and patronage refunds could not ensure equity among members. Moreover, each small Rochdale-style co-operative competed against the others, driving prices down. "Each one stands as a separate unit and sells against the other elevator. ... It is not good merchandising; it is not cooperation."¹⁰⁹ North America, charged Sapiro, was a producing continent and not a consumer country like Britain. To follow a British model of co-operation rather than one oriented toward producers, he said, "has been one of the most egregious blunders committed in agricultural America."

Sapiro quoted the example of farmers in California as a counterexample. There, they organized "on a huge scale" to capture 97 percent of all berry growers in a single marketing co-operative, 92 percent of all raising growers, and so on, commodity by commodity, so that

¹⁰⁷ Sapiro (1923), p. 82.

¹⁰⁸ Sapiro (1923), p. 82.

¹⁰⁹ Sapiro (1923), p. 83, and the same for the following quotation.

California marketing co-operatives were now handling over \$250 million a year. “The important point in practically every cooperative association in California,” said Sapiro, “lies in the fact that it is based on the commodity idea instead of the locality idea.”¹¹⁰ Rochdale, to Sapiro, meant primarily a system of small local co-operatives. What he advocated as an alternative to Rochdale was “the commodity plan ... organize from a commodity standpoint and not from a locality standpoint.”¹¹¹

Sapiro outlined further rules, his own list of co-operative principles for commodity pools. Such commodity associations must be composed exclusively of farmers. “Furthermore, the association must be for business purposes only. That is fundamental. There must be no politics in it — nothing but straight business from the ground up. We don’t permit discussions on subjects that have nothing to do with our commercial problem. ... The cooperative associations are composed wholly of business interests and are organized exactly like a bank.” Long-term contracts were to be used to lock up a fixed minimum percentage of producers’ total production of the commodity in question — with raisins, for example, this was 75 percent. But while the organization was to be purely commercial, businesslike, and based on ironclad contractual agreements, it was to have no share capital whatsoever. Farmers did not need to pay in capital to create a commodity pool. “The association without capital stock is ideal for the marketing association. If a building, warehouse, or packing plant is needed, no matter how cheap or expensive, we organize a subsidiary organization,” explained Sapiro.¹¹² Sapiro’s reasoning was that a marketing association did not need capital because it does not buy anything for cash or for a fixed price: it does not need to finance inventories or even facilities in the same way a consumer co-operative does. If it needs capital, it should just go to a bank. For related reasons, it does not need to pay patronage refunds; it needs only to return the average market price for the pool to the producer. Finally, “not a single penny’s worth of stuff is handled for an outsider. It is purely cooperative. There is no speculation.”¹¹³

It’s worth looking at Sapiro’s ideas in detail because he was outlining precise rules for non-Rochdale co-operation, or at least co-operation that he and other farm leaders believed to be fundamentally different from Rochdale. Like Rochdale, however, Sapiro was describing a nonprofit member-owned business, serving members’ economic needs and not serving nonmembers at all. Though he did not stress the point (just as the Rochdale Pioneers did not stress it in 1844) the business was to be democratically governed. Implicit in Sapiro’s model was the idea that capital would not earn any speculative return — all capital was to be borrowed; there would be no invested capital at all. Also implicit is the idea of distributing the surplus to members, since the pool would pay each member the average price obtained for the type and grade of commodity that member contributed. Though Sapiro evidently thought this was quite different from a “patronage refund,” it was an equivalent kind of rule for equitable distribution of surplus to members. One might also be tempted to see in the rules for grading of products an equivalent to Rochdale ideas of honest

¹¹⁰ Sapiro (1923), p. 84.

¹¹¹ Sapiro (1923), p. 85 (and the same for the following quotation).

¹¹² Sapiro (1923), pp. 87–88. Previously, the Clayton amendment to the Sherman Anti-Trust Act had permitted monopolies — which commodity pools aimed to be — only if they were nonprofit and had no capital stock. The Capper-Volstead Act extended such an exemption to all kinds of co-operatives, but Sapiro continued to insist it was better to organize a co-operative with no share capital whatsoever.

¹¹³ Sapiro (1923), p. 88. Actually, Sapiro did not restrict his model only to marketing co-operatives. He was one of those urging prairie farm leaders to organize wholesales, too, on a centrally-owned, contract basis. See B. Fairbairn (1989), pp. 47–48.

weight and measure or pure unadulterated goods; and Sapiro's emphasis on sound business practice was equivalent to Keen's or the Rochdale Pioneers'. As for what was different from Rochdale, these pools were to be big, centralized, run by expert private-sector managers, and without share capital. There is also no mention of education, social purposes, cash trading, and other Rochdale-related ideas. On balance, one would not want to present Sapiro as an original co-operative theorist who developed a wholly new model of co-operation. He was an articulate publicist, however, for an approach to co-operation that was earnestly desired by North American farmers.

And how did centralized farmers' commodity pooling fare in practice? One recent assessment was that his ideas had only "a brief, intense popularity in the 1920s." His ideas about centralized commodity marketing, market share, grading of commodities, and marketing through to the consumer seem sound. But "he misjudged the difficulty in organizing staple crops and perhaps did not comprehend the social and economic forces behind the multipurpose objectives of geographic-based co-operatives.... Ultimately his model was abandoned over much of the United States."¹¹⁴

In Canada, commodity pools were created for numerous products, but the largest were the three prairie wheat pools established under Sapiro's direct influence in 1923-24. These were created in great organizing drives, campaigns of community mobilization to convince farmers to sign pooling contracts. The most dramatic was in Saskatchewan, which fell short of its acreage target in 1923 but met it in 1924 with the help of thousands of volunteers and even the declaration of civic holidays for pool sign-up day. All three pools were instantaneous commercial successes. They joined together to form a joint Central Selling Agency, and marketed prairie farmers' grain direct to overseas markets, partly cutting out middlemen and commodity exchanges. Farmers were pleased with price averaging — which reduced their individual risk — and with the system of initial, interim, and final payments for their crops. In addition, the price of wheat rose somewhat as the recession of the early 1920s wore off. The pools expanded by building terminal elevators at ports, and by buying up the earlier systems of co-operative elevators in the countryside or by buying their own. For six years, co-operative wheat pooling seemed to be a roaring success, and those six years left a lasting legacy on the structure of the agricultural economy in Canada.

It was during these years that the question arose as to whether the International Co-operative Alliance would accept the wheat pools as genuine co-operatives, or whether it would choose to regard them as merely self-interested cartels of producers. The latter was a distinct possibility, given the consumer orientation of the international movement since 1910. The wheat pools were helped, however, by the fledgling consumer co-operative movement inside Canada, led by the Co-operative Union and George Keen, who vouched for the genuine co-operative nature of the pools. Keen supported them despite his many reservations about the projects launched by the organized farm movement; in spite even of the proposals current in 1928 to obtain government legislation that would have made the pools compulsory for all producers. This raises an important point about the attitude of people like Keen toward the co-operative principles: they had a clear idea of what was a desirable form of co-operation, but they nevertheless accepted less-than-ideal cases as co-operatives. Their principles were firm but the application was tolerant: it was not so much a question of ruling what was or what was not co-operation, but of identifying what was

¹¹⁴ First quotation from editor's introduction (1993) to Sapiro (1923), p. 81; second quotation from accompanying commentary by Ginder (1993), pp. 101-02.

greater or lesser co-operation.¹¹⁵ Whatever doubts some co-operators may still have had about co-operation of producers, the pools and the ICA eventually reached an understanding. The pools applied for and received membership, an important step in bridging the gap between consumers' and producers' co-operation both inside Canada and internationally.¹¹⁶

But despite the almost magical early success of the pools, the depression destroyed them. In 1929 and 1930, the price of wheat kept falling below the interim payments the pools had already paid out to farmers. The pools were left with debts, balanced only by inventories of declining value and which they could not sell. By 1931 the pools were basically bankrupt, and were bailed out by government loans — which they eventually repaid, but without which they would have ceased to exist. The pools survived as co-operatives with other economic functions, but co-operative pooling itself was dead and has not been resurrected. Instead, governments took on the function of organizing commodity pooling, setting up mandated marketing boards in the 1930s and 1940s that remain key institutions for Canadian agriculture down to the present day. Co-operators can legitimately claim that the organization of the wheat pools in the 1920s resulted in huge benefits — the creation of what are still today some of Canada's and the world's biggest co-operatives, and the creation of marketing boards. But was wheat pooling as such a successful alternative to the Rochdale model?

Evidently pooling, Sapiro-style, was a short-term success but a long-term flop. Like the big, centralized farmers' wholesales, pools did well when times were good, but collapsed when adversity hit — though admittedly it took the worst economic crisis of the century to wipe them out so thoroughly. The exact features according to which Sapiro's model deviated most from Rochdale — size, centralization, lack of share capital, no complete deferral of payments to members until all costs were known — seem to have contributed to the wheat pools' vulnerability. They were uncapitalized, had huge debts, and, because they were specialized in one commodity and centralized over large areas, there was no containment of risk — when one central selling agency of one commodity went under, there was nothing left. All the eggs (so to speak) were in one basket. Perhaps farmers may one day have to revisit voluntary contract pooling, if trade treaties should lead to the elimination of state-sponsored marketing boards. If so, they can perhaps find ways to contain risks better than Sapiro's plan originally did. In any event, the rise and fall of pooling illustrates a couple of points about the practical implementation of Rochdale principles. First, one can, indeed, innovate and modify what in any time or place are understood to be Rochdale principles. The result of such experimentation may well still be acceptable to the co-operative movement — it can be more of a Rochdale co-operative or less of one, while still being a co-operative. Second (however), there is no guarantee that such experiments are viable. Understanding of the Rochdale principles is shaped by trial and error: "the Rochdale approach," though it may mean slightly different things even among well-educated and well-intentioned co-operators, remains something that has proven its viability in both the best of times and the worst.

The worst of times, as it turned out, were what brought the victory of Rochdale in North America once and for all. Before 1929, it was not hard to find farm leaders dissenting from what they understood to be Rochdale principles. After 1939, there was hardly a co-

¹¹⁵ Compare the quotation from Holyoake at the end of this paper.

¹¹⁶ On recognition of the wheat pools see Watkins (1970), pp. 165–66, who calls Keen "one of Co-operation's historic pioneers," and points out that the assistance given by the ICA to help the development of the Co-operative Union of Canada was the first such act of assistance in the history of the ICA.

operator who did not bend over backwards to profess enthusiasm for Rochdale. It was the decade of the Depression that solidified Rochdale as the exclusive symbol of what co-operation means.

The Great Depression and the Victory of the Rochdale Model

The Depression of the 1930s decisively influenced the attitude of rural Canada to co-operatives. The complete collapse of commodity prices meant that primary producers (not just farmers but also fishers and small woodlot operators) could no longer hope for fair returns nor exert any influence on markets. This ended several decades of preoccupation with large-scale co-operative marketing, and rural people were more willing to consider small-scale solutions and the co-operative organization of consumption. They were also a great deal more desperate. Co-operatives, right back to Rochdale, spring from need, when there is someone to promote and organize them. The need was never greater than in the 1930s, and decades of agricultural mobilization had created a network of co-operative institutions, ideas, and educators. As a result, while marketing co-operatives did not cease to exist, consumer and credit co-operatives came into their own and built the Canadian co-operative movement by the 1940s into a movement with something much like the regional and sectoral balance that still obtains today. These changes also built a movement with a distinctive social vision and new understanding of Rochdale principles. The older marketing-oriented organizations rebuilt themselves and became key partners in building the new co-operative movement.

All the pools, but Saskatchewan Wheat Pool in particular, widened their scope even as financial prospects narrowed. Contrary to Sapiro's injunction that it should focus only on commercial questions, the Saskatchewan Pool nevertheless devoted time and energy to farm policy, education, and co-operative development even when it was struggling with debt repayment and the running of an elevator system in a depression. Where the United Farmers had collapsed under the circumstances of the Depression, the Pool gradually emerged as the largest farm organization in the province, the political and educational organization that took over where the United Farmers had left off. Pool field staff devoted the majority of their time to being agents of general co-operative education and social change. Field agents sought out community leaders and brought rural people together to form new retail co-operatives and credit unions in the middle of the depression. Under an agreement with the Saskatchewan co-operative wholesale formalized in 1932, the Pool organized co-operative buying at Pool delivery points. The Pool elevators and the Pool elevator agents at many of those points became the nuclei for hundreds of eventual, independent local supply co-operatives and retail stores. The retail co-operatives, in turn, assisted in creating credit unions after these were introduced in 1937 — and soon almost every Saskatchewan town had its local Co-op and its credit union along with its Pool elevator.¹¹⁷ Out of the ruin of the pool in 1931 came one of the most progressive, committed, and effective co-operatives in the country. The new Saskatchewan Wheat Pool was the flagship of a new prairie co-operative movement dedicated to education and local community development.

In Québec, too, the seeds of earlier co-operation grew, in the 1930s, into a genuine social movement. A new ideology was evident among Catholic clergymen and educators. The Union Catholique des Cultivateurs fought with success to free co-operatives from government control, and organized study circles that motivated local people to take co-

¹¹⁷ G. Fairbairn (1984), pp. 120–21; B. Fairbairn (1989), pp. 60ff.

operative action. The *caisses populaires* multiplied more than fourfold from 1934 to 1945, and began to draw together in regional and provincial federations and centrals. From 1935 to 1948 the number of farm co-operatives more than tripled, fishing co-operatives were revived, and forestry co-operatives began. A consumer co-operative movement got started with 100 new consumer co-operatives between 1937 and 1942.¹¹⁸

Even in Ontario some revival occurred. As the Depression worsened, reform advocates in organizations like the United Farmers of Ontario grew stronger. In 1931 the UFO began organizing “co-operative schools” for farmers to educate them about the broader co-operative movement. The UFO became increasingly interested in promoting the development of new co-operatives based on local action, education, and autonomy. In the late 1930s the UFO organized local study clubs, and its leaders contributed to the creation of the famous Farm Radio Forum. The cause of reforming the United Farmers’ Co-operative itself was led by impressive orators like Agnes Macphail, who were partly stymied by opponents who argued (for example) in favour of converting the co-operative into a regular share company. Nevertheless, a rejuvenation of the Ontario co-operative began. Even in Ontario, scores of new co-operatives were created.¹¹⁹

Meanwhile, there were new co-operative movements. In the Maritimes, the extension department at St. Francis Xavier University, driven by the forceful personalities of people like Father Jimmy Tompkins and Father Moses Coady, inspired what became known as the Antigonish Movement: a world-famous movement for social change through education. Tompkins and Coady inspired people in farming and fishing communities to form co-operatives, above all credit unions focusing on community economic development.¹²⁰

As epitomized by the Antigonish Movement, what these 1930s co-operative movements had in common was an emphasis on education — schools, folk schools, institutes, extension agents, newspapers, study circles — and a wide social vision wedded to a program of small-scale local action. In effect, this amounted to a rediscovery of some of the aspects of the Rochdale tradition that had, until that time, been underemphasized in the Canadian movement. It is almost as though communities needed to experience desperation in order to appreciate all the aspects of what had been conceived amid desperation in Rochdale.

“The best thing for genuine and intelligent co-operators to do,” George Keen advised a friend in 1932, in the middle of the worst part of the Depression, “is to continue to teach the true philosophy and principles of the Movement.... If this policy is followed, genuine co-operative societies will continue in existence and be giving an ever improving service when hybrid and unsound imitations have disappeared.”¹²¹ Keen had preached this line since 1909, but in the years after 1929 more co-operators listened to it.

This is not to suggest that the educational effort of the 1930s — especially with regard to co-operative principles — was flawless. Jack Trevena, a co-operative educator involved with the prairie consumer movement from the late 1930s, recalls that “education” often amounted to a frustrating speech by a so-called expert about co-operative principles. The standard of such talks was not high or consistent, there were no reference texts, and confusion abounded. Trevena recalls that the experts of the time could not even agree on how many Rochdale principles there were: “we’d listen one week to one of them who’d tell us there

¹¹⁸ Dechêne (1981), pp. 8–17.

¹¹⁹ MacPherson (1979), pp. 137–40.

¹²⁰ MacPherson (1979), pp. 130ff.

¹²¹ Keen to Halsall, 17 May 1932, in Public Archives of Canada, Co-operative Union of Canada papers, volume 156 (Societies Correspondence 1932 E-O), “Killam Dist. Co-op. Assn. Ltd.”

were seven co-op principles, and he'd list them. But then the next week, the speaker would tell us there were only four.... We asked him what the difference was, and he said, 'those others aren't principles — they're just rules.'" Remembering such confusion, Trevena prefers to characterize the co-operative education of the time as "the near-blind leading the blind."¹²² Matters became worse a few years later when, consistent with the rapid growth of the movement, many statements added an eighth principle of "continuous expansion." It was held to be a guiding philosophy that co-operatives should expand without bounds, until ultimately all of society was transformed.¹²³ One could find support for this in the ideas of the Pioneers, but "continuous expansion" was never in any of the official lists.

Such episodes show how confusing debates about co-operative principles were for individual co-operators who wanted a clear answer to a simple question — or perhaps what they show is how fruitless and counterproductive it is for experts to try to reduce co-operation to a single authoritative list of concrete methods. Whatever the defects, however, the educational effort of Canadian co-operators in the Depression was what truly built a national movement, and at last made Rochdale real to thousands or millions of people.

The change in attitudes among leading farm co-operatives is evident from the writings and speeches of the 1940s. Around the time of Rochdale's one-hundredth anniversary, co-operatives were looking ahead to building a new postwar social and economic order. The Alberta pool said the task of co-operatives in Canada would be one of "building a civilization":

To develop a Western Canadian civilization worthy of the name, we must begin in the farm home and build around it and evolve from its life, its necessities and desires, a civilization ... of which we can be proud, and which will make us respected among other peoples.

The Wheat Pools of Canada believe this can best be done through the development of co-operation. As the farm population learns to work together in co-operative activity, it will develop a spirit of independence and self-reliance which can never be obtained by delegating its business to private hands.¹²⁴

Rochdale social idealism and human development had become central to the farm movement. So had Rochdale gradualism: the president of the Alberta Federation of Agriculture urged co-operators to "confine most of our efforts to doing the little jobs we now have thoroughly and well ... before reaching out to try to do something big and spectacular. Let us keep our own little lamps burning brightly and well supplied with oil, rather than reaching for the moon."¹²⁵ The 1940s synthesis of business and philosophy was expressed well by one pool president:

Co-operative business alone, no matter how successful, cannot and will not build a co-operative spirit and without that spirit the movement cannot progress. Without that impulse in fusing and determining the actions and thinking of its members, the co-operative resembles private business established

¹²² B. Fairbairn (1989), pp. 85-86 (from an interview by the author).

¹²³ "Continuous Expansion" appears in many lists of co-operative principles from the 1930s and 1940s — for example, in the appendix to the source cited in note 125 below, p. 54.

¹²⁴ Advertisement by Alberta Pool Elevators in *Co-op News* (Alberta) 16, 10 (October 1942), p. 14.

¹²⁵ Lew Hutchinson, in *Alberta Co-operative Leaders*, (Alberta Livestock Co-operative: c. 1946), a collection of excerpts from speeches and essays. This may be found in Provincial Archives of Alberta 86.307 (Alberta Institute of Co-operation).

and operated for profit alone. But with that spirit the co-operative is transformed into an economic and social power within its own community. It will become the mainspring of justice and the bond of all society.¹²⁶

Farm leaders had found relevance and meaning in the Rochdale model, after all, and what they took from Rochdale was a “spirit” that went beyond any rules or bylaws.¹²⁷

Conclusion

The meaning of Rochdale has changed, in some cases drastically, over the years. For some 66 years (1844–1910), Rochdale principles seemed to mean profit-sharing and copartnership with employees; now for 84 years they have meant something different. At one time the Rochdale method signified localism, gradualism, and community development; but co-operatives have adopted lists of principles that do not much emphasize any of these ideas. At one time co-operators distilled the principles of pure unadulterated goods, honest weights and measures, and cash trading from the Rochdale heritage; now those ideas seem gone and un lamented by co-operative organizations. The influence of consumer co-operatives rose and fell. A principle of political neutrality appeared and partly receded. There are new principles: co-operation among co-operatives, perhaps soon autonomy from government and responsibility to the community. The idea of limiting the claims of capital, once considered fundamental by Holyoake, may go by the wayside. The meaning of Rochdale is constantly redefined to suit the needs and challenges of the present.

This does not mean, though, that one may redefine Rochdale however one wishes. What it means is that it is the spirit of Rochdale, not the letter of particular rules that matters most:

There is a world of difference between knowing that something is true and being able to defend that knowledge against one who resists being convinced. We are often wrong to try. Co-operative principles are like that. The truth of co-operation lies in the experience of equitable relationships within an organization we call a co-operative, not in “principles” which are nothing more than a halting attempt to articulate that experience. The principles are not defensible as eternal truth and we should not try to do so. In retracing the Rochdale tradition we must regain a sense of the lived experience of people who tried to create a form of democracy which did not yet exist in society, and who continually revised their practices in light of their experience. They were not in

¹²⁶ Ben S. Plumer, president of Alberta Pool, in *Alberta Co-operative Leaders*, p. 43.

¹²⁷ Compare Hall and Watkins (1937): “It is, therefore, not a difference in regard to the laws in accordance with which they are registered which marks off a co-operative society from a joint-stock company or a partnership; it is not the difference in regard to the limitation of share interest, the payment of dividend, the withdrawability of capital, or the according of voting power that vitally distinguishes a co-operative society from other trading organisations. The last named are merely methods adopted by certain types of society to secure greater equity of treatment among the members of the societies; what makes an undertaking a co-operative is the deliberate elevation of Co-operation to the status of a principle of organisation to be fostered and employed” to meet the goals of the organization (p. 15).

the business of forming a true *concept* of co-operative life, they were trying to *live* a co-operative life. Their message to us is to do the same.¹²⁸

One of the reasons for Rochdale's enduring influence is that it presented a comprehensive social vision in a prudent, careful, commercially successful organization. The Pioneers had a clear idea how their own organization would work and benefit its members, but they also evolved a strategy for propagating co-operation, working together with other co-operatives, building federations and centrals. They were people who had a political appreciation of democracy and reform in a country that needed both, and yet they also observed limits to political involvement and avoided counterproductive controversy. What all of these points have in common is that they represent questions of balance, combinations of principles, that are devilishly difficult to capture in a list.

Formal lists of co-operative principles have largely been devised for the purpose of judging what is or is not acceptable as a co-operative or as a member of the International Co-operative Alliance. Such lists are necessarily lists of the irreducible minimum of obligatory features of co-operatives. Yet there is an unmistakable tendency, once the lists are drawn up, for co-operators to regard them not as a minimal list, but as a sufficient or desirable or optimal list; and in so doing to forget conveniently about large parts of the co-operative tradition. Possibly the 1934–37 ICA committee was on the right track in identifying some principles that were administratively required and others that were morally required. Or perhaps the 1980s–90s exercise in articulating underlying values and ethics will help (though one hopes co-operators will be inclined to devote some thought to what words like “equitable” really mean). These are both attempts to deal with the tendency of lists to reduce a rich banquet of co-operative ideas to crumbs and fragments. No artistry of list-making will substitute for reading and reflection — education, that is — which is the best way to grasp and reinterpret the Rochdale tradition.

The Rochdale approach, with whatever variations of understanding there may be, is not the only approach to co-operation. There are many ways for communities to work together, and sometimes Rochdale rules seem to get in the way. In the twentieth century both agricultural producers and worker-owners, for example, have felt excluded by the consumer-oriented rules of the ICA, and have raised complaints that certain of what were regarded as binding universal principles did not apply to their forms of co-operation. In certain cases they were probably right: one thinks of farm co-operatives and cash trading, or worker co-operatives and the ideas of open membership and refunds on patronage. But to single out these problems is to fall victim to reductionism, to miss the forest for being fixated on a tree. The spirit behind such rules is more important than the letter. Tolerance and pluralism are called for in applying them. A co-operative is still a co-operative, even if in good faith it deviates from such a requirement. When it ceases to be a co-operative is a question of spirit and degree.

Whatever the variations that may be introduced, the classical Rochdale pattern was tested by time, and has proved its merits under the harshest of circumstances. Local autonomy, development of the members through democracy and education, development of the co-operative based on the members' resources and to meet their needs, people-driven instead of capital-driven organizations, service not speculation, social and community leadership — these are some features of classical Rochdale co-operation, that may or may

¹²⁸ Byron Henderson, of the Centre for the Study of Co-operatives, proposes the interpretation of the co-operative principles debate expressed in this paragraph. This view is at the centre of his on-going development of a modern critical theory of co-operation.

not be reflected in particular co-operative principles, but all of them are parts of an approach that has proved its viability in wildly different environments around the world. It is not a model to be discarded lightly, in favour of others less well proven. Principles may indeed need to be adapted; or co-operatives may have to try harder to implement them. After 150 years Rochdale remains a visionary ideal achieved only imperfectly in the real world. But the homage paid to Rochdale proves that the vision has some life in it yet.

There is an unpleasant ring of infallible assumption in speaking of true and false co-operation. Co-operation is a definite thing, and it can always be spoken of as such. ... That comprehensive form of industrial action which includes in the participation of profit all who are concerned in any way in the production of it, is complete co-operation... Co-operation is equity in business. A trading society is co-operative or it is not. There is no such thing as false co-operation. Co-operation is complete or partial. There is nothing else worth considering.

George Jacob Holyoake (1879), p. 81.

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