

UNIV
SHELF

BERKELEY, CA 94720
(415) 642-0323

UNIVERSITY OF CALIFORNIA, BERKELEY

CENTER FOR LABOR RESEARCH AND EDUCATION
INSTITUTE OF INDUSTRIAL RELATIONS



LABOR CENTER REPORTER

INSTITUTE OF INDUSTRIAL
RELATIONS LIBRARY
MAR 23 1983
UNIVERSITY OF CALIFORNIA
BERKELEY

Number 71
October 1982

PRODUCER COOPERATION IN THE U.S. *by Chris Martin*

The United States has a long history of worker ownership and control of production. Worker cooperation appeared with the first British settlements in North America, and reformers have ever since advocated co-ops to better the position of the worker. From the start, unions used cooperation as well as strikes and political activity in their struggle for equality and decent working conditions. For their part, bankers and merchants have continually discriminated against these co-ops. Throughout the 20th century mechanized production created more problems for worker ownership. Workers' skills and training were reduced while the amount of capital needed for a co-op increased. Still, co-ops did train some union leaders and helped organize the unemployed during the Great Depression. Today, there is widespread new interest in the co-op approach.

1. The Early Background. The first British settlers carried their social distinctions with them. On the Mayflower, however, indentured servants forced their masters to give them full rights through the Mayflower compact. The colony probably survived the first difficult years because all were required to share equally in both labor and rewards. Communalism was, however, temporary.

The first worker associations and the first producer co-ops appeared with national commerce. Merchants and traders could pit producers from one area against those of another. To survive in business, masters had to pay workers less and demand more output. In addition to "sweating" they began to use untrained or "half-baked" journeymen. Many tried to work directly for the public. In 1791, they founded a "labor store" in Pittsburgh. In Philadelphia that year, striking carpenters offered their services directly to the public for 25% less than their masters charged. In 1806, journeymen cordwainers of that city struck. When their union was declared an illegal conspiracy, they formed a cooperative warehouse. Four months later the warehouse was selling twice as many shoes. We have no record of how or why it disappeared.

2. Co-ops in the 19th Century. Perhaps workers in Philadelphia recalled these experiences when they moved, in 1834, to establish cooperatives. Political action and strikes had failed to win the ten hour day and other demands. The cabinet makers led the way with a furniture shop which soon became one of the largest in the city. Other trades had their own enterprises. This inspired the new National Trades Union to resolve in favor of producer cooperation. But the Panic of 1837 drove the co-ops out of business. Workers could sustain their enterprises through good times but, unlike the merchants, they could not get bank loans or find other markets in hard times.

The Panic of 1837 inspired many ideas for the cooperative management of society, including reforms proposed by Robert Owen, who had made a fortune as a manufacturer in England. He maintained decent conditions at his factories despite the protests of his business partners. He founded an ideal community at New Harmony, Indiana, with the help of scientists and workers. The community was isolated, Owen's theories were idealistic, and his harmonious cooperation did not survive. But his activities on behalf of free public education laid the foundation for a major political victory for labor.

Fourier, a French socialist, was most influential through his convert, Horace Greeley. Greeley had worked his way from the slums to a fortune as a publisher. He saw cooperation as a way for workers to do the same as a group. Other Fourierists founded ideal communities but Greeley devoted his efforts to promotion of co-ops. He thought consumer co-ops were the first step to permit workers to accumulate the capital and experience needed to form production co-ops. The union store movement did not found many producer co-ops, but it was popular with the workers. Union stores gave workers better prices than company stores and merchants, and they sold goods to striking workers when others would not.

In the second half of the century, craft workers continued to operate their own factories. Iron molders owned many foundries which were as businesslike as any. They delivered on time and charged low prices. Some accused them of unfair competition, but there is no evidence that they undersold union competitors. When Minnesota manufacturers introduced machines which made cheaper and shoddier barrels, coopers founded their own shops. By 1880 they were producing most of the flour barrels in the area.

In the 1880s, the Knights of Labor added producer co-ops to its program of political and industrial action. It sponsored at least 135 co-ops. They hardly met the demands of union members, and they exhausted the special funds set aside for the purpose. Skilled workers founded most of these co-ops. Even with their savings and experience there were many difficulties. The enterprises were small and discrimination was a serious problem. Workers in Indiana opened a coal mine but the railroad delayed service and changed its terms until they had to close the mine. When the Knights collapsed, even the successful co-ops were left without a link to the rest of labor. Their worker-owners lost interest in taking the idea beyond their own plants.

Producer co-ops then moved west where resources were more plentiful. Unskilled workers could homestead land and start logging and mining operations. One socialist community in the Sierras was so prosperous that the government founded Sequoia National Park on their land, partly in order to eliminate their organization. There were many, short-lived, worker co-ops in the Puget Sound area. Members of these communities were later active in the IWW. In the Great Depression unemployed co-ops organized their members for subsistence production and political action for better relief.

3. Conclusion. Worker co-ops in this country have had to be defensive in nature. From the beginning, workers with skills and resources have had to shield themselves from competition which lowered their wages and from manufacturers who would not use their skills. They have acted through unions, political groups and producer co-ops. They have never lacked business skills. Their co-ops have failed primarily because they could not get the resources and markets they needed.

In more recent times, larger factories and more widespread markets have required larger groups of workers, more capital and more complex distribution arrangements to make producer co-ops successful. But the organizing successes of the 1930s gave priority to collective bargaining and political action. Today, as corporations abandon unionized plants, cooperative ownership may again become important. In order to control investment decisions and protect themselves, future worker-owners will still need good collective agreements and united political action.

- Chris Martin

This article does not necessarily represent the opinion of the Center for Labor Research and Education, the Institute of Industrial Relations, or the University of California. The author is solely responsible for its contents. Labor organizations and their press associates are encouraged to reproduce any LCR articles for further distribution.