

Exceptionally Un-American? Why Co-operative Enterprises Struggle in the United States, But Scale Elsewhere

by

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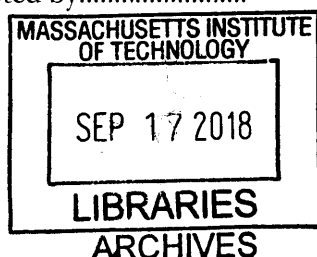
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ABSTRACT

In response to record economic inequality and climate change, global actors are turning to alternative institutions to build a just, sustainable “new economy”, predicated on “economic democracy”. These alternatives include cooperative ownership of enterprise, promoted by social movements, urban/regional planners, and state/national policy entrepreneurs. This strategy is not new, but has repeatedly appeared in periods of crisis. Despite this, little is known about macro socioeconomic or political conditions for success. Do US worker, consumer and producer cooperatives frequently achieve economies of scale? If not, why? This study deploys regression techniques, comparative-historical analysis (CHA), and interview data to answer these questions, synthesizing institutionalism and strategic action fields as a theoretical frame.

Large-scale cooperatives are confirmed as less common in the US than other high-income democracies. Accounting for known socioeconomic factors (industry mix, country size/remoteness, social heterogeneity), two political features play a critical role explaining why: the US’ liberal market orientation, and its territorially federal structure. Early attempts to develop cooperatives were hindered by the way race-based slavery interacted with US liberalism and federalism, producing a persistently hostile policy environment. As contrasted with “success” cases (Finland, France, and New Zealand) the US has systematically restricted cooperatives from scaling, while enabling competing institutions and fields. The US uniquely lacks a comprehensive national cooperative policy and enabling legislative framework. Cooperative businesses have been limited from accessing public sector economic development tools, including at the state and city scales. The US cooperative ecosystem thus remains weak and incomplete.

For US policymakers and planners, the study suggests multi-scalar strategies and incremental policy “layering” might yield practical gains. Practitioners might also benefit from collaboration with complementing organizational types, through the emerging US “community wealth building” policy framework, as has occurred in France’s “social and solidarity economy.” The study yields at least three significant theoretical and empirical implications: the mix of ownership types is an understudied driver of inequality; combining institutionalism and field theory may enhance theories of institutional evolution and social change; and the spatial configuration of political opportunity structures varies by type of institution, with implications for both urban actors and hybrid-logic organizations like cooperatives.

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I started a PhD as a very young man, dropped out, had a career, and returned to school in mid-life; as such, this dissertation is the culmination of studies I began a long time ago. In fact, I first began asking some of the questions raised in this dissertation in graduate seminars I took in the 1990s as an undergraduate at Johns Hopkins and as a PhD student at Berkeley. Several people from this period were ultimately of critical importance to this dissertation. At Johns Hopkins, my adviser sociologist Beverly Silver, challenged me in many ways, first exposing me to the ideas this study wrestles with. I am fortunate to remain in contact with her today; this dissertation would not have been possible without her mentorship, and without her lighting of an academic spark within me. Thank you, Beverly, for inspiring me to ask questions that matter. At Berkeley, I met a doctoral student who has become a brilliant scholar, as well as a dear friend and academic collaborator, Tamara Kay. I could not have completed this study in a timely fashion without her support and mentorship, either. Special thanks to another Berkeley sociology PhD alumna, Eréndira Rueda Vargas, for her support and encouragement, also. Two others from this era also shaped my thinking at a formative age, and their influence continues to show up in both expected and surprising ways, including throughout this dissertation. David Harvey taught me much about Marx and cities during my undergraduate years; his lessons still resonate over two decades later. My graduate adviser at Berkeley, Neil Fligstein, remains an intellectual influence, as my critiques and development of his work in this study attest.

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"But what is the sense in forever speculating what might have happened had such and such a moment turned out differently? One could presumably drive oneself to distraction in this way. In any case, while it is all very well to talk of 'turning points', one can surely only recognize such moments in retrospect. Naturally, when one looks back to such instances today, they may indeed take the appearance of being crucial, precious moments...but of course, at the time, this was not the impression one had. Rather, it was as though one had available a never-ending number of days, months, years in which to sort out the vagaries...an infinite number of further opportunities in which to remedy the effect of this or that misunderstanding. There was surely nothing to indicate at the time that such evidently small incidents would render whole dreams forever irredeemable."

Kazuo Ishiguro, 2017 Nobel Laureate in Literature
The Remains of the Day (1989, page 179)



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PART ONE
INTRODUCTION AND OVERVIEW



CHAPTER 1

A COOPERATIVE ECONOMY?

“I looked back at these moments of extraordinary politics, when the dream of a real alternative emerges, a non-New Labour third way between totalitarian communism and savage capitalism. Looking back at those junctures, the dream that has come up again and again is this idea of cooperatives. This idea of co-operatives did not fail - it was never tried.”- *Naomi Klein, 2007 (Interview with Oscar Reyes)*

“The economic establishment tells us that there is no alternative to this type of rapacious cutthroat capitalism, that this is how the system and globalization works, and that there’s no turning back. They are dead wrong.” – *US Senator Bernie Sanders, 2016 (p. 260)*

As the twenty first century’s second decade ends, economic inequality (Piketty, 2012) and populism-fueled political instability (Bonikowski, 2017; Spicer, 2018) among the rich democracies have reached levels not seen in a century, since the end of the “first globalization” (Berger, 2003, 2017; Combes et al, 2008). Environmental degradation and climate change loom as political-economic shocks (Klein, 2007, 2014), their burdens disproportionately borne by the poor (Pelling, 2012). Capitalism appears to be in the throes of one of its periodic “legitimation crises” (Habermas, 1973), in which the legitimacy of the economic “steering system” comes under assault and question, and public confidence in key institutions declines. Against this backdrop of ongoing crisis, the need for sustainable, equitable economic development models and practices is urgent, and interest in such approaches is high.¹

To that end, in the United States and around the globe, a range of state, market, and civil society actors are working at multiple geographic scales to promote “alternatives” to the dominant institutional structures and arrangements in the economy. Through these alternatives, they seek to see if “another economy is possible” (Castells, 2017). This study examines one such institutional alternative: cooperative ownership of enterprise. Cooperatives are formally defined as member-owned and democratically

¹ Alperovitz, 2013; Speth, 2012; Reich 2015; Stiglitz, 2009, 2016; Sanders, 2016; Tirole, 2017; Cohen, 2017.

controlled enterprises. They are estimated to account for almost 10% of global employment today (Eum, 2017), with over \$3 trillion gross revenue (ICA, 2016).

Actors promoting the cooperative and other closely related ownership forms in the US today include a range of progressive “policy entrepreneurs” (Kingdon, 1995), who seek to turn conditions into policy problems requiring state action. They include urban and regional planners, community activists, and policy advocates and their respective affiliated organizations, who are working with legislators and other state actors to amend and change local, state, and national policies and laws which affect cooperatives. Notably, more than a dozen US city governments, from Santa Ana to Rochester to Philadelphia, and nearly as many states, have recently undertaken policy action to affirm these ownership forms (Camou, 2016; Spicer, 2017; Sutton, 2018).

Much of this activity has come with and in response to urban, millennial-led social movements, such as Occupy Wall Street (OWS) and the Black Lives Matter (BLM) movements, which have expressed growing popular resistance to rising socioeconomic inequality and environmental degradation in the US (Milkman, 2016; Malleson, 2014). They have explicitly promoted cooperatives as one of the possible solutions to the problems they seek to remedy. Major US unions have commenced cooperative initiatives, some of which have an explicit city-regional focus, in places as varied as Cincinnati and Los Angeles. At a global scale, the United Nation’s Sustainable Development Goals (SDGs) explicitly highlight the role cooperatives can play in achieving these development goals; in response, the apex body for the cooperative movement, the International Cooperative Alliance (ICA) in 2016 became the first global sectoral organization to adopt the SDGs.

In the market, actors who often style themselves as being part of a “social economy” (Amin, 2009) are deploying a range of new and previously existing strategies to grow the cooperative sector. Gig economy workers, struggling to make living wages in the so-called “sharing economy”, are creating “platform cooperatives” (Schneider and Scholz, 2016) and “digital cooperatives” to collectively own technology platforms so they can actually share in the gains of the growing platform economy, as an alternative to the emergent “platform capitalism” (Srnicsek, 2016). Other market actors are developing community and cooperatively owned renewable energy enterprises to enhance environmental sustainability. Some are promoting “esoperatives”, previously known informally as democratic ESOPs (employee stock ownership plans), as a means by which a wave of retiring baby boomers can sell their successful small businesses to employees, keeping jobs locally owned in the community (Lingane, 2015).

Across these various efforts, actors deploy a range of public narratives to frame their efforts, including “economic democracy”, “energy democracy”, a “new economy”, as a means to promote “commoning” of resources and development of the “next

system” through a “just transition.”² These narrative frames often encompass cooperatives, and other related, shared ownership structures. But cooperatives, which are “democratic by design” (Metcalf, 2015) due to their “one person, one vote” structure, play a critical, core role in these narratives, whose proponents seek to advance a different, democratic economic model, one which generates less economic inequality and poverty, while enhancing environmental sustainability and resilience.³

Cooperatives and the New-To-You Economy

Despite rhetoric implying a degree of novelty or invention through terms such as “the next system” or “the new economy”, cooperatives and most other shared ownership forms are not new. Contradicting Naomi Klein’s provocative claim, quoted to open this chapter, the cooperative model has been tried and advanced repeatedly, both in the US and elsewhere. Claims of a “new economy” might be more accurately reframed as the “new-to-you economy”, reflecting that these strategies are largely not new, but merely new to a rising generation of young people.

Cooperatives’ modern origin as an institutionalized form of ownership, with an internally consistent logic operationalized through stable, replicable rules, dates to early and mid-nineteenth century England (Birchall, 1994), the first nation to industrialize (Toynbee, 1884). As a response to the upheavals induced by industrialization and urbanization, the cooperative organizational form was developed and deployed by dislocated workers as a self-help strategy (Wilson et al, 2013). It rapidly diffused to the US and around the globe, as examined in depth in Chapter 5 and 6.

Since the birth of modern industrial capitalism, the cooperative strategy has thus been repeatedly tried and promoted, particularly in response to socioeconomic crises. In the US, it has been deployed in both national, domestic economic policy, and urban and regional planning and policy, as well⁴. Historical efforts includes those advanced by the Knights of Labor (Voss, 1993), the Grange and Farmers’ Alliance (Goodwin, 1976; Schneiberg et al., 2008), and Progressive Era social movements (Rothschild, 2009).

More recently, the last such wave of interest in cooperatives was associated with a range of 1960s urban social movements which birthed the US community economic development tradition (see Chapter 5). In that same era, such strategies were also included in various advocacy planning (Davidoff, 1965) and equity (Krumholz, 1982; Mier et al., 1986) planning approaches of city governments of the “Progressive Cities” (Krumholz and Clavel, 1994) movement in urban policy and planning. These movements sought to empower marginalized voices and enhance community control through various means, including through cooperative and community ownership of land, labor and capital (DeFilippis, 2004). Poor neighborhoods might thus escape

² Dahl, 1986; Olsen, 2010; Alperovitz, 2013; Wolff, 2013; Shantz & MacDonald, 2013; Malleson, 2014. Wall, 2014.

³ Dubb, 2016; Metcalf, 2015; Rothschild, 2016, Ranis, 2017.

⁴ Gordon Nembhard, 2014; Curl, 2009; DeFilippis, 2004; Dickstein, 1991.

Figure 1.1 Cooperatives and Crisis. The New Economy Coalition promotes the scaling and development of cooperatives and other collective ownership tools as a solution to today's socioeconomic problems. They are one of a number of advocacy organizations in US civil society promoting such an approach.



cycles of corporate disinvestment and abandonment, “unmaking the goliath” (DeFilippis, 2004) of liberal capitalism. This prior wave of interest in cooperatives, from the late 1960s to the mid-1980s, emerged during and after a period of social movement action and urban unrest, and was also spurred by crisis. This link between cooperatives and crisis, in today’s new wave is explicit, as clarified by advocacy materials from groups promoting the strategy like the New Economy Coalition. (See Figure 1.1)

1.1 The Question: Do Cooperatives Scale in the US? If Not, Why?

To have the significant and lasting socioeconomic impact needed to “unmake goliath” (DeFilippis, 2004) and advance a different type of economy, however, cooperative enterprises will need to achieve sufficient scale and prevalence in the economy.⁵ As materials like those of the New Economy Coalition clarify (see Figure 1.1 above), advocates today are acutely aware of the importance of scale. Given cooperatives’

⁵ For more detail on why economic scale matters, please see Chapter 2.

lengthy history of use in the US and elsewhere, however, their ability to achieve scale today is unlikely to be solely conditioned by the current socioeconomic and political environment, but rather subject to path dependence. More precisely, their current potential is likely shaped by a set of both historical events and ongoing conditions which, over time, have constrained and shaped the use of the cooperative in the US.

Cast in the light of this history, and given the necessity of achieving economic scale to effect change, key questions regarding the current wave of activity emerge: under what socio-economic and political conditions can cooperatives thrive and achieve lasting scale? Do these conditions exist in the US? Do, cooperatives, in fact, achieve scale and prevalence in the US? If not, what does it imply for the viability and success of the cooperative development strategy, at local and national territorial scales, today? These questions have not been well addressed, either empirically or theoretically. They expose different subordinate questions of interest, of both academic and practical import, for distinct constituencies.

First, it raises practical questions in the “real world” for policy practitioners, cooperative advocates, social movement activists and “policy entrepreneurs” engaged with cooperatives, and operating at multiple territorial scales, from the local to global. Are there certain tangible policy and legal frameworks necessary for cooperative success, that they might focus their energies on amending?

But it also exposes academic questions of interest, on three fronts. For urban studies and geography: do certain “urban and regional” strategies presuppose or require national policy enabling, if they are to succeed and scale? To paraphrase the late Doreen Massey (1979), in what sense are certain matters - like cooperative development - an urban or regional problem? What is the geography of what social movement scholars call “the political opportunity structure” (McAdam, 1982)?

It also highlights broader research questions for social scientists interested in political economy: are varieties of economic ownership an unconsidered factor in explaining cross-national and cross-regional variations in socioeconomic outcomes of interest, such as economic inequality? For alongside the cooperative are other alternatives to the investor-owned corporation, such as industrial foundations and beneficial trusts, family firms, non-profit/associational ownership, social and solidarity enterprise, and state-owned enterprises. Collectively, these firms may account for a significant share of the economy in certain places, and explain variations in economic outcomes.

Last, and most broadly, these questions have implications for social scientists interested in how institutions and strategic action fields evolve, for reasons I will elaborate in Chapters 2 and 5, and synthesize in Chapter 7. Specifically, the case of the cooperative allows fruitful combination of historical institutionalism from political science (Thelen, 1999; Steinmo, 2004) with field theory in sociology (Fligstein and

McAdam, 2011, 2012) to enhance understanding of socioeconomic and political change.

As with the primary motivating questions of scale articulated above, these subordinate questions of interest target unfinished or incomplete domains on the research frontier. This study tackles these key questions, mindful of both the practical and theoretical implications for different constituencies. In the remainder of this introductory chapter, I offer a definition and preliminary review of the cooperative and its sibling forms of ownership, and comprehensively examine the wide ranging efforts to develop and support such cooperative enterprises over the last decade in the United States, which I situate in global context. Last, I outline the plan for the study, and articulate the general argument, findings, and implications.

1.2 What Are Cooperatives? How Do They Differ From Other Ownership Models?

For those unfamiliar with the ownership form, cooperatives are member-owned and controlled enterprises, typically using democratic, “one person, one vote” governance structures. The International Cooperative Alliance (ICA) defines the cooperative as adhering to seven principles, detailed in Figures 1.2.1 and 1.2.2 below. The cooperative contrasts with what is typically considered the “default” ownership model for large scale firms in today’s economy: the investor-owned, joint-stock corporation, in which arm’s length or third party investors, instead of “members”, control and own the firm, with control apportioned based on the size of their ownership stake.

Who qualifies as a cooperative member, and how is membership different from being a “member-owner” of a traditional investor-owned corporation? Is not an investor just a specific type of member? This is was the argument of economist Hansmann (1996), who views all firms as a form of a cooperative. This is technically true. But in an entity formally called a cooperative, a member typically must have a substantive, non-financial relationship or interest in the enterprise and its purpose, as reflected in cooperative principles 3 and 4. Members of a cooperative thus most commonly fall into one or more of the following categories: consumer, producer or worker member-owners. Specifically, customers who buy the enterprise’s goods and services, producers who supply these items to the enterprise, or workers who manufacture or create the products or services of the enterprise. Occasionally, cooperative or other social/mission-oriented investors who are not consumers, workers, or producers of the cooperative’s input or output, may be allowed as cooperative members, but they typically have some type of non-financial relationship with or interest in the enterprise.

In the United States, some of the largest and most successful cooperatives are well-known businesses. Outdoor retailer REI is a consumer-owned cooperative, the largest in the country, with over 6 million member-owners (including the author of this study), \$2B in revenues, and over 150 locations, with 70% of its profits returned to members

as a dividend rebate in 2016. Most US rural areas' electricity is supplied by customer-owned cooperatives, while in a number major cities, such as New York and Minneapolis, cooperatively-owned residential apartments, effectively another form of consumer cooperative, are common. Florida's Natural Orange Juice and Ocean Spray are growers' or producers cooperatives, and Organic Valley is an organic farmers' producer cooperative. The largest US workers' cooperative, CHCA, which accounts for more than half of all worker cooperative employment in the country, is majority owned and controlled by women and people of color (Flanders, 2014). New York-based CHCA employs over 2,000 health care worker-owners, such as nurses and home health care aides, who own and control the business; they are also unionized, utilizing an innovative labor-management council in a union coop structure.

Figure 1.17.1 The Seven Cooperative Principles, As Displayed in the Lobby of the Willy Street Coop - Madison, WI



Alongside the formal cooperative ownership form are several similar and related forms, whose adherents may sometimes identify with the cooperative sector. These forms include credit unions, which are a form of consumers' cooperative, and mutual ownership, which remains somewhat common in insurance and banking in the US. Firms that are majority-owned and controlled through employee stock ownership plans (ESOPs), particularly those that operate with democratic bylaws, now being called "esoperatives" (Interviewee, January 2017), can also closely resemble

cooperatives. Mutual benefit and public benefit corporations and/or associations, also enabled in most states, share some characteristics with cooperatives, in that their explicit goal is to serve needs of the members or the public, rather than advance merely instrumental goals such as profit maximization. Further, the “B-corp” designation is a new ownership form which has grown from having zero to 33 states with enabling

Figure 1.2.2

The Seven Co-operative Principles of the International Co-operative Alliance

Principle	Detailed Definition
1. 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.
2. 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.
3. 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 common 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.
4. 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.
5. 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.
6. 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.
7. Concern for Community	Co-operatives work for the sustainable development of their communities through policies approved by their members.

Source: ICA

legislation since 2010. It has similarities to the cooperative form because the form incorporates social objectives other than profit maximization into its legally-defined goals. Some US cooperatives have additionally pursued a voluntary B-corp designation.

Consumer and community trusts, though rare in the US economy, are another related form, in which an enterprise is held in trust for a designated consumer or community group, which may exert democratic control of ownership. Community and consumer trust ownership has a significant history in New Zealand (see Chapter 6), The UK has recently amended its national law to further and promote community ownership through the creation of the community interest company structure. A comparably community ownership form is most common in the US in the community land trust, a tool which emerged in the late 1960s and is now spreading in the US (DeFilippis et al., forthcoming 2019). Due to a lack of comparable economy of scale drivers, reviewed on Chapter 2, housing and land will not be the primary focus of this study. Beyond community land trusts, the US also has cooperatively-owned apartments, common in New York and several other large cities, mutual housing associations, and limited equity cooperatives, all effectively meeting the definition of a cooperative.

The most common cooperative, mutual and related ownership structures are detailed in Figure 1.2.3, below, and additional detail on their historical emergence in the US and globally is offered in Chapter 5 and 6.

As a member-owned and controlled enterprise, the cooperative's appeal as an alternative to the investor-owned corporation reflects what scholars have called its wholly different "operating logic" (Staber, 1989). The difference in logic can be clarified by application of two conceptual distinctions most associated with Marx and Weber – first, the distinction between exchange, use, and labor theories of value, and second, that of substantive vs. instrumental rationality. Marx, in developing his theory of capitalism, built on Ricardo and other classical political economists' labor theories of value. These theories included distinctions between the value of a good for its use, the value of a good for exchange (assumedly established through exchange in a market of some kind), and the value of a good based on the labor required to make it. This labor value was in turn a function of the cost laborers required to "reproduce" themselves (Ricardo, 1817, Marx, 1867). Today, we might reword this as the cost needed to sustain themselves. Weber (cf. Kalberg, 1980), meanwhile theorized there were four ideal types of social action, two of which were *zweckrational*, or instrumental "means-end" rationality, and *wertrational*, or substantive rationality.

How are these two frameworks relevant to an understanding of cooperatives? In a typical investor-owned corporation where the investors are external or at arm's length, their primary or sole relationship with the firm is a financial one, as an investor. Their chief goal is thus generally profit maximization, which is typically achieved two ways: by maximizing ongoing income return through retention and distribution of generated

profits and dividends, or through sale of their equity ownership, which is typically valued as a multiple of the annual income expectation, to another investor.

Applying Marx and Ricardo, the investor owned corporation thus typically exists to maximize exchange value, specifically focusing on maximizing the exchange value of the firm entity (“enterprise value”) itself, through its ownership shares. In a cooperative, however, the member-owner’s and cooperative’s primary goal is typically *not* profit maximization: this is not why the cooperative exists. *It exists to meet the member’s needs and for their specified use, at their control and direction.*

Figure 1.2.3 Major Types of Cooperatives and Related Forms

Consumer cooperatives: owned by consumers

- Retail Cooperatives
- Credit Unions
- Cooperative Banks
- Popular Banks (Europe, Canada)
- Mutual Banks/Insurers
- Housing Cooperatives

Producer cooperatives: owned by businesses/entities

- Agricultural/Farmer Cooperatives
- Marketing/Wholesale Cooperatives
- Cooperatives of Cooperatives

Worker cooperatives: owned by workers/employees

- Worker Cooperatives
- ESOPeratives/democratic ESOP
- Francophone"Worker Production Societies" (SCOP), Employment Cooperatives (CAE)

Multi-stakeholder cooperatives: owned by mix of stakeholders

- "Next Gen"/LLC Investor Cooperatives (US), "Minnesota Cooperatives"
- Collective Interest Cooperatives, (SCIC - France)

Related Forms: Community/Beneficial Ownership

- Community Interest Company (UK)
- Community/Consumer Trusts (NZ)
- Community Land Trusts (US, UK)
- ESOP Trusts (US)
- Social and Solidarity Enterprises (Europe)
- Mutual and Public Benefit Corporations
- B-Corps

The cooperative, as an institutional form, thus embodies an organizational focus on the concept of *use value*. An enterprise focused on uses can flexibly accomplish a host of different type of goals for its owner-members, from providing them with needed goods or services, or even providing them with employment. Provided the enterprise

is financially viable, covering its costs and, if needed or desired, producing an appropriate financial return on the members' investment, it need not focus on the profit maximizing rationale in the same, primary way that an investor-owned corporation does.

Similarly, applying Weber's typology of rational social actions, the logic of investor-owned corporations is typically to maximize their owners' *instrumentally rational goals*, i.e. extracting the most money possible from the firm through maximal income and/or capital appreciation returns. Indeed, in modern business, this is enshrined through applying ideas about "maximizing shareholder value (Lazonick, 2014; Lazonick and O'Sullivan, 2000). Some have argued that investor-owned corporations are not legally required to maximize profits as to shareholder value (Stout, 2012, 2015) Such a matter remains unsettled in case law, and varies by place, depending on how legal jurisdictions define and interpret corporate statutes. Nonetheless, in principle, the investor-owned firm in the US is today understood to exist primarily for this purpose, to maximize shareholders' financial, investment value.

A cooperative, in contrast, can be responsive to and incorporate values beyond instrumental ones: in focusing on members' uses and needs, it can incorporate their substantive values, whatever they may be, into the production process. One substantive value – particularly with worker-owned cooperatives - might be to pay workers a wage which reflects the full value of the labor they have spent to make the product, i.e. a socially sustainable wage. Another value might be environmentally sustainable production. These concerns are not just possible in the cooperative model, but in fact such considerations are an explicit part of cooperatives' seven principles, particularly principle 3 (see Figure 1.2.3).

This distinct logic, one driven by use value, and one which provides space for application of substantive value rationality, is evident in the cooperatives' appeal to the current wave of actors interested its promotion, as made apparent in the review of current activity in the remainder of this Chapter. Cooperatives can enable environmentally sustainable economic production by embedding sustainability costs at their source: member-owners can choose to patronize a cooperative (of any sort) which reduces or eliminates carbon emissions and other environmentally negative aspects in its production processes. This may mean that the product costs more, but if the cooperative can sell the product to its members at a rate they are willing to pay, and cover its costs, maximizing profit is not an issue. Similarly, individuals can choose to patronize a cooperative which also pays workers the amount they need to socially sustain themselves. Rather than requiring that individuals and/or interests groups organize to make the state enforce such considerations to apply all enterprises, cooperatives allow individuals to voluntarily embed these non-exchange value-based, non-financial considerations into their economic lives and choices. ***This is a key point of differentiation that will play a significant role in explaining how and***

why cooperatives achieve scale: I will show in this study that because the cooperative's animating logic is based not in profit maximization, but in a shared solidarity, the policy and politics of its path to scale are distinctly different from that of the investor-owned firm or traditional joint stock corporation.

These features also distinguish cooperatives not only from investor-owned joint stock corporations, but from some other “related” ownership forms, such as the industrial foundations common in Germany and Denmark (Hansmann and Thomsen, 2013), and other ownership forms which are effectively “virtually” or indirectly owned for a public/community benefit group. This distinction will be revisited later in this study.

1.3 Current US Cooperative Activity in Global Context

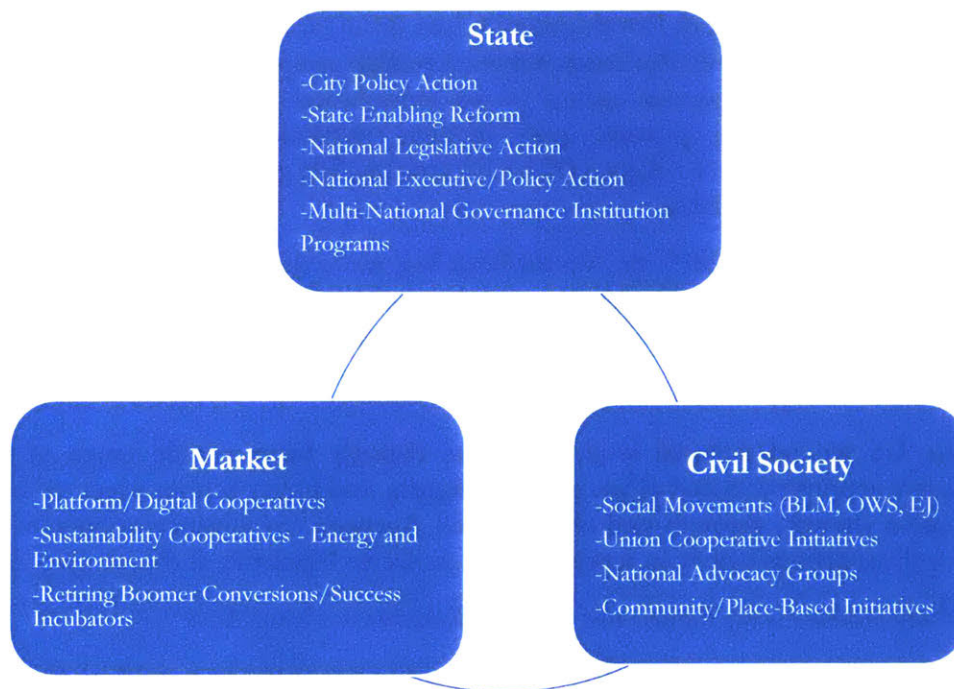
Given the nature of cooperatives' distinct logic, it is perhaps unsurprising that cooperative activity and action in the US has entered a resurgent period of interest. This revival was affirmed in the US and globally by almost all those interviewed for this study. The view most frequently stated by interviewees was consistent with the documented history of cooperatives as a response to crisis. The revival of interest appears to have been triggered by both discrete events – such as the global financial crisis (GFC) of 2008-2011, increased frequency of severe climate events, unexpected populist electoral results (2016) – and by more diffuse, secular trends, such as the gradually rising intensity of various socioeconomic problems, such as income inequality, racial/ethnic tensions, and environmental degradation. This wave of interest is diffuse and widespread throughout the US, as evident through the creation of substantive new policy advocacy groups, community organizations, union initiatives, legislative and policy proposals and actions, as well as the development of a new generation of innovative cooperative business models and tactics in the market.

To facilitate an organized and thorough review of this wave of activity, I deploy Habermas' conceptual divisions of socioeconomic and political life into three spheres – state, economy/market, and civil society (1984). Though the boundaries and content of each sphere is open to debate (see Cohen and Arato, 1992), I use these schematic categories as they were broadly understood and applied by Habermas, who developed them building from a long intellectual lineage underlying these concepts, which runs from Hegel (1820) through Gramsci (1934 (1947)). Elsewhere, building on Fligstein and McAdam (2011, 2012), I have argued have argued that all social life can today be accounted for by these three “first-order” fields of state, market, and civil society, in which all others are contained (Spicer et al., forthcoming 2019).

In the state sphere or field, I examine public and quasi-public entities, such as governmental organizations (such as the UN) and state-sanctioned multilateral institutions. I also include the state's operation at multiple territorial scales (from local to supranational). State actions are often facilitated or advanced by social movements

(McAdam et al., 1996a, 1996b) and by individuals who Kingdon (1984) termed “policy entrepreneurs”, who seize or create political opportunities to effectively convert conditions into policy problems requiring state action. These social movement and policy entrepreneur actors may be located in civil society and outside of the state, but primarily direct their action at state levers of power. More broadly, relevant civil society agents here include social movements, community organizations, and non-state civil institutions, including unions and religious entities, which organize and coordinate various aspects of individuals’ social life, and which can act to make demands on the state for resources or action. In the market sphere, I identify individuals and enterprises seeking to produce, distribute, and exchange goods and services for consumption and investment, as mediated through the market coordination and exchange mechanism.

Figure 1.3.1 Current Wave of Cooperative Action by Sphere/First-Order Field



1.3.1 The State: Identifying Policy and Legal Barriers, Opportunities for Use

Over the last decade, there has been a wide range of proposed and enacted state actions, at multiple territorial scales, regarding the cooperative ownership form. Most actions have been focused on reducing legal barriers or policy rules which prohibit or restrict cooperatives, or have otherwise involved state efforts to affirmatively further

cooperatives' use and development. Here, I review such action, from the largest to smallest territorial scales.

International/Global Governance Action

Supranationally, multilateral governance institutions have recently promoted the role that cooperatives can play in advancing a different type of economic development. The United Nations (UN) declared 2012 the year of the cooperative, highlighting the “contribution of cooperatives to socio-economic development, particularly their impact on poverty reduction, employment generation and social integration”⁶ and seeking to encourage “governments and regulatory bodies to establish policies, laws and regulation conducive to co-operative formation and growth.” UN and World Bank officials have publicly stated (ibid) that a key challenge for cooperatives is one of achieving scale, if they are to play their posited critical role in achieving the UN’s 2030 Sustainable Development Goals (Mohieldin, 2016).

In 2016, the UN also adopted the Sustainable Development Goals (SDGs), which superseded the Millennium Development Goals (MDGs). The SDGs specifically and explicitly highlight the role that cooperative ownership can play to advance and achieve the SDGs, given the proven record of accomplishment of cooperatives in social development, reducing poverty, and enabling sustainability. In response, the International Cooperative Alliance (ICA), became the first global sectoral organization to formally adopt the SDGs.

Beyond the UN, as of 2015, the World Bank had more than \$500MM in investment in cooperative financial institutions around the world, while the EU maintained a host of cooperative-related initiatives and programs, as well (Mohieldin, 2016).

US Federal/National Public Action

At the US federal/national level, there has recently been a wide range of both legislative actions proposed or passed by Congress, and policy actions executed by the Executive Branch, through and with Federal Agencies, to advance cooperatives. I review these actions below, in separate subsections for legislative and executive action.

Legislative Action: Easing Barriers and Providing Resources at Federal Scale

A series of Congressional legislative actions, either proposed or passed by Congress during both the Obama and Trump Presidencies, have addressed cooperatives.

In 2014, Congresswoman Maxine Waters (D-CA), the longest-serving African-American female in the U.S. House of Representatives and then-ranking Democrat on the U.S. House Committee on Financial Services, introduced the Housing Opportunities Move the Economy (HOME) Forward Act, which would wind down

⁶ <http://www.un.org/en/events/coopsyear/>

and replace Fannie and Freddie with a “one member, one vote” Mortgage Securities Cooperative. Though the bill did not move forward, these two GSEs remain under federal conservatorship as of this writing, and cooperatizing the GSEs remains one potential outcome.

In 2015, a bi-partisan bill was introduced in the US Senate, the Encouraging Employee Ownership Act, which would reduce the barriers small businesses face in selling their enterprises to employees. U.S. Senator Mark Warner (D-Va.) and Pat Toomey (R-Pa.), specifically sought to make it “easier for private companies to award stock as part of an employee’s compensation. . . . Since 1988, companies that wish to issue more than \$5 million in stock to employees must comply with sensitive reporting and disclosure requirements. For new and fast-growing companies, stock compensation is a valuable tool, but many privately-held companies are reluctant to issue their workers more than the \$5 million in stock that would trigger mandatory reporting of potentially sensitive information.”⁷ The bill proposed increasing the requirement threshold to \$10 million, a level which would automatically index to inflation every five years. Though it passed the House in 2016 as part of H.R. 1675, the Capital Markets Improvement Act, this was ultimately not passed.

The Encouraging Employee Ownership Act was thus reintroduced in 2017 in the House, again by a bi-partisan group of Congresspeople, as one of four new related legislative proposals (see below), and easily passed the House in April 2017. While this act explicitly targets employee ownership – which can include worker cooperatives – it is indicative of challenges of achieving scale that are partly regulatory in nature: the costs associated with compliance to federal regulations on sales of ownership to employees make it difficult for all but the largest firms to do so. This means that smaller firms that might wish to be majority employee and cooperatively-owned as they grow, face an additional cost once they reach the \$5 million employee ownership mark. In industries where firms have rapid growth potential, such value levels can be rapidly reached by very small companies. In the tech sector, for example, most start-ups are automatically above this threshold, as one interviewee for this study noted (US Interviewee, San Francisco, February, 2017). Even in more mature industries, an enterprise with 25 employees may be above this exemption threshold. (ibid) Indeed, “micro cap” companies, the smallest publicly traded, are defined by having less than \$10 million in annual earnings (i.e. income). Given that enterprise value is traditionally multiples of income, most are likely above the exemption threshold.

In 2017, four progressive Senators introduced legislation to create a national employee ownership bank, as well as fund programs to assist states in setting up technical assistance centers to promote employee ownership (Spicer, 2017). This was one of four employee-ownership related bills sponsored in the year after Trump’s election

⁷ <https://www.warner.senate.gov/public/index.cfm/2015/3/warner-toomey-team-up-in-support-of-employee-ownership-of-companies>

(Croft, 2018). Co-sponsored by 2016 Democratic Presidential Primary Candidate and U.S. Senator Bernie Sanders, the proposed legislation directly built on policies spelled out in Sander's 2016 Presidential campaign and in his book *Our Revolution* (Sanders, 201). The book, which has subsequently given rise to the identically-named Our Revolution social movement organization for Sander's supporters, outlined a plan to promote worker ownership through cooperatives and related ownership forms, such as ESOPs, through low-interest loans, technical assistance, and state and national employee ownership banks. As noted by Sanders in his book in justifying these models,

"The economic establishment tells us that there is no alternative to this type of rapacious cutthroat capitalism, that this is how the system and globalization works, and that there's no turning back. They are dead wrong....during the Great Recession in 2008, while corporations were slashing jobs, employee-owned firms increased jobs by 2 percent...after the housing market collapsed many worker-owned construction firms added jobs...unlike large corporations that have been shipping jobs overseas, employee-owned businesses, by and large, are not shutting down and moving their businesses to China, Bangladesh, or other low-wage countries...the employees are not simply cogs in a machine owned by someone else. They have a say in how the company is run." (Sanders, 2016, pp. 260-261)

This proposed legislation also benefited from longer-standing advocacy efforts by a range of former political office holders, including former US Labor Secretary Robert Reich. In 2016, he advocated introducing federal legislation which offers tax incentives for organizations to convert for cooperative status. Reich noted that "Co-ops can help Canada and the USA and other countries return to shared prosperity and a more stakeholder-centred capitalism,"⁸ and that "One of the major economic advantages of co-ops is that everyone shares in the gains, and that widens the circle of prosperity, helps reduce inequality, and spurs employees to become more productive." (ibid). As of this writing, a subsequent version of this bill, The Main Street Employee Ownership Act, introduced by Rep. Nydia Velasquez (D-NY), passed the House by voice vote in May 2018, with the Senate version of the bill progressing through Committee.

These various legislative efforts, while perhaps encouraging to cooperative advocates, also signal a key problem, which this study will demonstrate as significant for scaling the cooperative form in the US, particularly for worker and consumer cooperatives. There is no nationally comprehensive enabling cooperative statute in the US. The few national statutes or acts that exist pertaining to these forms effectively ring-fence and restrict them, as analyzed in Chapter 4 and 5. Given the lack of strong national enabling legislation, it is not surprising that there is also accordingly a comparative lack of national, large-scale cooperatives in the US.

These efforts also highlight another challenge: for the worker cooperative, a national substitute form has emerged, the ESOP trust. Most bills referenced above, though

⁸ <https://www.thenews.coop/106298/topic/democracy/robert-reich-thinks-co-ops-important-resolving-dilemma-widening-inequality/>

they may allow for worker cooperatives, largely focus on the ESOP trust, a vehicle formally recognized in federal law as a tax-advantaged retirement provision in the 1970s. Cooperatives are sometimes included alongside ESOPs as being eligible for inclusion in some acts, and ESOPs can also mimic a cooperative, if the ESOP has majority ownership and control, and also includes democratic operating by-laws. The most well-known and large-scale firm operating with this model is not in the US, but the UK: the John Lewis Partnership, which runs the iconic John Lewis department store and Waitrose grocery chain, is entirely owned through an employee trust, which is run democratically by the 90,000 employees, with \$15 billion in annual revenue.

ESOPs, however, are not cooperatives: they can also be used in less democratic ways. In fact, non-democratic ESOPs are the norm. Walmart, for example, has a non-democratic ESOP, which simply allows for passive profit sharing using a small percentage of its stock held by employees. JP Morgan also has an ESOP. Neither firm would seem remotely “cooperative” in their “operating logic”, nor would they be characterized as having “democratic” ownership and control. Curiously, the ESOP, an American innovation, appears to be rarer at scale outside of the US, and rarer still outside of Anglophone liberal democracies (see Chapters 4, 5 and 6).

Executive Branch Actions: Enabling Cooperatives across the Agency Portfolio

In the wake of the GFC and Great Recession, Obama-era federal agencies took a host of efforts to both advance the use of cooperatives in new ways, and also ease restrictions on their existing use, across the executive branch portfolio. These efforts, many of which have continued under the Trump administration, have involved both explicitly enabling or supporting the cooperative’s use by federal agencies and programs, while also eliminating or streamlining regulations which have precluded or restricted the activity and use of cooperative forms outside of the federal government.

Some initiatives began before the second Obama term, when the administration formed the Intragency Working Group on Cooperatives (IAWGC), which brings together representatives from a range of federal agencies, including the US Department of Agriculture, Small Business Administration, and Treasury. This group, which remains in existence as of 2018, seeks to identify policy barriers and challenges for cooperatives across their domains, and to craft solutions to remove or reduce such barriers. The initiatives reviewed below, some of which have come out of the IAWGC’s efforts, are representative of the wide range of reform actions undertaken by the IAWGC and independently by other agencies, but are not exhaustive.

Reflecting other federal efforts to utilize the cooperative organizational form, the Department of Interior, then headed by Secretary Sally Jewell and formerly CEO of the US’ largest consumer cooperative REI, launched in 2010 a nationwide network of Landscape Conservation Cooperatives (LCCs). Jewell has overseen the expansion of this network to 22 LCCs, which:

“collectively form a network of resource managers and scientists who share a common need for scientific information and interest in conservation. Each LCC brings together federal, state, and local governments along with Tribes and First Nations, non-governmental organizations, universities, and interested public and private organizations. Our partners work collaboratively to identify best practices, connect efforts, identify science gaps, and avoid duplication through conservation planning and design.” (LCC website)

In 2012, the US’s chief public sector, small business lending support agency – the U.S. Small Business Administration (SBA) – began a small, pilot lending effort to worker cooperatives. In September 2017, after decades of lobbying by the cooperative sector, the SBA changed policy to allow consumer and producer cooperatives access to loan guarantees in their large 7(a) lending program. Cooperatives still require either personal or entity guarantees, which may limit cooperative take-up of this program.

In 2014, the Federal Communications Commission issued a new ruling allowing rural power cooperatives access to the \$2 billion Connect America Fund, to bring broadband to rural areas. Cooperatives had previously been excluded from accessing these funds. As of 2016, they had thus been enabled to bid and compete for program grants in this area, alongside traditional, investor-owned corporations.

Critically, these utility cooperatives themselves owe their creation to FDR-era legislation, which provided state-level model legislation and start-up funding to electrify rural America in the Great Depression (Spinak, 2014). Though it is unclear if their expansion into broadband will be affected by the Trump administration, as of 2017, over 60 rural electric cooperatives had begun to offer fiber internet (Trosle, 2017). This was up from as few as five at the beginning of the 2010s, with the expectation that over 100 will offer such services by the decade’s end (Rogers, 2017). Though cooperatives may need one-time start up subsidies for capital investments in the expansion, due to their legacy electricity infrastructure and operations, these cooperatives expect to deliver this service without need of an operating subsidy (Trosle, 2017).

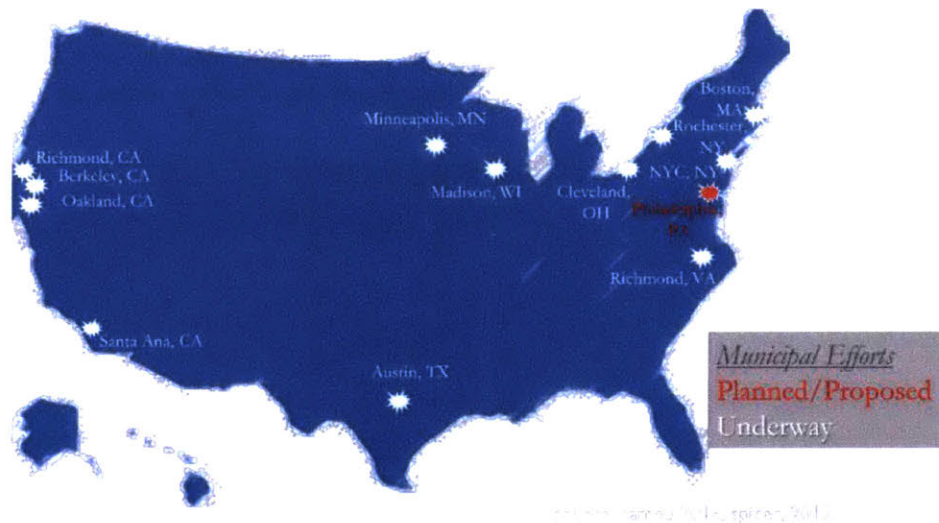
Also in 2016, the U.S. Department of Agriculture’s Business and Industry Guaranteed Loan Program began explicitly including assistance for transition/sale for companies wishing to convert to become a worker-owned businesses. This assistance includes multi-year/staged financing capability. Meanwhile, the National Credit Union Administration (NCUA), the federal regulatory agency for that sector, also took action in 2016 to ease restrictions on credit unions’ ability to advance business loans to members, Field of membership restrictions, which limit the ability of credit unions to engage with members who do not share an employer or hometown of residence, were also marginally eased by NCUA in 2016, immediately prompting a lawsuit by traditional banks. Nonetheless, if the rules stand, they may allow more credit unions to grow to a larger scale.

State and Local (City, Regional) Government Action: Cooperative Local Development

Subnationally, local and state governments in at least thirteen cities and seven states have enacted or are proposing to undertake a range of new policy actions to promote or enhance the prospects of cooperative and employee-owned businesses (Camou, 2016, ICA Group, 2016, Ranis, 2016, Dubb, 2016). These initiatives, today as a generation ago, often embody the principles of “equity planning” (Krumholz, 1972) or more generally, “advocacy planning” (Davidoff, 1965), whereby city and regionally-scaled policy and planning actors advocate on behalf of those groups most typically excluded and marginalized from the local policy-making process (see Chapter 5).

Figure 1.3.1

Municipal Government Cooperative Initiatives

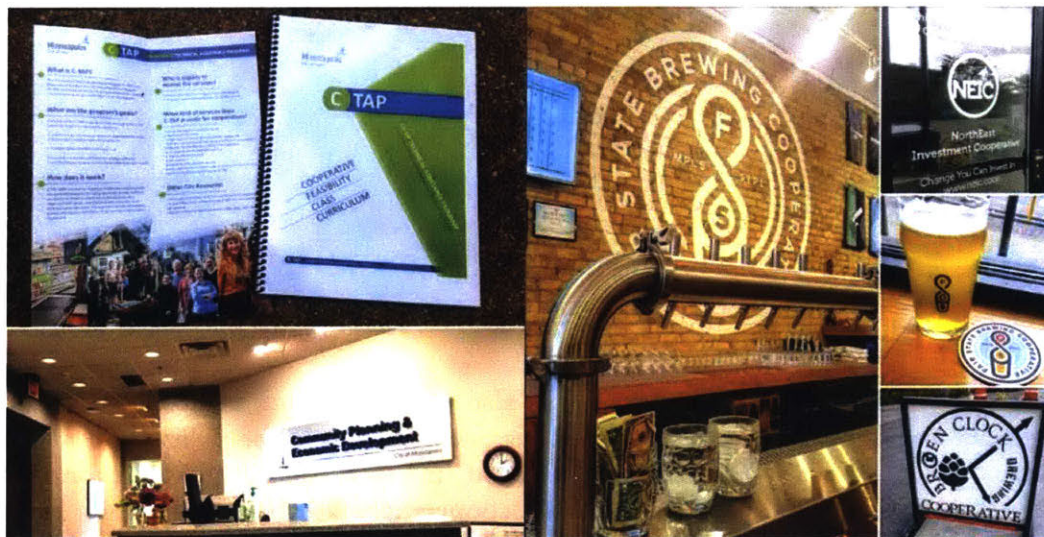


Easing restrictions on cooperatives, while also promoting their use by both public agencies and in the local, private markets, is one approach in the policy “toolkit” of urban planners and policymakers involved in local and regional economic development in the US context. Today, cooperatives are thus sometimes being promoted by cities under the auspices of newly-opened “community wealth building” offices, as has occurred in Rochester, NY and Richmond, VA, which use the cooperative alongside related strategies to promote low-income community asset building and income growth.

Specific actions being undertaken by city, regional and state governments in the US today include:

- updating outdated state cooperative enabling statutes to ease restrictions on cooperatives' scope of activities, scale, and ability to access capital;
- improving cooperatives businesses' access to municipal finance and economic development technical assistance capabilities;
- developing intelligence on aging local businesses to enable traditional business-to-cooperative conversions;
- funding regional cooperative business ecosystem strategy development;
- offering public procurement preferences and expedited land use permitting to these enterprises;
- amending state energy policies so that community and cooperative renewable energy groups can be viable (Camou 2016, Spicer, 2017, Sutton, 2018).

Figure 1.3.3 City and State Government Action Enables Cooperative Enterprise. Minneapolis' city government has developed a Cooperative Technical Assistance Program (l), while the State of Minnesota's cooperative statute reforms have enabled the development of a new wave of cooperatives (r). Photos taken by the author, August 2017



More than a dozen cities, and nearly as many states, have enacted or are considering such proposals. In 2015, for example, Governor Jerry Brown signed the California Worker Cooperative Act, reducing barriers to incorporation and easing rules on raising equity. CA State Assemblyman Rob Bonta, who sponsored the bill, stated “Worker-

owned businesses are central to a full economic recovery and to closing the income inequality gap.”⁹

Fourteen states have also recently passed enabling legislation or policies (such as allowing virtual net metering) which make community solar and shared renewable energy projects viable, by allowing them to produce energy on site with distributed the projects are being constructed on a cooperative basis, and target low-income or hard-to-serve communities.

1.3.2 Civil Society: Social Movements, Unions, and Community/Advocacy Organizations

Civil society efforts to promote cooperatives in the US today include a range of different actors, most notably social movement-related entities, unions and union-related initiatives, and community/policy advocacy organizations.

Reflecting the importance of territorial scale, as well as specific urban and regional drivers, within each sub-category is a mix of entities and organizations often operating at different scales (e.g. local, both local and national, or national). As confirmed in interviews with these groups (as again will be detailed later), some are operating at multiple scales at once, and must sometimes switch scales, or engage in what may variably be called “scale shift” by sociologists (McAdam, Tarrow and Tilly, 2001; Tilly and McAdam, 2005; Schneiberg and Soule, 2005; Soule, 2009, 2013) or “scale jumping” by geographers (Smith, 1984, 1992; Brenner, 1999; Jessop et al, 2008). Using a nationally-networked structure increasingly common among progressive community groups (Doussard and Lesniewski, 2017), some are local groups which are part of nationally-networked, loosely constituted coalitions.

Social Movements and Cooperatives: Support from the Occupy Wall Street, Black Lives Matter, and Environmental Justice Movements

Bucking generational stereotypes of civic disengagement, several new, millennial-led social movements (Milkman, 2016) have been organizing to address major social problems today. These movements are promoting cooperative and related forms of ownership. Specifically, there are three major social movements which, over the last decade, have demonstrated significant engagement on this front: the Occupy Wall Street movement, Black Lives Matter, and the Environmental Justice movement.

- ***Occupy Wall Street (OWS or Occupy)***. The 2008 global financial crisis coupled with a generation-long rise towards record levels of income inequality (Piketty, 2014) birthed the OWS movement, which took over Zuccotti Park in Lower Manhattan in the Fall of 2011. Other Occupy encampments sprung up in dozens of cities around the US and the world. This movement popularized the concept

⁹ http://www.thesecl.org/governor_brown_signs_california_worker_cooperative_act

not only of the “1 percent”, but also engaged with ideas calling for deep structural changes to an economy which had generated a “1 percent” to begin with. Specifically, they called for greater “economic democracy” in the production process, as to avoid such inequalities at their root (Malleon, 2014).

The OWS physical “occupations” did not last more than a few months. Initial autopsies of the movement (Castells, 2013) deemed it something of a failure, in that its settlements failed to become permanent: due to its flat and non-hierarchical structure, it failed to birth a stable, long-term organizational form. OWS, however, created a space for individuals to connect and learn about possible solutions to socioeconomic inequality, as confirmed through the interviews for this study. Stemming from their experiences at OWS, Occupy “alumni” have founded and populated a host of policy and advocacy organizations, many of which promote cooperative and shared ownership forms (see the third subsection below).

- ***Black Lives Matter (BLM)***. The Black Lives Matter movement gathered strength and momentum in 2015-2016 in response to high-profile incidents of police brutality and/or criminal justice system incidents which resulted in deaths of innocent black youth. By the summer of 2016, a national “umbrella” group for a host of local BLM groups, a 50-organization consortium operating under the name The Movement for Black Lives, released a policy manifesto. This document called for the promotion of cooperative or related shared ownership forms, as a tool for black empowerment and economic justice, twenty one times. Policy proposals include both federal and local action, and the manifesto includes specific reference to model legislation, previously introduced legislation, and other business, community and legal templates from existing efforts, which can be promoted or utilized. These four passages in the manifesto are indicative of the overall approach, which views cooperative ownership as a tool for black economic empowerment, justice, and control:

“...tax incentives, loans and other government directed resources, support the development of ***cooperative or social economy*** networks to help facilitate trade across and in Black communities globally. All aid in the form of grants, loans or contracts to help facilitate this must go to Black led or Black supported networks and organizations as defined by the communities.”

“Financial support of Black alternative institutions including policy that subsidizes and offers low-interest, interest-free or federally guaranteed low-interest loans to promote the development of ***cooperatives (food, residential, etc.), land trusts*** and culturally responsive health infrastructures that serve the collective needs of our communities.

“A Federal and State Jobs Program that Specifically Targets the Most Economically Marginalized Black People - Such As Those Who Are Queer, Trans, Femmes, Cash Poor, Working Class, Formerly Incarcerated, and Differently Abled - Funds a Living

Wage, and Encourages Support For Local Workers Centers, Unions, and ***Black Owned Cooperative Businesses.***”

“Federal Policy: in a coordinated way, review all tax credits, insurance systems and budgets concerning various elements of development (e.g., housing, schools, community, highways, etc.) and ***align around the goal of fair development with an emphasis on community land trusts, cooperatives and community control.***” (Movement for Black Lives website, 2018)¹⁰

- ***Environmental Justice (EJ) Movement.*** Starting in the 1980s, activists and scholars developed what has become the “environmental justice” or EJ movement, a diffuse effort which blends elements of the environmental and civil rights movements. The movement was born from the observation that low-income people of color are, in their residential neighborhoods and work, disproportionately exposed to environmental hazards in the US, such as polluted water or air, lead paint in homes, industrial waste and toxins, landfills, incinerators, and waste treatment/storage. (Bullard, 1996, 2005, 2007) Finding the traditional environmental movement lacked an explicit equity or justice lens with which to deal with these challenges, the environmental justice movement coalesced, with cooperative ownership of businesses and land being one strategy in the EJ toolkit. Some of the cooperative initiatives inspired by the environmental justice movement, such as the Green Worker Cooperative Academy in the Bronx, or Cooperation Jackson (see next sub-section), have linked “racism, social exclusion, and environmental degradation” (Caniglia et al., 2016) to support the development of local cooperatives – most typically, food, agricultural and worker cooperatives, and community land trusts. These strategies build on the prior work of groups such as the Federation of Southern Cooperatives, an organization founded in the last wave of cooperative interest, which has since incorporated EJ explicitly into its efforts to build black agricultural land ownership. Inspired by the Federation and another leading Southern social movement organization, the Highlander Center, in 2017 the Cooperative New School for Urban Studies and Environmental Justice was founded in Birmingham, AL. Created as a cooperative itself, the school seeks to coordinate education and development efforts around building cooperatives to promote environmental justice in cities.

OWS, BLM, and EJ are not the only social movements to engage with cooperative enterprise as a solution to socioeconomic problems, but are perhaps the most significant and high profile. The Right to the City Alliance, for example, is another urban social movement whose efforts include promotion of community land trusts and cooperative housing as an anti-displacement strategy. As this study does not explicitly focus on land and housing, however, I do not detail their efforts here. Meanwhile, remnants of the 1960s to 1980s social movements which promoted cooperatives, including the environmental and counterculture movements, as well as

¹⁰ <https://policy.m4bl.org/economic-justice/>

the “Progressive Cities” movement are still present, particularly in certain cities and regions where individuals associated with such movements may be concentrated.

Union Initiatives: The Union-Coop Model - Overcoming An Historic Divide?

US unions have historically had a complex and sometimes combative relationship with cooperatives (reviewed in Chapter 5, cf. Gourevitch, 2015; Voss, 1993). Nonetheless, unions have displayed a renewed interest in working with cooperatives, particularly due to a recent organizational innovation, the “union coop” model, a hybrid ownership-governance structure (Hanson-Schlachter, 2017).

Historically, when US unions organized and bargained for private sector workers, they often did so adversarially, against the traditional, investor-owned firms for whom these employees worked. That is, unions organized on behalf of *employees*, who were defined by their status as non-owners of the enterprise. In so doing, unions often thus ignored cooperatively-owned firms or self-employed individuals; both lack the clear employee-owner divide. Meanwhile, as I heard while conducting this study from interviewees, cooperative members, who are also a firm’s owners, have not necessarily always understood or had an interest in the benefits of a union. This appears particularly true for worker and some producer cooperatives, as the employee/employer distinctions can become unclear in these models.

The union-coop model, which focuses on worker cooperatives, attempts to overcome this issue, combining the benefits of employee ownership and control, with the labor solidarity of unions. (Alperovitz, 2012; Hanson-Schlachter, 2017). The current approach has been largely promoted by the U.S. Steelworkers (UWS), who developed the structure with Mondragon, the iconic Spanish cooperative network. Notably, the Steelworkers-Mondragon effort, which commenced in 2009, has spurred regionally-focused initiatives, including the Cincinnati Union Cooperative Initiative (CUCI), the Los Angeles Cooperative Initiative, and the Dayton Cooperative Initiative (DUCI), among others (Hanson-Schlachter, 2017). Other unions, such as UFCW, along with allied organizations such as the Building and Construction Trades Council, and the Ohio Employee Ownership Center, have also been incorporated into the partnership. Exploratory or informal efforts also reportedly underway in Pittsburgh, PA; Buffalo, NY; Reading, PA; Las Vegas, NV; Bronx, NY; Denver, CO; Chicago, IL; San Francisco-Oakland, CA; and St. Louis, Mo.

Other examples frequently highlighted by activists and policy entrepreneurs as cases include the New Era Windows Cooperative in Chicago, represented by the United Electrical Workers Union, and the recently-closed (due to rising rents) Lusty Lady Theater in San Francisco. The Lusty Lady was a unionized worker cooperative of exotic dancers, represented by their own Exotic Dancer’s Union, an SEIU affiliate. In 2017, California nurses, who are unionized via SEIU affiliate United Health Workers

West, launched NursesCan, a union worker “platform cooperative” (discussed in subsection below).

In addition, responding to market pressures of Uber, the Teamsters and Communication Workers of America unions are leading the revival of the creation of union cooperatives of taxi drivers in cities such as Philadelphia, Denver, Portland and Newark, even as long-standing taxi coops in cities such as San Francisco, Seattle and Madison struggle to compete with Uber.

Community Advocacy Efforts: Building a Grassroots Cooperative Economy

This segment of the current wave of cooperative activity encompasses significant diversity in terms of the types of organizations involved, as well as territorial scales of action. It includes national and nationally-networked advocacy organization, as well as local, place-based organizing and advocacy groups, which seek to promote both policy change as well as undertake cooperative economic implementation and development plans with communities. Some organizations focus exclusively on cooperatives and closely related shared ownership forms, while others embrace a much broader range of community and economic development tools and models. The group also encompasses two distinct organizational generations: both a new “birth cohort” of organizations, largely formed over the last decade in response to and/or motivated by recent crises, as well as legacy organizations, the “survivors” from the last round of cooperative interest and related urban social movements, from the 1960s to 1980s.

National Advocacy Organizations

Recently founded, nationally-scaled advocacy and sectoral development groups primarily focused on reorganizing the economy to be more democratic, include the Next Systems Project, the New Economy Coalition, Sustainable Economies Law Center, Business Alliance for Local Living Economies, Grounded Solutions Network, The Workers’ Lab, The Working World, Cutting Edge Capital, and Democracy at Work Institute/the U.S. Federation of Worker Cooperatives. As confirmed through interviews with many of these organizations (see Chapters 4 and 5), many entities were created or developed in conjunction and response to the social movements delineated above, with OWS “alumni” figuring prominently in many organizations.

Besides these explicitly national advocacy groups, are various multi-scalar, networked organizations which operate both nationally and regionally. Project Equity, for example, based in Oakland, has expanded to work across the country with partners.

Other, older nationally-scaled groups, founded during the last wave of cooperative interest in the 1960s and 1970s, are also still active. These include Institute for Local Self Reliance, the EF Schumacher Institute, the Democracy Collaborative, Cooperative Development Institute, and the ICA Group (which is a separate group

from the ICA, the International Cooperative Alliance which is the apex body for cooperatives globally), and the Filene Research Institute.

These groups function separate and apart from the formally-recognized national advocacy and support organizations recognized as speaking for the cooperative sector in the US today, which are: NCBA-CLUSA (National Cooperative Business Association-Cooperative League of the USA), and the NCFC (National Council of Farmers' Cooperatives).

In addition, there are other national groups whose primary focus is not on cooperatives and other shared organizational forms, but whom nonetheless maintain a secondary/related interest in developing democratic economic entities such as cooperatives, such as Policy Link, B-Lab, and the Emerald Cities Collaborative, which is national program complemented by a network of seven local cooperative and community economic initiatives, including in Cleveland, New York, and Seattle.

Many of these organizations partner with University-based research labs or “think and do” tanks, such as the University of Wisconsin’s Center on Wisconsin Strategies (COWS) and Center for Cooperatives, and the Community Innovators’ Lab (CoLab) and Mel King Fellows Programs at MIT. These organizations not only issue professional reports, which often call for the support and development of cooperatives as an economic development implementation strategy, but often incubate new initiatives by working directly with practitioners. The Bronx Cooperative Development Initiative, for example, was in part incubated by MIT’s CoLab. These University-based organizations also provide a useful links to public intellectuals, who may or may not be academically based. Public intellectual and MIT professor Noam Chomsky has also discussed the role of cooperatives in transforming the economy, as has Nobel economist and Columbia University economics professor Joseph Stiglitz. Naomi Klein, in a series of films and books, has popularly promoted cooperatives and other “alternative” economic models as critical to reduce economic inequality and fight climate change.

The broad array of organizational actors in this segment indicates what this study will argue is a distinguishing feature of US cooperative economic development: institutionally, it is highly fragmented. Though a handful of groups act as “formal” lobbying and advocacy organizations for the cooperative sector, they have little authority, nor are they all-encompassing of the activity in the sector. This, too, will be later developed in this work as a point of stark comparison between the US and countries where the cooperative sector is more well-developed.

Individual Community and Place-Based Efforts

Besides these multi-regional and national efforts are local advocacy organizations, and city and neighborhood-specific cooperative implementation and development initiatives.

In city-regions like New York, the San Francisco Bay Area, Boston and Madison, WI, which have a long history of cooperative development (Jackall and Levin, 1984; Curl, 2009), there are efforts to build cooperative alliance organizations. These local advocacy groups serve to connect local cooperatives, as to encourage cross-organizational learning, collaboration, and organizing.

Such groups today include entities such as the Cooperatives Economic Alliance of NYC, the NYC Network of Workers Cooperatives, Bay Area Cooperative Ecosystem, Network of Bay Area Worker Cooperatives, Center for Economic Democracy (Boston), Greater Boston Chamber for Cooperatives, Center for Workplace Democracy and Manufacturing Renaissance (Chicago), and the Madison Worker Cooperatives (MadWorc). Some of these local advocacy groups are new. Some are restarted or revived organizations, which are following on the legacy left by defunct predecessor organizations, which existed during prior waves of cooperative interest in these regions.

Alongside these organizations, the social movements referenced earlier are both inspired by, and inspiring, new comprehensive, multi-sectoral urban planning and grassroots neighborhood economic development initiatives. They are building on the legacy of prior successes, such as the thirty year-old Dudley Street Neighborhood Initiative (DSNI) in Boston, which was founded at the end of the last wave of cooperative interest. These new efforts include: the Bronx Cooperative Development Initiative (BCDI), in operation since 2011; the Evergreen Cooperatives, in operation in Cleveland since 2009; Cooperation Jackson (MS) which was incubated beginning in the 2007-2010 period; the Wellspring Collaborative, inspired by the Cleveland model and founded in 2011 in Springfield (MA); and the Community Purchasing Alliance (CPA) cooperative in the Greater Washington DC area. Since 2010, CPA has been bulk purchasing goods and services for churches and their members, who are primarily low-income people of color.

1.3.3 The Market: New Cooperative Models And Approaches

While some of the civil society entities and community-focused enterprises and initiatives reviewed above may engage in profit or revenue-making activities, few are explicitly competing, in the “open market”, with traditional enterprises. They may be exposed to the market, but they are not primarily oriented towards it. Meanwhile, there is also a new wave of explicitly market-based and oriented actors, who are also engaged in the work of starting up new cooperatives, and strengthening existing ones.

Some new efforts are extensions of longstanding uses of the cooperative model, such as recent efforts to deploy the cooperative model among people facing employment barriers. TightShift Laboring Cooperative, for example, was founded in 2015 in Washington-DC as a worker cooperative of formerly incarcerated individuals, who often face discrimination and stigma in re-employment. Before TightShift, the first

prison worker cooperative was formed in Puerto Rico, in 2003, and participation has led to reduced recidivism among returning citizens (Gordon-Nembhard, 2015).

Alongside such extensions of existing approaches, three notable new developments in the market include the emergence of platform and digital cooperatives, growth in a wide range of renewable energy technology and environmental sustainability-related cooperatives, and, last, developing an explicit “success” orientation regarding both the start-up and incubation of new cooperatives, and the conversion of existing, traditional businesses to cooperative form.

Platform and Digital Cooperatives: Owning the Sharing Economy

In 2018, the platform cooperative movement secured \$1 million in funding from Google.org, led by a New School-based consortium in New York, to continue developing platform cooperatives.

The platform cooperative is a direct response to the emergence of the “platform” economy, sometimes also called the “sharing” or “gig” economy. These three terms effectively refer to different aspects of the same development.

The emergence of the platform economy is argued to signal a profound shift in economic organization (Parker et al., 2016, Davis, 2016, Sundararajan, 2016) as improved technology enables buyers and sellers to connect directly, “peer-to-peer”, through online, crowd-based sharing economy “platforms”, which effectively reduce matching, sorting and asset management costs, which once required large, traditional corporate employers to coordinate and manage. Getaround, for example, replaces traditional car renting, while Airbnb replaces hotels, and Uber and Lyft supplant taxi companies. The value in these platforms is their status as a

Figure 1.3.4 Platform Cooperativism. Promoters of Platform Coops are Developing a Movement Infrastructure. (Photos by Author, November 2016)



destination for customers and suppliers, who can find each other and exchange goods and services on the platform. The same technologies behind these platforms' rise are argued to potentially lead to a "zero marginal cost society" (Rifkin, 2014), as people increasingly make their own goods and energy, through 3-D printers and renewable energy technologies. This could lead to a crisis for large-scale for-profit production, and a rising need for shared platforms to accommodate "the democratization of everything" and a new shared "collaborative commons" in a "post-capitalist" future (Mason, 2015). The cooperative is argued to be ideally suited to organizationally enabling sharing under such conditions. As Wharton's Jeremy Rifkin stated in a large, open form in 2016 at a cooperative event I attended as a participant observer for this study, "if cooperatives didn't already exist, we'd have to invent them."

To that end, as the "sharing, gig, and platform economies" have emerged as significant forces in the post-financial crisis economic landscape in the US, digital cooperatives and platform cooperativism (Schneider and Scholz, 2016; Scholz, 2016; Sundararajan, 2016) are being proposed and created as an alternative to the corporate version of the sharing economy. Under "platform cooperativism", the technology platform itself is what is cooperativized or mutualized. Emergent networked, peer-to-peer technology platforms which connect producers and users are owned collaboratively or collectively. This is generally accomplished through cooperatives, but sometimes also involved public or non-profit organizational ownership, by either the buyers, sellers, other community stakeholders, or some combination thereof in which third-party investors have limited, if any, role. These platforms are, like the traditional platform firms such as Uber, also not *per se* about "sharing", but rather about renting. But in as much the financial value being generated is being equitably shared with the stakeholders at the core of the platform, rather than disproportionately distributed to investors, they are argued to embody a more genuine "sharing" economy.

Wikipedia is sometimes claimed by activists as potentially the most high-profile example of this model, though it is technically not a cooperative. It is owned by a non-profit foundation. Most others platform cooperatives are in their infancy. Many others have been catalogued by academic and writer Trebor Scholz (2016), and include start-up cooperatives which seek to offer alternatives to the likes of Zipcar, Etsy, Uber, Airbnb and TaskRabbit. Most cases Scholz catalogues (in the emerging platform cooperativism sector) are in the US, and include businesses such as TimesFree, Up and Go, Loconomics, Stocksy, Resonate, and Fairmondo. FairCoin, meanwhile, is a cooperative blockchain currency, an alternative to Bitcoin or Ethereum, which is cooperative rather than competitive in determining how network nodes store and trace currency information.

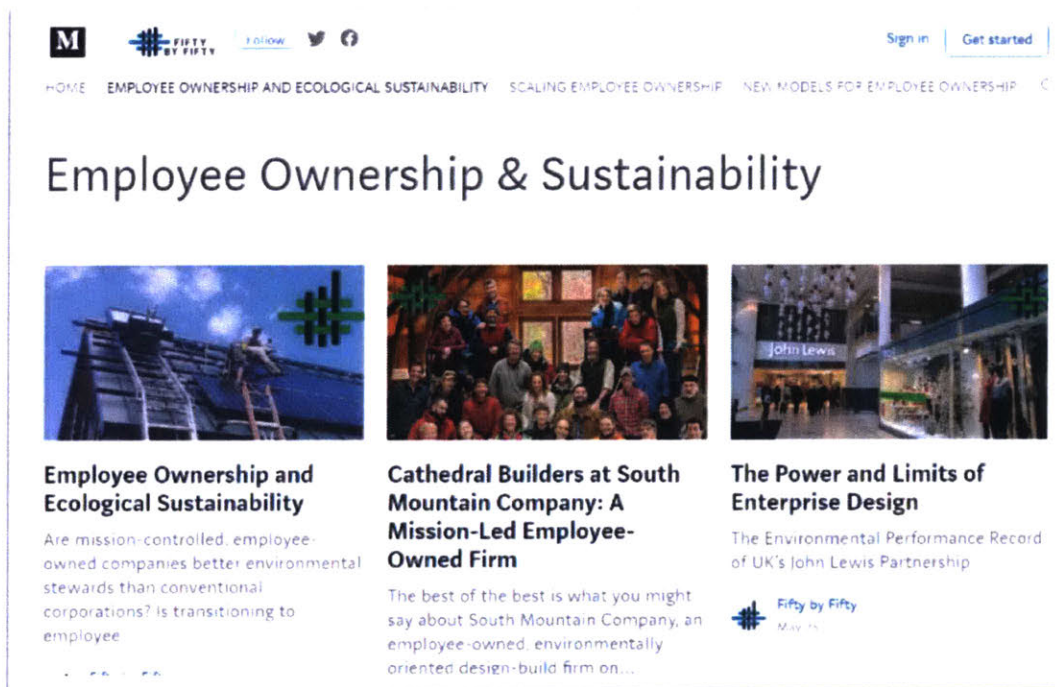
Sustainable Cooperatives for Energy and Environment

Since the 1960s and 1970s, the environmental movement envisioned an energy future led by local renewable cooperatives (Case and Taylor, 1979). At the time, however, the

feasibility was limited by technological and financial constraints. With the recent, rapid improvements in solar technology, and the associated cost declines associated with the ability to produce and implement these technologies at scale, the possibility exists today to create a community and cooperatively-owned renewable energy network throughout the entire supply chain, both in terms of energy equipment manufacture, as well in generation, transmission, and distribution. A 2017 study found that US electric cooperatives' solar capacity alone would, by the end of 2017, be five times higher than it had been five years prior. Including planned projects, capacity is set to double again.¹¹

Meanwhile sustainable consumption advocates have also taken notice of the role that cooperative ownership can play (Cohen, 2017) in supporting sustainable consumerism, because cooperatives can enable expression of non-financial, pro-environmental values into businesses. In industry sub-areas such as renewable equipment production and sustainable waste, several emerging firms are structured as, or converting to employee-owned: at Sun Light & Power, a Northern California-based 80-person company with \$15M in revenues, for example, rather than sell to a competitor or firm

Figure 1.3.5 Connecting Ownership to Sustainability. Groups like Fifty by Fifty are Explicitly Making the Connection That Sustainability May Require Different Ownership Models (Website Screen Capture, May 2018)



¹¹ <https://www.electric.coop/cooperative-solar-skyrockets/>

which might lay workers off, the founder sold the company to the employees in 2017 as an “esoperative”, or democratic ESOP, an ESOP with cooperative by-laws.

Recology, another Bay Area waste and recycling firm, touts its employee ownership as enhancing its sustainability commitment in various corporate materials, as does CERO, a waste recycling firm in Boston founded in 2014 as a worker cooperative (Pollans, 2017), and PV Squared, a worker-owned solar installation company in Massachusetts. Employee ownership advocates like the Fifty by Fifty project, which aims to have 50 million employee owners in the US by 2050, are now explicitly focusing on developing more such firms (see Figure 1.3.5).

Success-Focused Enterprise Development Strategies: Incubation, Networking, Conversion

Across these various market-based approaches, in one of the most marked contrasts from the last wave of activity (see Chapter 5), many US cooperative developers are today explicitly focused on models of business incubation and success, rather than seeking to save failing or closing businesses, as was previously common. Similarly, instead of creating a “hodge-podge” of seemingly random and unrelated cooperative businesses, they are often targeting the development of high profit-margin businesses, ones with synergies or shared expertise to that of existing, nearby cooperatives. They do this as to increase the probability of market success, by focusing on fundamentals of market research and business planning.

They are founding cooperative incubators, inspired by high-tech incubators like the Y-combinator, and using cooperative networked strategies, inspired by the likes of Mondragon, in Spain. As an example of the former, Uptima Business Bootcamp is a cooperatively-owned incubator of cooperatives small businesses which primarily works with women and people of color, in Oakland and the Bay Area. Arizmendi Bakeries, exemplifying the networked approach, now has nearly 200 worker-owners across its five bakeries. It has developed a “cooperative of cooperative” central structure, as well, which handles shared services and helps develop new businesses for the group. Meanwhile, organizations like Project Equity,

Figure 1.3.6 Retiring Boomers Sell Successful Businesses to Employees?



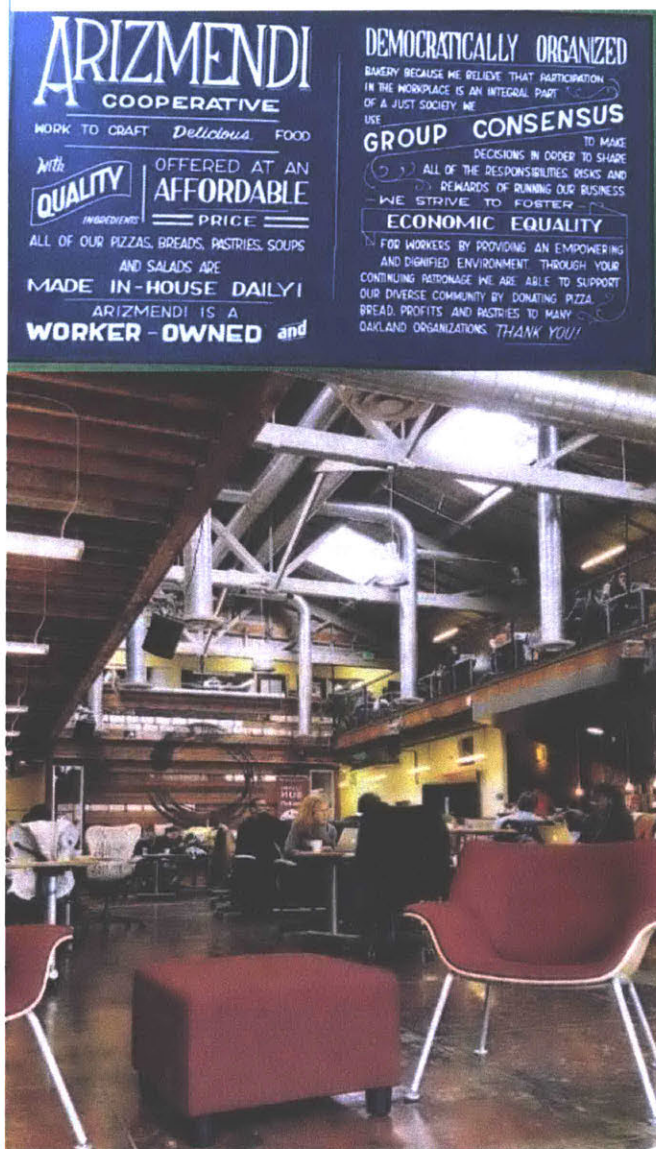
the Sustainable Economies Law Center, and the ICA Group, mentioned earlier, are working with successful small businesses owned by retiring baby boomers, to sell them to their employees, using an “esoperative” model. This is a local wealth and jobs retention strategy: as noted by these groups in interviews for this study, many successful small businesses owned by families struggle with succession plans, particularly if or when their children or heirs are uninterested in continuing the business. If the founder cannot find a buyer, this puts these businesses at risk of closing.

1.4 Study Overview

Given this broad and complex array of initiatives taking place across the US, at both local and national scale, one might conclude that the US economy is poised to potentially undergo a broad shift towards cooperatives and related models of ownership. As I found in conducting the research for this study, rhetoric to this end, almost religious in its zeal and optimism, was widespread across much of the cooperative sector.

Mirroring the narrative framing of the sector’s

Figure 1.3.7 Building Coops For Success in California. The Arizmendi Association of Cooperatives (top), started its first bakery over 20 years ago, and now has five worker-owned locations in the Bay Area. The Impact Hub in Downtown Oakland (bottom) houses many social economy organizations, including a number of groups working to promote cooperative ownership in the Bay Area and the nation. (Photos by author, February 2017)



advocacy organizations, cooperative members and grass roots participants frequently spoke of momentum, how they were building a “new economy”, and how “another world was possible” through cooperatives. Many were, as noted earlier, interesting in “getting to scale” with the cooperative model, as well.

But reflecting Mannheim’s “theory of the generations” (1923, cf. Milkman, 2016), in which defining historical events shape generational trajectories, this level of interest may be a temporary, generational phenomenon. In fact, the US has a long history of such generational waves of interest in the cooperative model. Several generations have now had chances to build a “new economy”, at scale, through cooperatives. How prominent or successful has the cooperative been? What share of US firms are cooperative today? How large is the sector? Over the course of over 150 interviews in the US and around the world, over 200 hours of participant-observation at cooperative-related events and actions, and historical document research in over 30 libraries and archives, I found that such questions had rarely been asked, let alone answered, by researchers, by advocates, or even by participants in the cooperative economy.

As shown through the data analyzed and presented in this study (see Chapter 3), the cooperative is a marginal form of ownership in most rich democracies. But in the US specifically, its position is comparative weaker and more marginal still. Of businesses with revenue over \$75 million, just 0.9 percent – less than 1 percent - are structured as cooperatives or mutuals in the US today. Meanwhile, the current wave of social action and community energy spent in supporting cooperatives represents a significant investment of time and resources.

The cooperative appears to have been a failure in the US. The stark realities laid bare by firm revenue data evidencing the cooperative’s marginal status in the US economy begs several fundamental questions. Can cooperatives succeed in the US, by achieving the scale needed to thrive? Are cooperatives yet another example of the well-worn “American exceptionalism” narrative, deployed to explain the US’ lack of many equity-enhancing institutions, including its lack of strong unions, corporatist/tri-partite labor institutions, and other features of democratic socialism? Beyond the US, Can cooperatives succeed anywhere? What is known, empirically, from existing research about this ownership model, and the drivers of its success and failure? And what do the answers to these questions tell us about the future – not only the future for this ownership model, but for our theoretical and practical understanding of how the economy is structured, and how it might evolve going forward?

These questions are not marginal, but fundamental to our understanding of human existence. Bowles and Gintis (2011), building on a wealth of social and life science literature (Axelrod and Hamilton, 1981) have demonstrated that, contrary to a Hobbesian natural law view of a innately selfish humanity, that we are an extraordinarily cooperative species, uniquely so in the animal kingdom, to a level which

cannot be explained by economic or game-theoretic models of self-interest and cost-benefit rubrics. Given this nature, the rarity of cooperative enterprises becomes all the more puzzling.

1.4.1 Outline of the Study and Its Findings

To answer these research questions, I have structured the study into seven chapters, arranged in four parts. Part One is an Introduction and Overview section, which consists of Chapters 1 and 2. In Chapter 2, I expand and develop the research questions being examined in this study, explaining what we know from the social sciences about the ability of cooperative ownership to succeed in different contexts, what might reasonably be deduced from this literature, and what remains unknown.

Part Two offers an empirical, comparative analysis of the cooperative sector in rich democracies today, in Chapters 3 and 4. In Chapter 3, I quantitatively measure the comparative extensiveness and scale of large cooperatives across rich democracies today, demonstrating the US is “exceptionally un-cooperative”. The causal factors examined in Chapter 2 are tested in a quantitative model. Specifically, I explain cross-national variation in large cooperatives’ prevalence among rich democracies, deploying a multi-level, mixed-effects logistic regression model to test the role played by various macro socioeconomic and political attributes. Liberalism, as embodied in broad policy logics such as the “liberal market economy” and “residual welfare state” framings of the Varieties of Capitalism and Worlds of Welfare Capitalism literatures, is statistically significant in explaining cross-national variation, as is the US’ specific variety of federalism. These effects remain even after accounting for other significant causal macro socioeconomic factors implicated by existing literature as germane to the supply of and demand for cooperatives, most notably industry mix, country size/distance to global markets, and social and racial heterogeneity.

In Chapter 4, I identify specific policies in the US today which reflect the regression model results, based on document analysis, interviews, and participant-observation. I isolate US public policies, at local and national scale, which I contrast to those in three rich democracies with comparatively more robust cooperative activity: Finland, France, and New Zealand. I develop a detailed framework to show how these policies have comparatively and systematically restricted cooperatives from achieving scale in the US, while enabling development of competing institutions and fields. Most critically, unlike all other rich democracies, the US lacks a comprehensive national policy framework and enabling legislation for cooperatives. In addition, cooperatives have been systematically excluded or limited from accessing public sector economic development tools, and subject to state actions which discourage their formation and undermine their development. Through content analysis of documents and interviews, I also show how the factors tested in the regression model manifest in these policies in the US, vis a vis the other case countries.

In Part Three, which consists of Chapters 5 and 6, I trace how and why the US developed such a starkly different policy treatment of, and organizational environment for, cooperatives. Through a comparative-historical analysis (CHA) and process tracing of the development of the cooperative, I contrast the development of the cooperative in the US to that of the case countries. I examine the cooperative both as an institution, and as a strategic action field. Chapter 5 examines the US historical development of the cooperative in depth. Chapter 6 is a comparative analysis, focused on the three countries examined in Chapter 4 – Finland, France and New Zealand. These chapters demonstrate how small but significant differences between the initial structural context for cooperatives in the US vs. the case countries shaped key differences in how the cooperative, as a field and as an institution, developed. I show how differences in the posited causal factors jointly and cumulatively contribute to a policy environment marked by “increasing returns to scale” (Pierson, 2000) for investor-owned corporations, while remaining hostile to cooperatives. Ultimately, the US’ variants of liberalism and federalism interacted with the institution of race-based slavery to inhibit the initial development of the cooperative, a setback from which the organizational form has never recovered.

Last, in Part Four, which consists of Chapter 7, I conclude by examining the Policy and Theory implications of this study. I examine the implications of this work for future research in urban studies/geography, political economy, and institutional/ field theory. Reflecting the historical record examined in Chapter 5, despite some initial successes in constructing itself as a coherent institution, the cooperative’s field space and field elements have remained internally weak and incomplete in the US at national scale. *In contrast to US investor-owned corporations, to many other US social movements, and also in contrast to cooperative movements in most other rich democracies, the US cooperative movement has never created an enabling policy framework at national scale.*

Cast in this light, today’s multi-scalar actions to advance US cooperatives appear to be the latest in an historical series of post-crisis “critical juncture” attempts to strengthen and finish the construction of the US cooperative field space, as to enable it to compete with these other organizational forms.

I also detail the lessons for policy and practice, both for cooperative sector advocates specifically, but also more generally for policy entrepreneurs and activists who seek to promote a different type of economy in the US and in similar country contexts.

1.4.2 Brief Overview of the Study’s Implications

Taken together, this study’s contributions have significant implications for four distinct constituencies.

For policy entrepreneurs and agents of cooperative advocacy operating at the local and national scale, findings are three-fold. First, it pinpoints critical differences in the cooperative policy context between the US and more “successful” cooperative

countries, and traces how and why these differences have emerged. The US' lack of a comprehensive national policy framework for cooperative ownership, specifically for consumer and worker cooperatives, highlights a critical difference around which to coordinate their organizing and advocacy efforts. Besides a lack of consistent national and state legislation, there are a host of other national and local policies, reviewed in Chapter 4, which systematically exclude cooperatives from accessing the economic development resources of either the nation-state or the market. Cooperative advocates cannot rely on a "race to the bottom", as occurred with investor-owned corporations, to harmonize these policies across cities and states, as this race was fueled by profit-maximization interests, by both investors and the individual states (see Chapter 5). This dynamic does not exist with cooperatives. Second, the study examines how the causal factors identified – such as racism and legacy of slavery – may affect the ability of advocates and policy makers to effect changes to these policies. In as much as activists can target the policy differences – most notably, the lack of a national framework – by developing action strategies which consider these causal factors, this research may prove useful as a guide. Last, given the US' failure to initially build a comprehensive policy framework, as occurred in New Zealand and Finland, the case of France may provide tactical lessons. France's incremental approach to developing cooperative law, coupled with its framework for combining cooperatives with related organizational forms, are suggestive of the potential of what institutionalists would call policy "layering", in which new policies and laws are built incrementally on top of existing ones. Worker cooperatives' advocates in the US are attempting to do this today with some success, by building on ESOPs' success, and integrating with the nascent "community wealth building" policy framework emerging in US cities. Given the US' historical experience with the cooperative, these are likely to be higher-potential strategies than any large-scale, broad cooperative policy overhaul.

For practice-oriented urban studies and geography scholars, the study highlights the importance of multi-scalar strategies, the limits of city, regional and state scales of action, as well as the promise of nationally-networked local strategies. Achieving meaningful and sustained systemic policy and planning change without a coordinated, nationally-scaled effort, at least regarding enabling policies conducive to cooperative ownership, may not be effective. The study also highlights gaps in theorizations of urban and regional problems in the field: which problems can be solved at the urban and regional scale, and which cannot? In what sense, as Massey (1979) so long ago asked, is anything "a regional problem"? We lack a good theory with which to reply, but the case of cooperatives points us towards the beginning of an answer: the "political opportunity structure" (McAdam, 1982, Tarrow, 1994) has a spatial structure to it (McAdam, Tilly and Tarrow, 2001; Tilly and McAdam, 2005), one which varies across and within nations. In the US, territorial federalism interacts with cooperatives' animating logic – one rooted in local bonds of solidarity – to require that advocates work at multiple scales to achieve goals.

For political economists interested in institutional diversity and change, and the role of such institutional change in variations in socioeconomic outcomes, the study highlights a domain which they have missed: ownership. To that end, the cross-national variation in the prevalence of cooperatives exposes a critical gap in our understanding of the political economy, by highlighting the unconsidered role of economic ownership. The conventional wisdom has been that institutional *relationships and arrangements*, specifically differences in how firms relate to one another, explain key industrial and labor market outcomes and inequalities across countries. These frameworks largely treat the firm *itself* monolithically, as an investor-owned corporation; the role of firms' underlying ownership models and logics is not questioned or addressed. This study suggests that institutional arrangements implicated in different "varieties of capitalism" (Hall and Soskice, 2001) may be partly a function of the mix of ownership types which prevail in different countries. Firm ownership affects how firms act and relate, both internally and to one another. Beyond cooperatives, a host of other "alternative" ownership forms such as industrial foundations, non-profit and trust-owned firms, family-owned businesses, and state-owned enterprises, each with their own distinct logics and purposes, account for significant and varying share of economic activity in many rich democracies. In future research, these forms might be usefully analyzed as distinct strategic action fields or institutions. Variations in their prevalence, both between different countries, and within a single country over time, may help us better understand the drivers of inequality across places and times.

Finally, for theorists across the social sciences, the study demonstrates how institutionalism and field theory can be combined to advance our understanding of how institutions evolve, and how social change happens. Historical institutionalism is a powerful analytical frame, which helps us understand how individual domains – like the cooperative sector - shift over time, both through incremental evolutions and radical "critical juncture" shifts. But it does not offer a fully developed, dynamic model of inter-institutional change: that is, it does not help us understand how institutions overlap, relate and change *together*. Strategic action field theory in sociology has begun to do precisely this, giving us a model which helps us understand this central puzzle. By combining key insights and conceptual frameworks generated by institutionalism and field theory, we can examine how competing and complementing fields fit, or do not fit, together, across places and times, yielding different outcomes of interest. Applied together, the cooperative case suggests that field theory and historical institutionalism can be combined to develop a joint vocabulary to explain the different ways institutions relate and evolve.

Such a frame will help explain how it is that cooperative enterprises are so comparatively rare everywhere, but particularly so in the US, by revealing that the comparative weakness of cooperatives in the US is also, conversely, a story of the comparative strength of competing and overlapping fields of ownership. Two such

fields stand out as critical: the investor-owned, joint stock corporation, which developed early in the US context, and the socioeconomic institution or field of race-based slavery – itself another field of ownership - which presented early obstacles to cooperative development.

Cooperative enterprise is itself a strategic action field, with a distinct logic and rules, one of many within the larger field of economic ownership, as was slavery, and as is the investor-owned corporation, today. The investor-owned corporation has, throughout its modern history, fought the cooperative's development in round after round of political-economic battle, ring-fencing and restricting the cooperative in law and policy whenever it can, while also leveraging macro-level differences such as distance to markets and racial cleavages to its advantage, while at times also stealing or incorporating cooperatives' unique field elements . Nowhere has the investor-owned corporation been more successful in doing this, it would seem, than in the US, which remains the hegemon of the neoliberal order under globalization. This is not surprising, for the investor-owned corporation's field logic – of individual profit maximization without regard to people or place – is most consonant with that of neoliberal globalization, and in fact, advances it. In places and times where the corporation and this process of neoliberal globalization been less pronounced or successful, the cooperative, conversely, has proven more successful.

Last, a stylistic note: I have intentionally written this study to be accessible to practitioners and the interested non-academic, while also attempting to push academic research frontiers forward. The tone and content included reflects an attempt to balance the interests and language requirements of both audiences.

CHAPTER 2

COOPERATION AT SCALE: WHY IT MATTERS, WHAT WE KNOW, AND WHAT WE WANT TO FIND OUT

“For the first five years, the question was: ‘Can we do this?’ The answer is yes. Now the question is: ‘Can we take it to scale? Can we be a player in terms of policy?’” – *Melissa Hoover, Executive Director of the US Federation of Worker Cooperatives (June 2010 Interview with Community Wealth)*¹²

As noted in Chapter 1, the current wave of interest in cooperatives, at multiple geographic scales in the US, and from state, market, and civil society actors, is neither new nor novel. It is but the latest revival in a 150+year cyclical history of interest in cooperative and mutual ownership models.

In accordance with this lengthy history, cooperatives have been extensively examined by researchers across the social sciences and cognate professional fields. These literatures, largely of a specialist nature, are vast: the third edition (2012) bibliography of cooperative development by the Illinois Institute for Rural Affairs at Western Illinois University was over 350 pages long, with thousands of entries from a wide range of academic disciplines. Despite this extensive research, and despite the long-running episodic interest in cooperatives as a solution to crisis, **systematic, empirical research pinpointing the socioeconomic and political conditions conducive to developing large-scale cooperative enterprises is virtually non-existent.** That is, there is little research regarding the *causes* of cooperative formation, scaling, and success. Much of the existing research is instead focused on the *consequences* and effects of cooperatives. Under what conditions do cooperatives achieve economic scale? This question has not been asked or answered.

Before examining this question in depth however, I turn to briefly address two necessary, preceding questions: why does economic scale matter? And, given cooperatives’ different organizational logic, how do cooperatives *operationally* achieve scale, as compared to non-cooperative businesses? In this chapter, I will also review what we definitively know about cooperative scale and prevalence, what might reasonably be implied, and what we do not know, but might wish to discover.

¹² <https://community-wealth.org/content/melissa-hoover>

2.1 Why Scale Matters to Cooperative Success and Prevalence

As noted in Chapter 1, the centering of this study around the question of cooperative scale is informed by both (a) concerns around scale expressed by cooperative organizations today, as expressed in the opening quotation for this chapter, and (b) the historical lack of inquiry on the topic. Many of the cooperative actors I interviewed and observed wanted to know how and why they might be more successful in expanding and growing as to reach and include more people, and they were not aware of useful research to help them answer this question.

Though some pro-cooperative actors were seeking to build and grow a new economy, others wondered if questions of economic scale were relevant. Not all cooperative participants I interviewed or observed were interested in or supportive of seeing cooperatives grow to larger scale. Some questioned whether scale was a relevant, or even acceptable, focus for cooperatives. Their perspectives were largely informed by three concerns. First, isn't scale a concern for capitalistic, investor-owned firms, reflecting a focus on growth, involving a loss of stakeholder and member control to maximize profit? Second, doesn't getting to scale involve "cheating stakeholders", as phrased by one informant, by failing to cover necessary costs to pay workers and produce goods in an ethical manner? And last, do cooperatives need to achieve economic scale to be widespread? Can't a large number of small cooperatives instead collectively account for a significant share of economic activity? If cooperatives need to scale to achieve economic viability and spread, can't they effectively do so by acting collaboratively, perhaps through "flexible production networks" that have purportedly characterized production since the "second industrial divide" (Piore and Sabel, 1984; Scott and Storper, 1986)?

Such questioning by some cooperative participants of the relevance of economic scale is not without merit. These questions reflect three concerns rooted in the different "logic" of cooperatives (which was discussed in Chapter 1).

First, it is true that investor-owned firms are often focused on not just turning profit, but on *maximizing* profit – typically, short-term profit – often in the name of "shareholder value". While achieving a maximally efficient economic scale might be necessary to achieve this goal of investor owned firms, it is a goal cooperatives do not necessarily share, given their "use value" logic. Second, it is also true that highly capitalistic enterprises may seek to shirk paying for the full socioeconomic and environmental costs they generate, i.e. turn them into "externalities", costs borne by others. To maximize economies of scale, they might be opposed to the "beneficial constraints" (Streeck, 1997) imposed on businesses by strong public or "corporatist" tri-partite regulatory frameworks (Schmitter, 1974). These constraints may effectively force large enterprises to move into higher value-added production to remain

profitable after they have internalized such costs. Nonetheless, if the shirking of these costs is one advantage of scale, it may not be one which appeals to many cooperatives. Reflecting various ICA principles regarding concern for community, and consistent with members' substantive values, cooperatives may wish to eliminate such externalities at their source. Last, these investor-owned firms may also engage in "rent-seeking behavior", seeking benefits or resources from the state to enhance profits, in order to facilitate growing to a monopolistic scale beyond their maximum efficiency, in order to engage in "price making" behavior to maximize investor profits (Rowley et al., 1988), consistent with "monopoly capitalism" (Sweezy and Baran, 1966; Braverman, 1974). Such price making power to maximize investor profits is again not consonant with the stated cooperative model.

These concerns regarding scale do not negate two basic facts which apply across enterprises, be they investor-owned or not. First, a certain scale is necessary to produce goods and services efficiently, and avoid making a loss or wasting of resources. Second, economic scale in any endeavor is required to account for a significant share of overall economic activity. While the finer details of both points may vary across places and times, the first-order concepts underlying both principles are not in dispute.

Cooperatives, like any enterprise, face the same basic law of economies of scale, with efficiency and productivity gains coming from several sources, notably, specialization in labor, a relationship observed long ago by Smith (1776) and Marx (1844), among others. Such gains from specialization drove the modern, Taylorist and Fordist assembly line production methods. Beyond labor specialization, gains also come from physical and engineering aspects of scale (Rosenberg, 1982). Many production functions for goods and services, for example, involve significant up-front fixed costs and start-up costs, which decline as they are spread across a greater number of units produced. This law does not require advanced training in economics to understand, as it applies to many aspects of daily life today: from making a meal, to completing household work, there are always fixed and start-up costs to any action, and they are subject to this dynamic.

Critically, and as reviewed by Piketty (2014), while Marx noted that scale was associated with increased inequality of wealth, as large-scale operations under capitalism are typically controlled by fewer and richer people, he did not argue that scale or its efficiency gains were inherently or solely capitalist. Whether operating under capitalism, or any other system of production, efficiencies of economies of scale still exist as an empirical reality. To be sure, there are also universal limits to the gains of economies of scale: enterprises can become too large and exhibit diseconomies of scale (Marshall, 1890/1920). Technology can also transform the benefits of scale in existing production, disrupting the efficient scales of entire industries: in classic Schumpeterian fashion, over the last several decades ICTs have transformed many such industries in this way. But invariably in the wake of such transformations, which often destroy

existing economies of scale, they create new economies of scale, which are today often rooted in network, “ecosystem” (Moore, 1993), and “platform” effects (Parker et al., 2016), as evidenced by new firms of scale such as Facebook, Amazon, Google, and Apple. Invariably, some degree of scale is thus required for an enterprise to be economically viable (i.e. operate with an efficient cost structure) and internally, organizationally sustainable (i.e. develop sufficient internal self-management, organizational and institutional capacity, to maintain itself over time).

On this last point of internal sustainability, scale can enable the transference of institutional or organizational memory (Cross and Baird, 2000), as to enhance “organizational learning” (Walsh and Ungson, 1991; Easterby-Smith, 2000), reducing the knowledge loss associated with either the high turnover of employees/members, or with organizational death. This is a well-known concern for US cooperatives, as has been noted in existing research:

“The left in the United States suffers from a peculiar form of amnesia. Few free-school founders or food coop enthusiasts in the sixties learned anything from their predecessors in previous decades, because they had never heard of them....The lessons of the recent past are just as obscure to the scattered activists of the present. New arrangements for living and working persist, but often in a vacuum.” (Case and Taylor, 1979, as quote in DeFilippis, 2004)

Clearly, scale matters to individual organizational viability. But it also matters in terms of a particular type of entity’s ability to inspire other organizations to form in its image and likeness, a phenomenon examined by scholars operating in organizational ecology literature (Hannan and Freeman, 1977), which examines the life cycle and population ecology dynamics of individual organizations and institutions.

Can small firms, regardless of ownership type, nonetheless skirt these realities of economies of scale through flexible, decentralized networks of production? It is true that technological disruptions have, in certain instances, undermined centralized, large-scale production, and created opportunities for small, well-networked firms (Piore and Sable, 1984) to play critical roles in newly globalized value chains (Gereffi and Kornzeniewicz, 1994; 1999; Bair and Gereffi, 2001; Gertler, 1995). But, despite the success of some networks of small firms in achieving scale, economic activity remains dominated by large firms: popular economic analyses and basic descriptive statistical data readily document how, for example, the largest corporations in the US account for the majority of economic activity. US Census data show that just 0.3% of firms in the US account for half of all private employment (see Chapter 3). The Fortune 100’s annual revenues compare, as a gross figure, to nearly half the total US GDP, while the Fortune 500 compare at three-fourths of GDP. This well-known truth holds even in the instance of new platform economy “networked firms”, such as Airbnb, where the largest firms dominate the market in part due to “network effects” (Eisenmann et al., 2006), in which the value of the platform’s service increase due its usage by others.

The dominance of these large global firms may in part reflect successful rent-seeking behavior for favorable treatment by monopoly capital (Baran and Sweezy, 1966; Braverman, 1974). Their gains to scale might also be somewhat reduced if unpriced negative externalities in production – the personal and health costs, for example, associated with working on an assembly line for many years – were internalized to the firm.

But these advantages alone do not completely offset the gains to scale. There remain internal efficiency and control advantages of production at scale, which are significant despite ongoing technological improvements which have reduced some cost advantages of scale. Beyond the simple material realities which make scale difficult to entirely escape, we know why such gains remain critical in complex production processes: large and centralized production reaps the gains associated with the “importance of being there” (Gertler, 1995), reflecting a distinction between “tacit” and “codified” knowledge (Polanyi, 1966). Some knowledge is transmitted tacitly, in person. It is thus difficult to outsource some functions beyond an organization or even to perform them virtually and off-site, despite the growth and improvement in ICTs.

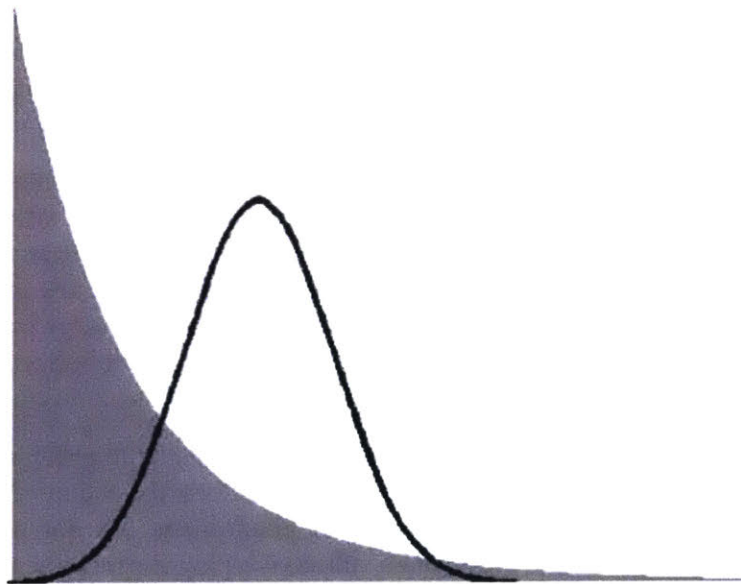
The nature of economies of scale thus means not only that scale matters for the success of individual cooperatives – they must achieve scale to be sufficiently efficient to survive - it also drives how prevalent or prominent the cooperative organizational form will be as a share of the economy overall. Stated plainly, if there are few large cooperatives in a given economy, there will be a small cooperative sector overall in that economy. This is a function of the Pareto (1896) principle or distribution, and its progeny, the power or scaling law (Gabaix, 2016).

These principles are the foundation of the popular concept, the 80/20 principle. This applies to phenomena where 80% of an outcome or result reflects the action or activity of 20% of the population, inputs, or causes. Such phenomena are not normally distributed (the Gaussian curve), but are rather a sub-class of log-normal phenomena, the Paretian distribution(s). These distributions have been academically demonstrated to be widespread in many economic variables. Pareto (1896) first observed the phenomena as applied to incomes and land ownership, with a large share of each accounted for by a small number of units. As relevant here and as noted above, large firms drive the economy, a fact which demonstrates this basic principle in action.

The same is true for cooperatives: in the US, for example, the largest worker’s cooperative, CHCA, accounts for more than half of the worker cooperative employment in the country (Hoover, 2012; Hoover and Abel, 2016). Thus, the question of scale drives overall impact and prevalence of cooperative enterprises.

This phenomenon, however, does not well apply to housing and land, however. It is not subject to the same economies of scale: once constructed, the home is largely a sunk, fixed, and static asset, not a dynamic organization growing or shrinking over time, as are firms. While housing units may also exhibit some variation in size, they are comparatively uniform with a normal, Gaussian “size” distribution around a mean: the largest 500 homes, for example, do not account for half the living space in the US (as compared to the Fortune 500 firms’ share of gross activity). Because of these distinctly different scalar dynamics stemming from its different nature and distribution, cooperative housing and land are not explicitly the focus of this study.

Figure 2.1 A Normal Gaussian vs. Paretian (Grey) Distribution (Source: Leadership Mastery)



2.2. How Cooperatives Get to Scale – “Cooperative Ecosystems”, “Cooperative Commonwealths”, and “Cooperation Among Cooperatives”

Investor-owned firms achieve economies of scale by maximizing price and minimizing costs, and reinvesting this difference, i.e. retained capital, in new “organic” expansions or in acquiring other firms, commonly called “build” and “buy” strategies. The ultimate goal is to maximize the firm’s total enterprise value, i.e. the value of its shares.

As reviewed in Chapter 1, however, cooperatives are not driven by a profit-maximizing logic predicated on instrumental rationality and exchange value, but on a substantive, value rationality, and on use value. This means that cooperatives typically achieve scale differently than investor-owned firms, through application of ICA

Cooperative Principle 7: cooperation among cooperatives. This has often meant deploying various federating or coordinating strategies.

As will be reviewed in Chapter 5, the UK's flagship Cooperative Wholesale Society (CWS), which grew from the original Rochdale efforts in the 1840s, also pioneered what would become a key approach with which to achieve cooperative scale. They developed a cooperative federating strategy, in which cooperatives form relations up and down-stream in the production process with other cooperatives, creating an interlocking group of consumer and producer cooperatives. Some of these consisted of federated regional cooperatives. CWS, which effectively supplied consumers' cooperatives as its original business, would come to encompass shipping lines, manufacturing and productive societies, banking, and housing production, among other services. They additionally formed a cooperative union or apex organization, with which to undertake education, advocacy, governance and lobbying activity.

This federating or networked strategy is well-documented as the key mode by which cooperatives achieve scale: as noted by Sanchez-Bajo (2014):

“Scaling up in cooperatives...must be endogenous, although support and promotion can be provided from outside. The most important successful cases in the world have developed through replication of small cooperatives that later networked and built second and third tier cooperatives and organizations. Models include the 'beehive' in Finland, the 'strawberry field' and spinoff models created in Italy and now used in Canada, the franchising model used in Europe and in the USA among others. They play a fundamental role in monitoring, enabling access to capital and guarantees at appropriate conditions, access to public calls for contracts and in building common development funds for innovation, services, logistics, research and specialization.” (p. 12)

Though this quote clarifies that there are variations in how this federating model is implemented, ultimately, cooperatives typically achieve scale in a different way than traditional businesses. This federating or coordinating strategy would become known by the late 1800s as the “Cooperative Commonwealth” (Wilson et al, 2014; Gourevitch, 2015) approach in Anglophone countries. It spawned similarly-named political parties in several British Commonwealth Countries (including one of the three main political parties in Canada today, formerly the CCF or Cooperative Commonwealth Federation, which today is called the NDP).

Today, this approach is often called building out the “cooperative ecosystem” (Hoover, 2016) deploying the “business ecosystem” language so popular today with platform and technology companies (see Chapter 4).

This “ecosystem” concept (Moore, 1993), which came out of business school scholarship, refers to:

...an economic community supported by a foundation of interacting organizations and individuals—the organisms of the business world. The economic community

produces goods and services of value to customers, who are themselves members of the ecosystem. The member organisms also include suppliers, lead producers, competitors, and other stakeholders. Over time, they coevolve their capabilities and roles, and tend to align themselves with the directions set by one or more central companies. Those companies holding leadership roles may change over time, but the function of ecosystem leader is valued by the community because it enables members to move toward shared visions to align their investments, and to find mutually supportive roles. (Moore, 1996, p. 26)

This concept is now frequently used to describe how Silicon Valley firms approach business development (DeLong, 2000), and has become part of popular business culture referring to the “Google ecosystem”, “Apple ecosystem”, and so forth. While this is often treated as a new phenomenon, cooperatives were effectively using a version of this approach over 150 years ago, through the Cooperative Commonwealth strategy, the historical development of which will be reviewed in detail in Chapters 4 and 5.

Again, one might wonder if through federation and through building an ecosystem, cooperatives might avoid having to achieve scale. Through networking and federation, might the sum of the whole be greater than the parts? While this point has merit, the underlying principle of scale still stands: the individual cooperatives federating are still subject to the dynamics of scale within their respective industries and functions. They likely need to individually achieve effective scale in order for the entire federation to compete and thrive at scale. If, for example, a small manufacturing worker cooperative, operating as part of a larger cooperative network, produces at a higher per unit cost due to suboptimal per unit scale, this higher per unit cost will likely be passed along to another cooperative purchasing their output, threatening the viability of that cooperative as well as the entire federation, unless the purchasing cooperative elects to choose another supplier. Individual entity scale can thus not entirely be avoided, even through federation.

2.3 Unpacking The Question: Do Cooperatives Scale in the US? If Not, Why?

The primary research question of whether cooperatives can achieve the economic scale necessary to succeed in the US exposes additional empirical questions. First, how widespread are large-scale cooperatives in the US, and how can we assess whether their level of prevalence is high or low? Does the US have more or fewer large cooperatives than other countries? Are there other similar country contexts, i.e. rich democracies, in which cooperatives have comparatively been more successful? Is there significant variation in the level of cooperative activity across these similar countries? If there are few large cooperative enterprises in the US as compared to these other places, why is this the case? Do cooperatives thrive under certain macro socioeconomic and political conditions, and not others? Are certain policies necessary and/or sufficient to support their success? Answers to these questions have significant implications, and raise additional questions, for a range of constituencies, with four in particular driving the

focus of this study. They are: “new economy”, pro-cooperative advocates and policy entrepreneurs; academics in urban studies and geography; political economists and other social scientists interested in variations in inequality and other economic outcomes between countries and places; and social theorists of institutional evolution and social change.

2.3.1 Policy Entrepreneurs and Advocates: What Can We Change to Help Cooperatives Succeed?

For policy entrepreneurs and activists promoting a “new economy” through cooperatives and other alternative structures, these questions have far-reaching implications. Policy entrepreneurs, a term developed by Kingdon, (1984/1995), refers to individuals who convert a condition into a problem requiring policy action, and get this problem on the policy agenda. They “lie in wait in and around government with their solutions at hand, waiting for problems to float by to which they can attach their solutions, waiting for a development in the political stream they can use to their advantage” (Kingdon, 1984, p. 165–6). As noted in Chapter 1, the cooperative movement, like any other, has a cadre of policy entrepreneurs promoting the form.

Recent scholarship informs these policy entrepreneurs and activists’ goals, as researchers are asking whether neoliberal capitalism, as embodied through the corporate form, can be sustained (Streeck, 2016; Streeck, Calhoun, Toynbee, and Etzioni, 2016), and if not, what will replace it? (Davis, 2016; Adler, 2016). Consistent with the work of economist Hansmann (1996), who observed that investor-owned corporations were one of a range of organizational forms in the US economy, cooperatives and closely related shared ownership models are posited to be one item on the menu of options to replace investor-owned corporations. These options are typically posited to include municipal ownership, non-profit structures, and open source/peer-to-peer production networks.¹³

If these forms cannot entirely supersede the traditional corporation, they might at the very least lead to a more “pluralistic” (Stiglitz, 2009; Alperovitz, 2012) or “organizationally diverse capitalism” (Schneiberg, 2011) in the economy in terms of ownership forms. They might play a critical role in the forging of a “green new deal” (Michie, 2017) to enhance a sustainable, equitable economy.

But if the US context is hostile to the cooperative form due to ingrained, structural features, activists may conclude that other organizational forms may have more potential for development in a “post-capitalist” (Mason, 2015) landscape. If this is the case, focusing on policies which assist cooperatives in the US might not be an optimal strategy.

Specifically for advocates of the cooperative sector, both globally and those acting at multiple territorial scales within the US, it raises other questions: if the current wave

¹³ Davis, 2016; Rifkin, 2014 ; Alperovitz, 2012 ; Benkler, 2007.

of cooperative action represents a strategic, and temporary, “policy window” (Kingdon, 1984) of opportunity generated by systemic crisis: where should they be focusing their efforts? If their efforts fail to target the most significant and pressing barriers to achieving scale, they may lose the proverbial battle, and need to wait until opportunity created by the next crisis (Pierson, 2004) to effect significant change.

2.3.2 Urban Studies and Geography: Why Do Cooperatives Keep Reappearing As an Urban and Regional Planning Strategy? In What Sense Are They (Or Anything Else) a City or Regional Problem?

Urban studies and geography scholars have long been interested in how cities and regions – meaning local governments as well as individual local actors and organizations – act to either diminish or advance socioeconomic equity (Davidoff, 1965) and environmental sustainability (Hall, 1988). The use and promotion of cooperative structures is one such means by which cities and regions can advance these goals.

Despite the ongoing wave of city, regional and state action regarding cooperatives documented in Chapter 1, the cooperative strategy is sometimes dismissed by academics as a marginal issue of concern for US cities and regions. One US urban planning academic, who also consults with foundations and community groups in regional economic development, dismissed cooperatives’ potential and relevance. Despite being based in the Boston region, where cooperatives have a long history, this individual stated via email correspondence:

“Coops have not moved forward at all since I was a grad student. Remember every crisis brings this topic into view. Political science and IPE [international political economy] have [moved forward]. Theories of capitalism have, but the ideas of coops have not changed one iota. Prove me wrong. Go back to the 1980s and find me one thing that is new... I am serious. This is a task I want you to do ASAP. The topic is not pop, but I don’t see the robust arguments about why this is both relevant, credible and compelling...why does this matter? Why should we care?”
(correspondence with author, 2016)

Another US economic development scholar-practitioner in City and Regional Planning, who is on the faculty at an institution in the San Francisco Bay Area, a region rich with cooperative action both historically and today, stated in a background interview, “I’m surprised you are researching this topic. No one will hire you to teach or research about coops. I’m sympathetic, of course. But this is a very marginal subject and topic.”

Such perspectives are surprising given the current wave of action reviewed in Chapter 1, and given that multiple recent Nobel laureates in economics, including Stiglitz, Holmstrom, and Tirole, all quoted in this study, have specifically called out the cooperative as an intriguing and under-considered form. This dismissal is all the more puzzling given that the cooperative question was once at the very heart of both the

academic and professional fields of urban studies and planning. This twinned relationship extends back through Ebenezer Howard's seminal plan for the Garden City (1898), and its major antecedent plan, Buckingham's Victoria (1849). Both of these foundational works included significant cooperative economic elements, reflecting that both modern urban planning and the cooperative movement sprang from the same field ancestor, utopian socialism. In Chapter 5, I trace this long relationship, and show that the latest round of interest is but the latest relational wave between urban planning and cooperatives.

Much has changed over the last two centuries, however, as other fields and institutions have developed to fulfil some of the utopian socialists' goals, achieving US national legal recognition in the process. These include labor unions, public health programs, social insurance systems, and the modern welfare state in general, to name a few of the most prominent examples. In parallel to the cooperative movement, many of these fields and institutions have been constructed through a process of social movement formation and contestation of making demands on the state, as detailed in the rich social movements literature¹⁴. Frequently their efforts have culminated in legislative success at a national territorial scale – Social Security in the US, for example, is a nationally-enabled program. The Clean Air and Water acts are national in their scope. Though these acts are often implemented at a local and regional scale, sometimes unevenly supplemented by state or city policies, they provide a national framework and baseline.

Given this track record of other social movements' success at national scale, it is curious that the cooperative strategy has reappeared today as an urban studies issue, just as it did from the 1960s to the 1980s. During that era, it was included in the toolkit of "advocacy planning" (Davidoff, 1965) and "equity planning for the "Progressive Cities" movement (Clavel and Krumholz, 1994). What does its reappearance today tell us about prospects for cities to effect change in the economy? Given populists' recent capture of the US federal executive branch, with nationally networked local groups (Doussard, and Lesniewski, 2017) across "rebel cities" or "radical cities" (Barber, 2017; Harvey, 2012) at this writing serving as a key beachhead for America's progressive coalition, such questions have significant implications not just for urban studies and geography scholarship, but more broadly for advocacy and activism, as well.

Rare among rich democracies, the US lacks a comprehensive economic development or explicit industrial policy framework (Block, 2008; Reich, 1981). It also lacks a comprehensive cooperative legislative framework, as I will show in this study, in which to ground local action. What, then, are the limits – and appropriateness - of the cooperative strategy today as a community economic development and environmental sustainability strategy in US cities and regions? Specifically, what power do the governments of US cities, regions and states have to implement such strategies? How

¹⁴ Tarrow, 1988, 1994; McAdam, 1982; McAdam et al., 2005; Ganz, 2009; Skocpol et al., 2000.

much power instead rests at the federal/national scale? And at which territorial scale “should” cooperative advocates be targeting their efforts in the US today?

Actors may also face greater barriers in operating at one spatial scale than another, which may condition how, when, and where they engage in action, and if they elect to “scale jump” (Smith, 1992), engage in “rescaling” (Brenner, 2004), or “scale shift” (McAdam, Tilly, and Tarrow, 2005). To be sure problems can “jump” over to different spatial and territorial scales, as Smith (1992, see also DeFilippis, 1999) articulated, as have others (Brenner and Theodore, 2002, 2005; Jessop et al., 2008; Brenner et al., 2008). Social movements scholars have also noted this phenomenon, which they call “scale shift”, as noted above, in which actors change the spatial scale at which they operate. But what determines the “appropriate” scale of action?

But as Massey (1979) asked of so many urban and regional economic policy issues, “In what sense, [is it] a regional problem?” She noted that many of what were cast as “regional” policy issues were systemic, being national or global at root cause. Besides Schneiberg and Soule (2005), who note that federalism can play a role in the “political opportunity structure” for social movements, the role of geography and spatial scale has not been fully considered or developed, and remains something of a black box.

An examination of why the cooperative strategy keeps reappearing in urban studies and planning might yield insightful answers to these questions, which have long intrigued urban studies and geography scholars, as well as sociologists and political scientists interested in social movements and urban/regional issues.

2.3.3 Political Economy: Ownership As A Driver of Variations in Socioeconomic Outcomes?

Orthodox political economists – particularly those whose work spans the domains of sociology, political science, and economics - have examined how political and economic institutions drive differences in material outcomes across places and times. Why are some countries – and regions – so extraordinarily wealthy? What role does the state play in facilitating or undermining the economic development process, and vice versa?

Modern political economists, particularly those working within the institutionalist paradigm¹⁵, are frequently concerned with how the differential construction of institutions, as well as different institutional arrangements and relationships, drive variations in economic outcomes both for individuals within countries (i.e. within-country inequality), and across different countries (i.e. between-country inequality). Missing from their conversations – debates over how differences in particular

¹⁵ e.g. North, 1990; Hall and Soskice, 2001; Thelen, 2004, 2012; Thelen and Streeck, 2005; Acemoglu et al., 2001; Acemoglu and Robinson, 2012.

institutions in the political economy shape variations across places and time, and how institutions change – has been any substantive consideration of ownership.

What role do variations in firm ownership play in explaining differences in outcomes of interest in the political economy? Though the dynamics of the investor-owned corporation have been well studied¹⁶, other ownership forms, and their relation to investor-owned corporations, have not been thoroughly considered. Though the archetypal firm is typically assumed by political economists to be a publicly-traded, investor-owned firm (cf. Gourevitch and Shinn, 2007), the US and other rich democracies play host to a wide range of firms types, from cooperatives, to industrial foundations, state-owned enterprises, and family-owned businesses, yielding an organizationally diverse ecology (Schneiberg, 2011). How do these variations in the mix of ownership play a role in the different outcomes between the US and other rich democracies on various measures of socioeconomic well-being? Though this study of the cooperative itself cannot fully answer this question, it can expose the role that cooperatives, and the institutional mix of ownership, play in shaping outcomes of interest in different political-economic contexts.

2.3.4 Historical Institutionalism And Field Theory: Cooperatives and Ownership as a Missed Case of an Institution or Field

Institutionally-oriented political economists, many of whom have also sought to develop a framework of historical institutionalism, are not alone in ignoring ownership. Field theory has emerged over the last decade as a powerful complement to the neo-institutionalist framework, as a means by which to explain processes of social change (Fligstein and McAdam, 2011, 2012). Despite significant new research deploying the institutionalists' and field frameworks, there has been little examination of economic/firm ownership as a field or as an institution.

This is, perhaps, not surprising, given that today's economy is dominated by material relations which presume and assume "ownership" as an understood background condition: households often own their own homes, personal vehicles, and shares in their employer. Yet this is a recent development in human history. Ownership, as an institution, has been socially constructed, forged through a political process via governments and other institutions, as Ciepley (2013) traced, in a recent APSR article examining of the overlooked politics of the corporation.

Meanwhile, both the historical institutionalist and field theory frameworks, which have each developed a conceptual vocabulary for understanding processes of institutional evolution and social change, remain theoretical "works in progress." Given the lack of treatment of ownership or of cooperatives specifically by these frameworks, I will not go to great length detailing these frameworks' conceptual vocabularies in this Chapter.

¹⁶ Wright, 2013; Sylla and Wright, 2013; Chandler, 1990; Lazonick and O'Sullivan, 2000; Berle and Means, 1932; Gourevitch and Shinn, 2007, Fligstein, 1990.

Nonetheless, they are examined in depth and applied in the latter half of this study (see Chapters 5 and 7). I will deploy both, in synthesis, to understand how and why the US came to have so few large cooperatives. In so doing, I seek to advance the general development of these frameworks, through their application to the cooperative and to ownership as a case.

To sum up these various research questions on cooperatives specifically, or ownership in general: none of these matters have been adequately asked or answered across these various areas of inquiry. They highlight gaps of interest for policy entrepreneurs and advocates, for political economists, for urban studies and geography scholars, and social theorists. In reviewing these four sub-categories of questions above, however, I have not explained what little is already directly known, regarding the social science of cooperative scale and prevalence. I now turn to this topic.

2.4 Social Science on Cooperatives

Despite the long history of cooperatively-owned businesses in the US and around the world, there is little empirical research, from urban studies/geography, political economy, or other fields, which directly assesses the potential for cooperatives at scale, in the US or elsewhere. Though both fields have produced a rich literature examining the real or imagined consequences and effects of cooperatives, they have largely ignored their causes. The little that exists on causes is almost entirely “micro” in nature, and fails to examine either the “macro” or “meso” scales.

In this section, I review the existing literature in three parts. First, I briefly review the rich history of literature examining cooperatives in nineteenth century social thought and practice, focusing on their role in both classical political economy, and in the foundational intellectual development of modern urban studies and planning. Second, I consider the rich empirical, descriptive, and normative treatments in both modern urban studies/geography and political economy regarding the *consequences and benefits* of cooperatives. Finally, I examine the little known about their *causes*.

2.4.1 Cooperatives in Classical Political Economy and Early Urban Studies

Though the core theoretical debates in both modern political economy and urban studies often neglect to consider either cooperatives specifically, or ownership generally, these were once core matters of concern in both academic domains.

The cooperative form played a prominent role in the nineteenth century classical works of political economy, as well as in urban studies and planning. These were not marginal writings in either field, but were core works which shaped the creation of the modern social science fields of sociology, political science and economics, as well as in the foundational modern city plans in 19th and 20th century urban and town planning. Given this central - and seemingly forgotten - role of the cooperative in both fields' history, it is worth reviewing its intellectual legacy.

Cooperative Ownership in Early Political-Economic Thought

The cooperative form was well analyzed by Walras, Marx and Engels, Mill, Marshall, Pigou and others. They explicitly debated cooperative organizational forms' role and relevance to the political economy of capitalism.¹⁷ Most of these analyses were normative, concerned with what role cooperatives either *could or should* play in the development and evolution of the political economy in a world of emergent industrial capitalism. As cooperatives were new, there was little empirical track record on which to evaluate them.

J.S. Mill, for example, not only supported cooperatives, but predicted cooperative production would come to dominate (Betts, 2016). As written by Mill, four years after the founding of the Rochdale Society (1848):

“Hitherto there has been no alternative for those who lived by their labour, but that of labouring either each for himself alone, or for a master. But the civilizing and improving influences of association, and the efficiency and economy of production on a large scale, may be obtained without dividing the producers into two parties with hostile interests and feelings, the many who do the work being mere servants under the command of the one who supplies the funds, and having no interest of their own in the enterprise except to earn their wages with as little labour as possible. The speculations and discussions of the last fifty years, and the events of the last thirty, are abundantly conclusive on this point. If the improvement which even triumphant military despotism has only retarded, not stopped, shall continue its course, there can be little doubt that the status of hired labourers will gradually tend to confine itself to the description of workpeople whose low moral qualities render them unfit for anything more independent: and that the relation of masters and workpeople will be gradually superseded by partnership, in one of two forms: in some cases, association of the labourers with the capitalist; in others, and perhaps finally in all, association of labourers among themselves.”

French classical economist Leon Walras, who articulated the marginal theory of value, also co-founded, with fellow economist Leon Say, a cooperative bank and a cooperative newspaper (Ros, 2001). He was less optimistic regarding cooperatives' potential, largely due to external challenges, specifically regarding their ability to access capital (ibid). Alfred Marshall, a founder of neoclassical economics, also both wrote about and participated actively in the cooperative movement, and was President of the Annual Cooperative Congress in 1889 (ibid). Though he voiced concerns regarding cooperatives' internal capabilities due to a lack of well-trained management, he believed this might be overcome. As he said, and as noted in the Memorial Essays in his honor, written by Pigou (1925),

¹⁷ Pigou, 1925; Ros, 2001; Betts, 2016; Jossa, 2005; Ratner, 2013; Battilani and Schroter, 2012.

“It will be said that such cooperative associations have been tried, and have seldom succeeded. They have not been tried. What have been tried are associations among, comparatively speaking, uneducated men, who are unable to follow even the financial calculations. What have to be tried are associations among men as highly educated as are manufacturers now. Such associations among men could not but succeed.”(p. 114 in Pigou)...”I regard the movement towards direct participation by the employee in the profit of the business as one of the most important and hopeful events of modern times, and as one of the best and most valuable fruits of the cooperative spirit.” (p.253 in Pigou)

Marx and Engels, meanwhile, highlighted the cooperative in the Communist Manifesto in 1848, writing just four years after the Rochdale model had been created, extolling the cooperative movement as one way a classless society would be achieved. They would continue to write about the cooperative over several decades. In his address of 1864, Marx wrote:

We speak of the co-operative movement, especially of the co-operative factories raised by the unassisted efforts of a few bold ‘hands’. The value of these great social experiments cannot be over-rated. By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behest of modern science, may be carried on without the existence of a class of masters employing a class of hands; that to bear fruit, the means of labour need not be monopolised as a means of dominion over, and of extortion against, the labouring man himself; and that, like slave labour, like serf labour, hired labour is but a transitory and inferior form, destined to disappear before associated labour plying its toil with a willing hand, a ready mind, and a joyous heart. (Marx, 1864, p. 11)

And in *Das Capital*,

With the development of co-operatives on the workers’ part, and joint-stock companies on the part of the bourgeoisie, the last pretext for confusing profit of enterprise with the wages of management was removed, and profit came to appear in practice as what is undeniably was in theory, mere surplus-value, value for which no equivalent was paid. (Marx, 1894, pp. 513–14)

Cooperative factories provide the proof that the capitalist has become just as superfluous as a functionary in production as he himself, from his superior vantage-point, finds the large landlord. (Marx, 1894, p. 511)

They ultimately concluded that the utopian socialist movement that birthed cooperatives was limited in its potential, given they lacked any consideration of the politics required to make their visions a reality. In their view, only revolution would bring it about (Marx and Engels, 1848; Engels, 1880). Engels nonetheless continued to write (1886) of the role of cooperatives in the aftermath of the Paris communes,

and went to visit the Rochdalian to learn of their work, signing their guestbook, which remains on display at the historic site in Rochdale (see Figure 2.3).

These early analyses by political economists of the cooperative were typically without explicit reference to or consideration of any specific territorial scale, be it local, national, or global. They instead focused on speculative or normative considerations regarding the general future of the cooperative, from which a heterodox and radical subliterate (e.g. Kropotkin, 1902) emerged. This literature has persisted to this day¹⁸, and continues to debate whether cooperatives should or will play a role in any pending socialist revolution and overthrow of capitalism. Similarly, and as a reaction to these literatures, the Austrian school railed against cooperatives, focusing on their association with totalitarian, collectivist economies (Von Mises, 1947). None of these treatments, however, was empirical, nor did they directly examine questions raised herein.

Reflecting this rich history of cooperatives in classical economic thought, cooperatives were once well represented in early modern economics text books. But they have since largely disappeared from their pages. This decline of cooperative coverage in standard economics texts over the twentieth century has been quantitatively examined by Finnish economist Kalmi (2007), who has shown that their decline in coverage does not well align with their continued prominent role in many national contexts.

Cooperatives in Early Urban Studies and Planning

As economies of scale in capital-intensive industrial production displaced the work of independent craftspeople and farmers, they migrated to the city; as the UK industrialized first, the early archetypes of the industrializing city-regions were Manchester and London (Katznelson, 1993; Merrifield, 2002). These regions not only served as a laboratory for early urban thought (Engels, 1844), they not surprisingly thus also played host to a number of social movements and organizational innovations in response to industrialization and urbanization.

These responses include both the modern cooperative business ownership model, as well as comprehensive urban planning and “new town” models, which emerged together from the utopian socialist movement, which “from 1824 to 1848 produced up to that time what was the most rapid proliferation of communes in the United States...largely viewed as a response to the inhumanity of industrialization” (Schehr, 1997, p. 27)). Specifically, Horace Greeley’s worker cooperatives in the US also included land and housing elements (Curl, 2009) as of course did models like Fourier’s

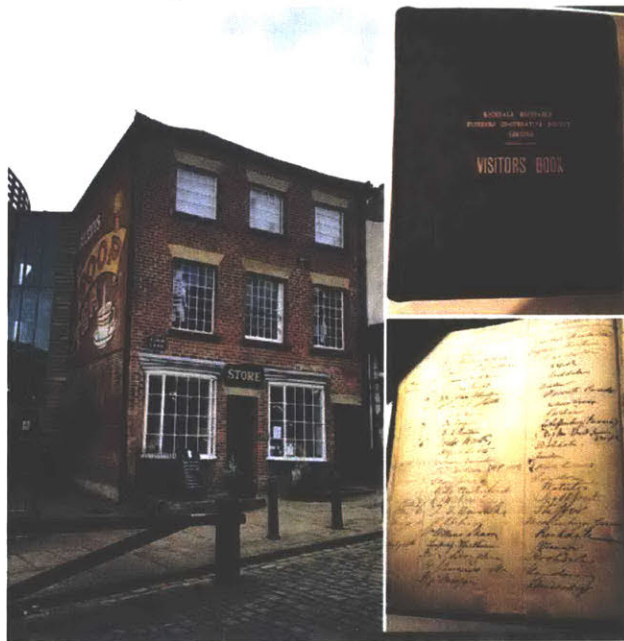
¹⁸ See the various works of scholar-activists such as Robin Hahnel (2013), Michael Albert (2004), and Richard Wolff (2013).

phalanstere in France, and communal utopian towns in the UK and the US like Owen's "villages of cooperation" (Vidler, 2011).

These efforts directly inspired James Buckingham (Keulartz, 2003) to create arguably the first modern plan for a model city, "Victoria" (1849). A key forerunner to the modern comprehensive plan (Hall, 1988, 1992), this was one of the first new town master plans produced in response to early urban industrialization. Buckingham's work was equally concerned with physical planning as with the political economy (Morrison, 2016), and spent over 150 pages articulating a cooperative economic system of "associated community". His efforts would be directly drawn upon (Mumford, 1965) by Ebenezer Howard, who created what remains "almost without question the single most important work in the history of modern town planning" (Hall et al., 2003), *Garden Cities of To-morrow* (Howard, 1898). Though the cooperative aspect is often relegated to a footnote in analyses of its urban planning legacy, (Fishman, 1977), cooperative

Figure 2.4 The Birthplace of the Cooperative.

The modern cooperative was born just outside of Manchester in the early 1840s, in Rochdale. Here, the original store on Toad Lane still stands as a museum, but was once visited by politicians, academics, and social activists from around the world, including Frederick Engels (whose signature is pictured, bottom right). They helped diffuse the ideas and practices of cooperation around the world. The UK Cooperative Group's headquarters, alongside that of Cooperatives UK, the nation's apex organization, is now located in Downtown Manchester. (Photos by Spicer, 2016)



ownership of both land and enterprises were central components of the Garden City plan. Howard, who had traveled extensively in the US and visited utopian socialist communities, had built on Buckingham and Alfred Marshall, who not only transformed economics and introduced the idea of urban knowledge spillovers, but was also active in the cooperative movement (Pigou, 1925). Thus, Howard's plan prominently featured cooperation as a key component of its Utopian vision, Over time, however, the cooperative aspects of the Garden City, were muted or removed in practice.

2.4.2 Modern Considerations: Focus on the Consequences and Effects of Cooperatives

Subsequently, both modern urban studies/geography scholars, as well as sociologists and political scientists examining the economy, have often extolled the benefits or consequences of cooperative enterprise. This includes a range of both theoretical and empirical treatments. Many works describe the posited or realized benefits or uses of cooperatives, or prescriptively suggest cooperatives as a solution to the problems generated by capitalist industrialization and urbanization.

Cooperatives as Localized Response to Poverty and Exclusion in Minority Communities, Marginalized Neighborhoods, and Regions

The role of cooperatives and related forms of ownership has been examined as one path through which communities, neighborhoods and regions can “take back the economy” (Gibson-Graham et al, 2013), achieve “community control” (DeFilippis, 2004), and enable sustainable consumption (Cohen, 2017). This literature, largely emanating from urban studies and geography, has typically focused on such actions as undertaken by marginalized populations (such as racial or ethnic minority groups, or non-mainstream sub-cultural populations in the US such as environmentalists, socialists, see Mansbridge in Case and Taylor, 1979), often operating at a local community or neighborhood scale. Other examples, however, are somewhat larger in their geographic range, and explicitly regional in economic scale.

DeFilippis (2004) framed community and cooperative ownership as one of the means through which people in socioeconomically marginalized US neighborhoods can escape from the cycles of corporate disinvestment and abandonment under liberal capitalist globalization. He examines how communities such as Dorchester in Boston, and the Bronx in New York, have used such structures to exert locally-rooted control over the three factors of production. But while his theoretical framing describes how these structures enable communities to build a different type of locally rooted, community-controlled economy, it does not tell us when or how such strategies are possible or most successful.

Gordon-Nembhard (2014) examines the rich history of cooperatives among African Americans and civil rights leaders (Baker, 1970) as a community economic development strategy. But she does not consider what their use in a specific racial group implies for the limits of their broader use in a racially diverse society. Though historian Curl (2009) attempts to tackle the broader user of cooperative structures in US history, he also does not provide us with any systematic frame with which to understand when or why they have been most successful.

Most of this literature is US-centric, but similar international/comparative examinations of concentrated “local” uses of the cooperative strategy exist. US cooperative researchers and activists have typically focused on a handful of regions

where cooperatives have succeeded (Adeler, 2014; Wright, 2013), with three in particular most commonly examined: the Mondragon cooperative network in the Basque region of Spain (Whyte, 1991), social and industrial cooperatives in Italy, often with a focus on the Emilia-Romagna region (Putnam, 1993), and worker and consumer cooperatives in the province of Quebec (Levesque, 1990, Tanner, 2013).

These three cases are so widely referenced that they have become aspirational for the US cooperative movement, as noted in recent popular media coverage on efforts to build worker cooperatives in US cities:

“While researchers try to connect the dots about the power of worker coops as poverty fighters, they are faced with relatively thin data because of the low numbers of the enterprises in this country. Advocates look to Quebec, the Basque region of Spain and Emilia Romagna in northern Italy, regions that are relatively dense with worker cooperatives, in part because of the support of government policy, strong mechanisms for funding and rich networks with other democratic enterprises including banks and sometimes unions.”¹⁹

Curiously, these frequently cited international examples, which US cooperative advocates most frequently seek to emulate, are from non-English speaking or non-Anglo-American regions, despite the fact the cooperative form came out of Great Britain.

Furthermore, though the above literature (on cooperatives as a local development strategy) is focused on the US and comparable contexts in the rich democracies, such approaches are also evident in the Global South. They include female waste-pickers’ cooperatives in India and Latin America (Medina, 2007; Fergutz et al, 2011), to “recovered worker-owned businesses” in Argentina (Vieta, 2010), and transnational North-South cooperatives operating across the supply chain (Besson in Hersent and Torres, 2014).

Geographers Gibson-Graham et al. (2013), have effectively expanded on DeFillipis’ and others’ academic work by providing a more comprehensively prescriptive and global cataloguing of the strategies local actors can use to “take back the economy” through their personal and professional economic footprints, prominently featuring cooperative and related ownership forms. But again, there is little empirical examination of the causes and conditions of these examples. Why is it that the Mondragon worker-consumer cooperative system in the Basque region of Spain, cited by Gibson-Graham and so many other social scientists as an example of cooperative success, has not been replicated in other places? Why is Boston’s Equal Exchange, arguably the largest US consumer-facing worker cooperative, which is cited by Gibson-Graham, also such an anomaly?

¹⁹ <https://truthout.org/articles/leveling-the-playing-field-for-worker-cooperatives/>

Cooperatives' Benefits: Enhanced Morale/ Productivity, Democracy, and Civic Participation

As noted in the section above, though cooperatives seemingly disappeared from economics, as macro-economics diverged from classical political economy in the twentieth century, a modern wave of coverage by sociologists and political scientists can be traced back to the 1970s and 1980s. This wave was led by the work of democratic theorist Pateman (1970), and Dahl's *A Preface To Economic Democracy* (1986). These works did not explicitly consider cooperatives in neighborhoods, regions or at any other explicitly territorial scale, but rather more generally examined their benefits and consequences, in theory and in practice.

In *Preface to Economic Democracy* (1986), the title of which harkens back to one of Dahl's first major works, *Preface to Democratic Theory* (1956), his thinking took a sharp turn away from the pluralist school he was long associated with, towards an anti-elitist and neo-Marxist critique. In this work, he argued that political democracy cannot be sustained long term, without a corollary economic democracy. Echoing Schumpeter (1942), as well as Proudhon, Mill and Marx, he argued capitalism's search for monopoly and super profits supported a tendency towards concentrated ownership of enterprises, resulting in deeply unequal economic, and in turn, political, power, threatening both political and economic forms of democracy. As a counterpoint to this dynamic, he conceptualized economic democracy as a system in which individuals can exert both democratic *control and voice* (Hirschman, 1970) in economic institutions. He explicitly defines these as economic enterprises owned and controlled by their constituent members, to achieve "workplace democracy". Technically, this might encompass a range of worker self-managed and owned enterprises, such as democratically-constituted limited liability partnerships and employee stock ownership plan (ESOP) models. In practice, the ownership and control/voice considerations led Dahl to argue that worker-owned and controlled mutual and cooperative enterprises and, by implication, related ownership forms (housing cooperatives, land trusts, credit unions) were the most practical way that economic democracy, in reality, could or would be achieved. Dahl's analysis, perhaps surprising given he was a political scientist, failed to consider the politics which might be required to implement such a vision into practice, or under what circumstances and how they might come to be.

In constructing this theorization, Dahl had built on a generation of democratic theorists and empirical research on the effects of both political and economic participation, from Pateman (1970), back to MacPherson (1942). Echoing classical political economist Alfred Marshall's (1920) argument regarding knowledge "spillovers" in cities, Pateman had theorized about the "civic spillover" effects of cooperatives: that workplace participation and democracy would likely "spillover", inspiring workers to participate in political democracy and civic life.

A subsequent generation of research since Dahl and Pateman, meanwhile, has also largely been concerned with the effects, not the causes, of cooperative forms, with a particular emphasis on examining the workplace effects, as well as socioeconomic inequality and anti-poverty effects. British sociologist Johnston Birchall catalogued the history and sociology of the cooperative, focusing on its benefits to workers and societies (Birchall, 1994, 1997, 2010). American sociologist Joyce Rothschild has documented how cooperatives in the US (and elsewhere) result in better outcomes for workers (Rothschild and Whitt, 1986), resulting in less gender inequality in the workplace, as well as higher levels of productivity and morale, as well as higher workplace democracy and equality (Rothschild, 2016; 2012; 2009). Mirroring this work, economist and sociologists Kruse, Blasi and Freeman (2010) and Carberry (2011) have also documented some benefits in the US context, as pertaining to employee ownership, be it through the cooperative model, or through an ESOP, and connects to a broader literature on the benefits of “labor managed firms” (Dow, 2018). Political economist George Lakey argued in *Viking Economics* (2016) that cooperatives are one of the institutional tools Nordic countries have used to reduce poverty and inequality. Sociologist Erik Olin Wright (2010, 2013), has rearticulated the nineteenth century argument of Marx, Mills, and Walras: that cooperatives’ democratic form and inequality reducing benefits mean they might offer a route out of capitalism towards a different system of production. Political scientist Tom Malleson (2014) has, similar to Wright, posited a significant role for co-operatives in democratizing workplaces and creating economic democracy today.

2.4.3 Theorizing Cooperatives’ Socioeconomic Causes: An Institutional Response by Homogeneous Groups to Marginalization?

Though they have produced significant scholarship on cooperatives’ real or imagined *consequences*, social science researchers have rarely attempted systematic analysis of the *causes* of cooperative ownership, which is why we know so little about the scalability and potential of cooperative community economic development, either in the US or a comparative context. Despite limited systematic literature, particularly at the macro or meso levels of analysis, however, several individual works can be synthesized to produce a partial theory of the causes of cooperative enterprises.

Consistent with the popular notion of cooperatives as a response to crisis, the creation of a cooperative can be understood as an endogenous institutional response by a group of individuals with a common interest in self-providing a good or service that the market or state has failed to provide. This failure often implies, or is predicated on, the existing marginalization of the group in some way, be it social, political or economic in nature. Cooperatives may thus be a response to the political-economic marginalization of groups possessing a distinct identity constructed on the basis of a perceived homogeneity, be it social (e.g. racial, ethnic or religious groups such as African Americans, Finns, or Mormons) or economic (e.g. dairy farmers) in nature.

They may also be a response to the spatial marginalization of communities located in economically remote places which are “far” from markets/states or possess “barriers”²⁰ to markets/states in some way, be they neighborhoods (the Bronx), entire regions (the Basque Country), or in fact, nations (Finland or New Zealand, as I will show). Critically, cooperative enterprises and organizations thus result from the confluence of both push and pull factors, that is, both supply and demand factors. The cooperative is *demand*ed by a group which lacks access to a good or service, and is *self-supplied* by that same group, on the basis of and by leveraging social or economic solidarity rooted in a shared, homogeneous interest of some kind. This social or economic homogeneity acts as a *substitute* for the profit maximizing motive, by providing an incentive for individuals to act collectively to supply the need, while also acting to support enforcement of rules in participation in the cooperative.

I now examine the works utilized to construct this synthesis of what we know about cooperatives’ causes, taking both the supply and demand factors, in turn.

Supplying Cooperatives: Solidarity Based on Social or Economic Homogeneity

The importance of homogeneity, be it social or economic in nature, among cooperative participants is well documented. Its role was observed by the prominent early modern urban planner Clarence Stein, for example. Besides developing planning’s idea of the “superblock” development and advocating the Garden City movement, he also served as New York State’s Commissioner of Housing and Regional Planning, at which time he introduced comprehensive legislation for cooperative housing in the state in the 1920s. At the time, the first individual housing cooperative developments in the US, Alku and Alku Toinen, had been created by Finnish immigrants to New York City in “Finntown” in Sunset Park in Brooklyn, in 1916. They also had created a host of cooperative businesses in the neighborhood.

Finns brought cooperation with them from their homeland to wherever they settled in the US, with cooperatives functioning in Finnish neighborhoods as a social and community meeting place in much the same way as a church would elsewhere (Chambers, 1962). The Finns deployed their home country’s cooperative housing and business ownership models to create affordable housing and goods unavailable through the traditional market mechanisms. A decade later, the Finns had built 30 such housing complexes along with cooperative businesses in Finntown. Stein stated in 1924, “Why is it that the Finns can put up houses on the cooperative plan and we cannot?” Stein lobbied New York State’s Governor to include cooperatives in state tax programs to encourage affordable housing development in the 1920s. Stein,

²⁰ I place “far” and “barriers” in quotation marks, because of course the Bronx is not far from Manhattan in objective, physical terms. But socioeconomically and politically, by measures of access to opportunity, the Bronx is a world away from Manhattan.

however, later became disenchanted with cooperatives, as he felt that New York had too much ethnic and religious heterogeneity for cooperatives to function well, as noted by New York City housing policy documents.²¹

This importance of homogeneity to cooperation follows other historical, descriptive accounts of cooperatives by urban and social historians. European historian Robioneck in Kreutzmueller et al. (2015) noted the role of ethnic homogeneity in cooperatives, which are both produced by, and also produce, solidarity. In examining German cooperatives operating outside of Germany in Eastern Europe in the twentieth century, he states, “predicated on ethnic homogeneity, cooperatives ‘inevitably took on the task of economically maintaining the ethnic group’ by supporting the individuals involved”. (p. 218) A similar history exists in US African-American communities (Gordon-Nembhard, 2014), which have historically leveraged bonds of social solidarity based on race to form cooperatives to self-provide goods and services unavailable to them due to socioeconomic exclusion and discrimination based on race.

These accounts highlight how cooperatives spring up as a self-provisioning mechanism among homogeneous, social groups. But it is not simply a story of homophily, that is, a story of a group with a shared experience which bonds them. Rather, individuals in the group must actively engage to leverage the social solidarity generated by homogeneity – effectively what Durkheim called mechanical solidarity, as it is based on shared, common bonds of experience – as a response to their marginalization, and form a cooperative to improve their condition. Similar dynamics characterize the cooperative successes in the Basque Country (Whyte and Whyte, 1991), and Quebec (Bouchard, 2013; Levesque, 1990).

In fact, the original “stable” modern cooperative organizational form, the Rochdale cooperative of Britain, exhibited pre-existing social and economic homogeneity among its members. The Rochdale Society of Equitable Pioneers was formed by a group of weavers. These individuals had a shared bond, of watching their skilled livelihood destroyed by automation as technological innovation replaced their profession with the power loom (Wilson et al., 2013). As they watched their work destroyed, they set up a consumer’s cooperative society to self-provide goods for their own consumption, effectively leveraging their social solidarity with respect to their shared social status regarding their profession, while also sharing a common economic interest in acquiring basic foodstuffs for their own use. Schneiberg et al. (2008) have also examined how US farmers leveraged this similar dual solidarity, which was also expressed in social movements such as the Grange and Knights of Labor, to form cooperatives.

Though such homogeneity is often implied to be constructed locally or regionally, it can also exist a national scale. Jones and Kalmi (2009), have argued that cooperatives are more prominent in countries where there are higher levels of trust and lower levels

²¹ <http://s-media.nyc.gov/agencies/lpc/lp/2258.pdf>.

of inequality. This builds on seminal work by Putnam (1993), who utilized the density of an area's co-operatives as a measure of trust. Jones and Kalmi do not ask what drives trust for cooperative sector scale, though size of country and social homogeneity are reasonably implied as factors.

As noted, cooperatives are not just supplied and created by socially homogeneous groups, but also by those with an economically homogeneous interest. Birchall (1997) argued that cooperatives are more common in basic needs industries, such as agriculture, health care, and basic banking, where good/service requirements and expectations may be comparatively uniform. Hansmann (1996) has explained why this is so: homogeneous interests among members of a cooperative reduce internal transaction costs. When interests are heterogeneous, the costs of cooperative decision making rise, and cooperatives have difficulty competing with investor-owned firms.

“Moreover, among the costs of ownership, the problem of heterogeneity is of particular importance. It is very rare to see a cooperative in which ownership is shared by a group of patrons that exhibits any substantial diversity. This suggests that the costs of collective decision-making are very high for a heterogeneous group of owners. Indeed, this seems to be a real bar to forming cooperatives in many industries. If a highly homogeneous class of patrons — besides investors — doesn't exist in a given industry, firms in that industry are very unlikely to adopt the cooperative form in place of investor ownership.” (Hansmann, 1999, p. 395)

This implies that actors in certain industries might also be less prone to cooperativization because they have less incentive to work together to “supply” a cooperative. This may be especially true in industries or functions with highly heterogeneous outputs or inputs (e.g. heterogeneous worker skill profiles, or heterogeneous commodity outputs, both of which give rise to different interests). It also implies that socially heterogeneous populations – given their weaker common bonds of mechanical social solidarity – might also be less likely to sustain large-scale cooperatives. By implication, given that smaller countries are often more internally homogenous, country size may also therefore also be a factor in the supply of cooperatives.

Taken together, this literature suggests that the supply of cooperatives in any population will in part be a function of the level of social and economic homogeneity among the possible pool of member-owners, as cooperative organization relies on homogeneity-based solidarity to reduce costs of decision-making, as a substitute for the profit-maximizing motive to internally sustain the enterprise.

Demanding Cooperatives: Sources of Socioeconomic Marginalization and Crisis

If homogeneity-based solidarity forms the basis for supplying a cooperative, what drives the demand for cooperatives? The literature suggests that cooperatives are demanded when a population cannot obtain a demanded good or service through “customary” channels: in the modern era, this would typically mean procuring it

through the existing market economy, or by making demands on the state. In the language of economics, cooperatives can be framed as a response to market or state failure.

Microeconomics has devoted some effort to studying cooperatives as an endogenous institutional response to market failure (Hueth, 2014; Hueth and Moschini, 2014). This builds on work by Ostrom (1990), who examined how or why cooperative structures succeed in some contexts, but not in others. But her work focused on the microeconomic contexts, specifically the rules of these cooperative structures, which were often not necessarily formally structured, organizationally or institutionally, as cooperatives, in the sense as they are formally recognized by the ICA. She also largely examined common pool resources and other “public good” problems, not private goods, which she ceded as the domain of market logic. In general this work on cooperatives as a response to market (or state) failure has not examined the underlying nature of the causes of these failures or imperfections.

For cooperatives, the most common cause of relevant state or market failures/imperfections stem from two types of factors, physical or social in nature: physical/geographic remoteness which produces spatial marginalization, or social and economic marginalization.

The first factor is the most straightforward. Building on work by economic geographers, Salustri et al (2015) have developed and tested the argument that public and private market provision of goods may decline with physical distance or remoteness to markets and “central places” (1933). This may occur as a function of both the size and/or the distance of the place from markets. Thus cooperatives, as a self-organizing means by which to deliver such goods to remote areas, are one of the institutional mechanisms that can act to offset or to respond to distance-related market failures/imperfections. Summarizing this work, the cooperative might be an endogenous institutional response to *spatial* marginalization, stemming from the size or distance of places to markets.

Beyond these physical causes, groups may have an unmet economic need due to social causes. These can be induced by historical causes such as periodic capitalist crises, such as the one which gave birth to the modern cooperative movement as weavers in Rochdale became economically marginalized (Wilson et al., 2013) due to technological change. Other examples might include a failure of the state or market to provide worker retraining programs (birthing self-help worker cooperatives), or to support a social safety net (leading to mutual aid). State crisis can also play a role, such as that which occurred in Spain during and after its Civil War, with political and state action enhancing the remoteness (due to its topography and language) of the Basque region, which produced the world’s largest worker-consumer cooperative network enterprise, Mondragon (Whyte and Whyte, 1991). Failures can also stem from or reflect constant causes, such as the ongoing racial discrimination which caused post-bellum African

Americans, generation after generation, to form self-help cooperatives to meet their needs (Gordon-Nembhard, 2014). This example also highlights how the same factor – social or economic homogeneity - can be the basis for both a demand and supply of a cooperative. A factor which gives rise to a shared common interest may also be at the root cause of the group’s unmet need, as the case of African-Americans well shows.

2.5 What Remains Unknown: Cooperatives’ Politics and Policy – Towards a Political Economy of Ownership

Based on this literature, one can construct a partial theory as to what types of macro-social and economic factors might motivate the formation and sustenance of cooperatives. Indeed, in the preceding sub-section, I have synthesized this literature to form such a theory, albeit a partial one, which explains why cooperatives might be formed and sustained in some contexts, and not in others.

What is absent from the research record or my synthesis above, however, is any consideration of the politics and policy drivers which might explain the ability of cooperatives, once formed, to grow and scale, to persist and succeed over time. This absence is striking for two reasons: first, as noted above, sociologists and political scientists have long been enamored with the idea and promise of cooperatives, which interested both classical political economists and modern theorists. And yet there has been no consideration of the actual politics and policies which might enable or undermine cooperative success. As the quote from a cooperative developer to open this chapter well attests, those seeking to grow the cooperative sector today know that there is a link between getting to scale and policy. And, yet, this connection between the success of various fields of ownership and policy has not been well considered.

Second, political economists have gone to great lengths to examine the different ways states structure and condition market institutions, driving variations in socioeconomic outcomes across nations. While this might seem an obvious point, the conventional and popular wisdom, particularly among neoliberals and libertarians in rich democracies like the US today, is often that markets are “natural” and should be “free” (Friedman, 1962), and ideally require little to no intervention from the state, except to forge basic ground rules and mediate disputes (Nozick, 1975/1977).

In reality, markets have never functioned this way. Markets have always required interventions from democratic states to function, and states, including the US government, have played a wide variety of functions in the market. In the US, this has been demonstrated through a well-developed body of scholarship associated with the “American political development” tradition in political science, which developed in the 1980s on the basis of the works of scholars such as Evans, Rueschemeyer, and Skocpol (1985). This work, which began by “bringing the state back in” (Skocpol, 1985), has subsequently led other scholars to detail the various ways in which the “entrepreneurial state” (Mazzucato, 2011/2013) is constantly acting in ways to

“condition” and structure markets (Kelly, 2009, 2011; Volscho and Kelly, 2012), as well as to provide a wide range of investments, goods, and services, even in the US (Hacker and Pierson, 2016). Cooperative ownership structures are unlikely to be an exception to this state-mediated process; their success and prevalence is likely in part a function of how they are treated by the state.

These simple points regarding how the US government structures markets has been more broadly confirmed through a prolific corpus of work in comparative political economy. Across national contexts, scholars have examined how differences in producer and/or electoral politics have, over time, shaped variations in socioeconomic outcomes via national labor market institutions, industrial relations, and related social and industrial policy domains. These examinations cover almost every institutional domain imaginable, except for ownership forms and logics, which remain ignored.

These works include studies in the varying cross-national structures of skills training (Thelen, 2004) and human capital investment (Martin, 2000); welfare policy regimes (Esping-Andersen, 1990) and their interaction with electoral systems (Manow, 2008; Lipset and Rokkan, 1967); systems of interfirm relations and associated types of innovation (Hall and Soskice, 2001); cross-class alliances to generate political power (Swenson, 1991; Huber and Stephens, 2001); interlocking financial holdings (Gourevitch and Shinn, 2007); industrial policy and its relationship to national security and innovation (Weiss, 1998, 2014; Schrank and Whitford, 2009; Block and Keller, 2009); redistributive and tax policy regimes (Meltzer and Richard, 1981, Alesina and Rodrik, 1994, Lindert, 2004, Mettler, 2011); and inclusiveness vs. extractiveness of political and economic institutions (Acemoglu and Robinson, 2012).

The efforts of these scholars have also produced some of the most compelling theoretical and conceptual frames with which to make sense of the drivers of modern capitalism as experienced in the US and other rich democracies. These frames include “varieties of capitalism” (Hall and Soskice, 2001), “welfare regimes” (Esping-Andersen, 1990), “power resources theory” (Huber and Stephens, 2001), the “Robin Hood paradox” (Lindert, 2004), and the notion of the “submerged state” (Mettler, 2011). It also includes many works which form the basis of the methodological approach and philosophy of the historical institutionalist school within the new institutionalism (Thelen, 1999, 2004; Thelen and Streeck, 2005; Hacker, 2004; Pierson, 2000, 2004; Acemoglu and Robinson, 2012), which questions and undermines static conceptualizations of ideal-type differences across countries, as well as mechanical notions of crisis as automatically producing shifts in outcomes, instead advancing notions that these differences evolve, over time. Small differences give rise to path-dependent “increasing returns to scale” (Pierson, 2004) in different policy and political configurations of institutions and power relations.

Interdisciplinary scholars of organizations have leveraged this conceptual work of institutionalism, as well, to examine how organizations and enterprises evolve, both

internally and relation to one another, with distinct and emergent “institutional logics” (Haveman and Gualteri, 2014) producing “organizational ecologies” (Hannan and Freeman, 1977), that is, distinct patterns of organizational birth, death, clustering and relation. This work has reached its grandest expression with the development of sociological “strategic action field theory” (Fligstein and McAdam, 2011, 2012), discussed earlier in this chapter. Field theory builds on Bourdieu, the new institutionalism, and organizational studies to conceive of social life as set of interdependent and overlapping fields which are “a source of routine, rolling turbulence in modern society” (Fligstein and McAdam 2012, p. 19).

The Politics and Policy of Different Ownership Models at Scale

Despite this extraordinary output from social scientists, there are two large gaps in this work of both political economists and organizational scholars, which the case of the cooperative enterprise exposes.

The first is a meso-level oversight: as noted, there has been a paucity of research examining the role of different economic ownership models - which, like the cooperative, each have distinct institutional logics - in explaining cross national differences in the political economy. Political economists, in explaining how variations in institutions’ *liberalness* affects the nature and level of inequality, either ignore the question of ownership (as in Hall and Soskice, 2001), or if they consider alternatives to the investor-owned firm, they are a footnote or anomaly (as in Jackson and Thelen, 2015). This follows recent sociological research which has confirmed that non-investor owned firms like the cooperative are often treated as an “aberration” (Schneiberg et al., 2008) in the political economy, with the corporation falsely and a-historically treated as the “natural” form rather than as a result of an historically contingent political process (cf. Ciepley, 2013). Accordingly, there has also been little examination of the different politics and policy contexts which sustain these models. Similarly, organizational studies scholars and field theorists have also neglected to study variations in ownership models, largely ignoring the topic (for a notable exception, see the various works of sociologist Schneiberg with his collaborators). I will remedy this oversight in Chapter 3.

The second gap is at the macro-level: most of these analyses fail to consider the role of space, place and territorial scale at any level other than the nation-state. The nation remains the primary scale today possessing sovereignty and control over property and the means of violence. Many of the political and economic institutions which shape modern capitalism are often enabled, structured, and constituted primarily at the national scale. But many nations today, including the US are *federal*, with varying degrees of autonomy and sovereignty possessed by cities, provinces/states, and/or regions.

This matters for our understanding of cooperatives' (and other institutions') ability to achieve economic scale, particularly in the US, because they must navigate a complex political and legal thicket. Ownership forms are largely incorporated at the state level, where they are also subject to a wide variety of employment regulations, but are taxed and regulated with respect to finance and employment at the national level, as well. The profit motive has led to relative harmonization of many such laws in the case of corporations (Sylla and Wright, 2013; Kortén, 1995), reducing this barrier. But this may not be the case with cooperatives, which do not rely on the profit maximizing motive. Such concerns also expose how and why these questions are salient to scholars and practitioners alike in urban planning and policy: if cooperative development strategies require certain national frameworks and baseline conditions to succeed, how effective and useful is it to promote them at a local scale, if such national frameworks and conditions are not in place?

Summarizing these gaps: deploying insights from political economy on how democratic states structure markets, how can we understand the national political and policy contexts for the success and scaling of different enterprise ownership models, such as the cooperative? Controlling for the known socioeconomic supply and demand factors for cooperatives, how do politics and policies condition the comparatively stronger development of some ownership forms, instead of others? And how do liberalism and federalism figure into this dynamic, if at all? I now turn to examine these questions empirically, in Part Two.

PART TWO

THE EMPIRICS OF COOPERATIVES AT SCALE TODAY

CHAPTER 3

MEASURING AND MODELING THE PREVALENCE OF LARGE-SCALE COOPERATIVE ENTERPRISES

“...the theory of the firm, and of organization more generally, has grown into a substantial field of economic research. Yet, peculiarly little attention has been spent on understanding the role of cooperatives and other non-corporate forms of organization. It has simply been assumed that most firms are business corporations...” - *Bengt Holmstrom (1999, p. 404), 2016 Nobel Laureate in Economics, MIT Paul A. Samuelson Professor of Economics*

How common or prevalent are large-scale cooperatives in the US? If they are comparatively rare, why is this the case? These questions can potentially be answered with quantitative data and an empirical modelling strategy, which are reviewed and developed in this chapter. I first examine the prevalence of large-scale US enterprises in general – of all types, cooperative or not – to establish an empirical baseline for what constitutes a large enterprise of economic scale. I then use several data sets to track and measure the comparative presence of large-scale cooperative/mutual enterprises in the US vis a vis other rich democracies. Last, answering the question of why cooperatives are more or less common in certain places, and not in others, requires an empirical modeling strategy, which I develop and execute in this chapter.

In summary, while good historical data is difficult to come by, several global data sets can be used to measure the current prevalence of large-scale cooperatives in the US, as compared to other similar countries, i.e. high income democracies. These data show that the US, as expected, has comparatively few large-scale cooperative enterprises – based on the data used, when adjusted for the country’s size, *the US may have a smaller cooperative business sector than almost any other rich democracy.*

The data also confirm significant cross-national variation in the prevalence of large-scale cooperative enterprise activity across countries similar to the US, i.e. the rich democracies. For example, large cooperatives are over 8 times as common in Finland than the US, where they occupy a dominant market position in certain industries, including banking, insurance, health/social services, transportation/utilities, agriculture, and retail. This is also the case in several other countries (Mitra, 2014).

How can these differences be explained? Using cross-sectional data, I develop a multi-level, mixed effects logistic regression model to test the relationship between

cooperative prevalence and the various posited causal factors reviewed in Chapter 2. Specifically, I incorporate a range of macro social and economic factors to proxy the supply and demand-side characteristics for cooperatives implied by existing literature, as synthesized and reviewed in Chapter 2. The model results confirm statistical significance for most factors.

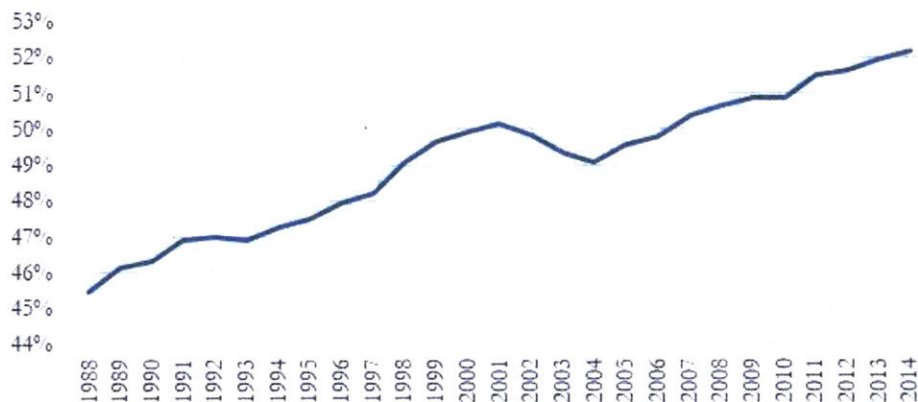
I also test previously unconsidered political and policy variables, also as preliminarily examined in Chapter 2. Even after controlling for other relevant factors, I find that the state's liberalness – as demonstrated by deploying two mainstream social science political economic and social policy typologies, the Varieties of Capitalism and Welfare Regimes frameworks, respectively – has a statistically significant relationship with cross-national variation in in cooperative activity, while federalism displays mixed statistical results. I also explain how and why these policy logics are related to the different ownership logic of the cooperative, and its ability to scale.

3.1 Measuring and Understanding The Prevalence of Large Scale Enterprises

Does the US have many large cooperative businesses? Answering this question requires data which identifies the activity of cooperatives, and identifies whether a firm is a cooperative. But it also requires establishing a threshold for which a firm of any ownership variety might be considered “large”. This is a critical preliminary point to establish given that the question at hand is about economic scale. If economies of scale support Paretian “power law” type distributions in economic activity, in which larger firms account for a majority of activity, when do such economies of scale “kick in” for firms?

Figure 18.1.1

500+ Employee Firms As % of US Non-Government Employment



While it is true that some large firms may currently be undergoing a period of transformation and crisis as traditional vertically-integrated, investor-owned corporate business models give rise to “fissuring” (Weil, 2014) and outsourcing as platform/web-based firms arise (Parker et al., 2016; Davis, 2016), the data show that large firms nonetheless remain dominant in accounting for US employment, and reflect the power law Paretian distribution as discussed in Chapter 2. In fact, despite claims of the emergence of a “second industrial divide” a generation ago, towards flexible, and by implication, smaller networked production systems (Piore and Sabel, 1984, Gereffi, 1995), large firms have actually become *increasingly dominant* over the last three decades.

Analyzing data from the US Small Business Administration and US Census Bureau, firms with over 500 employees in the US today account for over 52% of total private sector employment, as of 2014 (see Figures 3.1.1/2), gradually increasing from 45% since 1988 (which is the start date for the time series). Examining the population of firms overall, this means that of the over 5.8 million firms with at least one employee in the US today, 52% of the jobs are accounted for by the just over 19,000 firms with

Figure 3.1.2 Employer Firms, Establishments, Employment and Annual Payroll by Small Firm Size Classes, 2014

Employment Size of Firm	Firms		Employment			Payroll			Payroll \$ /Employee	Payroll \$ /Firm
	Count	% of Total Firms	Count	% Total	% Cumul.	Annual Payroll (\$K)	% Total	% Cumul.		
0-4*	3,598,185	61.8%	5,940,248	4.9%	4.9%	\$251,757,114	4.2%	4.2%	\$42,382	\$69,968
5-9	998,953	17.1%	6,570,776	5.4%	10.3%	\$235,546,762	4.0%	8.2%	\$35,848	\$235,794
10-14	399,765	6.9%	4,676,981	3.9%	14.2%	\$175,142,604	2.9%	11.2%	\$37,448	\$438,114
15-19	208,737	3.6%	3,499,538	2.9%	17.1%	\$134,781,841	2.3%	13.4%	\$38,514	\$645,702
20-24	129,091	2.2%	2,814,173	2.3%	19.4%	\$109,132,382	1.8%	15.3%	\$38,780	\$845,391
25-29	86,669	1.5%	2,324,084	1.9%	21.3%	\$91,820,453	1.5%	16.8%	\$39,508	\$1,059,438
30-34	62,287	1.1%	1,983,728	1.6%	23.0%	\$79,896,490	1.3%	18.1%	\$40,276	\$1,282,715
35-39	46,685	0.8%	1,720,158	1.4%	24.4%	\$69,595,208	1.2%	19.3%	\$40,459	\$1,490,740
40-49	66,428	1.1%	2,927,556	2.4%	26.8%	\$122,043,886	2.1%	21.4%	\$41,688	\$1,837,236
50-74	82,138	1.4%	4,937,570	4.1%	30.9%	\$213,389,082	3.6%	25.0%	\$43,217	\$2,597,934
75-99	39,881	0.68%	3,414,319	2.8%	33.7%	\$152,528,331	2.6%	27.5%	\$44,673	\$3,824,586
100-149	38,412	0.66%	4,646,264	3.8%	37.5%	\$212,275,269	3.6%	31.1%	\$45,687	\$5,526,275
150-199	18,399	0.32%	3,164,724	2.6%	40.2%	\$146,533,184	2.5%	33.6%	\$46,302	\$7,964,193
200-299	17,739	0.30%	4,301,742	3.6%	43.7%	\$205,209,287	3.5%	37.0%	\$47,704	\$11,568,256
300-399	8,241	0.14%	2,843,100	2.3%	46.1%	\$136,712,232	2.3%	39.3%	\$48,086	\$16,589,277
400-499	4,772	0.08%	2,129,631	1.8%	47.8%	\$102,922,775	1.7%	41.1%	\$48,329	\$21,568,058
500-749	6,471	0.11%	3,919,873	3.2%	51.1%	\$191,572,351	3.2%	44.3%	\$48,872	\$29,604,752
750-999	3,033	0.05%	2,624,752	2.2%	53.2%	\$132,975,536	2.2%	46.5%	\$50,662	\$43,842,907
1,000-1,499	3,049	0.05%	3,701,254	3.1%	56.3%	\$194,090,031	3.3%	49.8%	\$52,439	\$63,656,947
1,500-1,999	1,614	0.03%	2,792,510	2.3%	58.6%	\$151,010,071	2.5%	52.3%	\$54,077	\$93,562,621
2,000-2,499	942	0.02%	2,115,696	1.7%	60.3%	\$117,762,603	2.0%	54.3%	\$55,661	\$125,013,379
2,500-4,999	1,981	0.03%	6,892,644	5.7%	66.0%	\$397,865,757	6.7%	61.0%	\$57,723	\$200,840,867
5,000+	1,986	0.03%	41,128,623	34.0%	100.0%	\$2,315,623,662	39.0%	100.0%	\$56,302	\$1,165,973,647
Total	5,825,458	100%	121,069,944	100.0%	100.0%	\$5,940,186,911	100.0%	100.0%	\$49,064	\$1,019,694

n.b. employment is measured in March, thus some firms (start-ups after March, closures before March, and seasonal firms) will have zero employment and some annual payroll. Excludes farms.

Source: US SBA, Office of Advocacy, based on data provided by the US Census Bureau, Statistics of US Businesses.

500+ employees. *Just 0.3% of the firms in the US account for more than half of private sector employment.* Focusing on even larger firms, the roughly 4,000 US firms with 2,500+ employees - just .07% of firms - account for approximately 40% of total US private sector employment, up from less than 35% in 1994, when data at this level of specificity first became available. Today, the 1,900 firms with over 5,000 employees account for 34% of US employment. (See Figure 3.1.2)

Also reflecting economies of scale, the payroll per employee generally increases as firm size rises. The 0.3% firms with 500 or more employees account for 59% of the total

Figure 3.1.3 Payroll Per Employee (\$K), By Firm Size (# of Employees) by Industry

Industry	<u>\$K Per Employee by Firm Size</u>			Ratio of Large (500+) to Small (5-9) Payroll
	5 - 9	100-499	500+	
Forestry, Fishing, Hunting, and Agriculture Support	37.2	34.1	44.1	1.18
Mining	61.9	88.1	102.2	1.65
Utilities	46.3	80.3	101.8	2.20
Construction	42.1	64.9	71.2	1.69
Manufacturing	37.4	50.5	63.1	1.69
Wholesale trade	51.5	62.3	81.7	1.58
Retail Trade	24.7	37.8	23.8	0.96
Transportation & Warehousing	37.1	43.8	50.5	1.36
Information	51.5	81.9	93.2	1.81
Finance & Insurance	58.1	87.5	100.7	1.73
Real estate & Rental & Leasing	39.4	52.3	56.4	1.43
Professional, Scientific, & Technical Services	55.3	81.8	88.0	1.59
Management of Companies & Enterprises	89.4	78.5	112.3	1.26
Administrative & Support & Waste Management & Remediation Srv.	34.6	32.8	38.3	1.10
Educational Services	22.6	36.8	40.1	1.78
Health care & Social Assistance	41.4	34.9	50.8	1.23
Arts, Entertainment, & Recreation	29.4	39.3	31.7	1.08
Accommodation & Food Services	14.2	16.9	19.8	1.39
Other Services (Except Public Administration)	25.3	36.8	39.4	1.56
Total	35.8	47.0	55.4	1.55

Source: US SBA, Office of Advocacy, based on data provided by the US Census Bureau, Statistics of US Businesses.

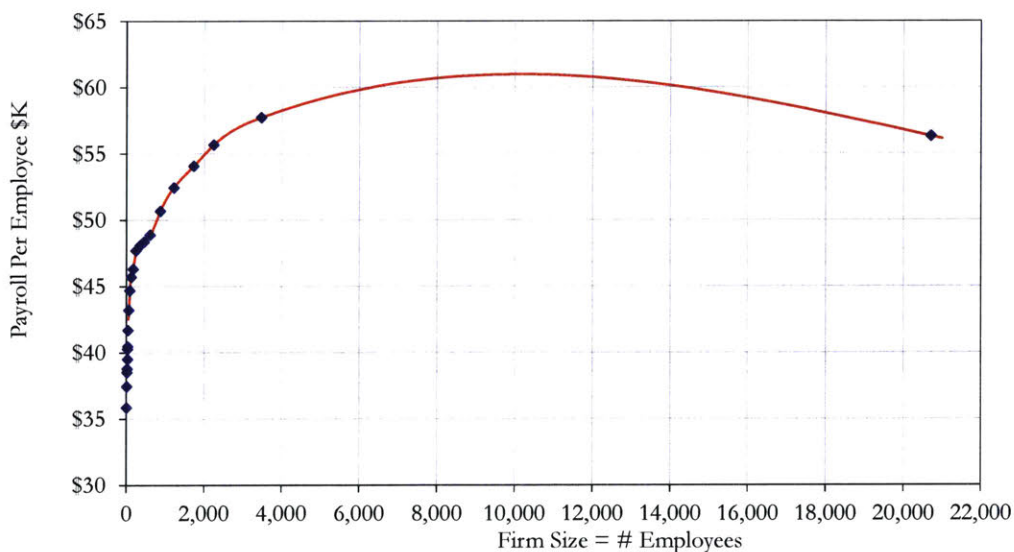
payroll (labor) expenditures per year in the US. Firms with 1,500+ employees constitute 50% of the total payroll expense.

Reflecting this, on average across the US, firm payroll per employee rises between 30-60% as firm size increases across industries, as shown in Figure 3.1.3, which displays the average firm payroll by size category, as tracked in the SBA/Census data, both overall and by industry. The degree to which scale yields higher payroll expenditures per employee varies by industry, but they nonetheless hold as significant across most industries.

To control for these industry effects in assessing the impact of scale as firm size increases, one might wish to construct a simple fixed effects regression model, in which the output variable (y) of payroll per employee is a function of firm size (x_1) and firm industry (x_2). Given the lack of granular, detailed data by size by industry, however, there are insufficient data points to construct such a model and achieve statistically meaningful results.

As an alternative, I calculated a cubic spline interpolation on the overall payroll by size for all industries (which is available with more size categories than the data by industry), to estimate several potential relevant thresholds relating to economies of scale. Based on this calculation, on average, payroll per employee appears to be highest in the 2,500 – 4,999 size range, declining slightly for 5,000+ size firms, which on average have over 20,000 employees. Based on a cubic spline estimation, peak size is likely to be somewhere around 8,000 employees. Again, this decline may reflect industry effects alone, but this cannot be confirmed due to the lack of data availability.

Figure 3.1.4 Cubic Spline Interpolation of Payroll Per Employee Based on Existing SBA Data



In the 2,500 – 4,999 size range, firms on average have payroll costs of roughly \$56K per year, more than 60% higher than the \$38K per year for firms with 5-9 employees.

Notably, the dominance of large firms is not a US-specific phenomenon: evincing the importance of economies of scale to economic development, the World Bank, reviewing literature on firm size, has found that large firms account for the greatest share of employment in high income countries, where firms with over 100 employees typically account for 45% of employment (World Bank, 2012).

In general, firms with up to 500 employees in the US are often considered “small businesses”, as per SBA materials: many are eligible for access to a host of SBA programs providing access to lending, technical assistance, and business development services. The SBA, however, has developed an industry-by-industry set of revenue or employee count guidelines, which vary based on a firms’ primary industrial classification (six digit NAICS code), and the threshold can be set based on revenue or employees. For more capital-intensive industries, for which the SBA often uses the employee count thresholds, the employee count maximum for SBA eligibility can range from 500 to as high as 1,500 employees. For less capital-intensive industries, for which the SBA more frequently lists as gross receipts (revenue) benchmark, the maximum varies but can frequently be as high as \$38.5M a year.²²

Figure 3.1.5 US Firm Revenue by Size - Estimation

Firm Size (Emp)	Average Gross Revenue \$K @ Payroll at 15-30%		
	Average Payroll Per Firm \$K	Low	High
75-99	\$3,825	\$12,749	\$25,497
100-149	\$5,526	\$18,421	\$36,842
150-199	\$7,964	\$26,547	\$53,095
200-299	\$11,568	\$38,561	\$77,122
300-399	\$16,589	\$55,298	\$110,595
400-499	\$21,568	\$71,894	\$143,787
500-749	\$29,605	\$98,683	\$197,365
750-999	\$43,843	\$146,143	\$292,286
1,000-1,499	\$63,657	\$212,190	\$424,380
1,500-1,999	\$93,563	\$311,875	\$623,751
2,000-2,499	\$125,013	\$416,711	\$833,423
2,500-4,999	\$200,841	\$669,470	\$1,338,939
Interpolation For Size Thresholds			
100	\$4,415	\$14,715	\$29,430
250	\$11,593	\$38,645	\$77,289
500	\$23,887	\$79,624	\$159,248
750	\$36,752	\$122,508	\$245,015

For more capital-intensive industries, for which the SBA often uses the employee count thresholds, the employee count maximum for SBA eligibility can range from 500 to as high as 1,500 employees. For less capital-intensive industries, for which the SBA more frequently lists as gross receipts (revenue) benchmark, the maximum varies but can frequently be as high as \$38.5M a year.²²

Given that revenue information in commercial business databases is often more readily available than employee count or payroll data for individual firms, it is worth further establishing some revenue benchmarks

²² https://www.sba.gov/sites/default/files/files/Size_Standards_Table_2017.pdf

and thresholds for firms in the overall economy. The US Census/SBA data also track total payroll costs by firm size, but do not cover total revenues, which vary in relation to payroll significantly by industry, with payroll typically accounting for 15-30% of total gross revenue, depending in part on the capital and land intensiveness of each industry. Analysis of the 2012 Economic Census of the US, which tracks revenue and payroll, revealed an average percentage by major industry grouping of approximately 23%, with most major industries consistent with the 15-30% range. A software firm, for example, likely has higher payroll (labor) costs as a percentage of revenues than an airplane manufacturer, for example. Investor returns and profit margins, may also vary significantly by industry, further introducing variance into the range.

I use the 15-30% range to produce high and low estimates for the gross firm revenues for the average sized firm in each size category (e.g. total firm revenue divided by total employees for all firms in the 400 to 499 employee category), estimated in Figure 3.1.5, above, and use the cubic spline interpolation to estimate these figures for the bin category minimums (e.g. 250, 500, 750, etc). This produces an estimated revenue range for 250 person firms of \$40M to \$80M in gross revenues per year, and an estimated revenue range for a 500 person firm of \$80M to \$160M in gross revenues per year. I highlight these two figures because, at the present time, it is likely somewhere in this range where, as reviewed above, a small number of firms reach a scale in which they can account for an outright majority of employment and payroll expenses in the US today.

3.2 Measuring the Comparative Prevalence of Large Cooperatives in the US

The traditional public data sources which cover firms by size (such as those reviewed above) do not explicitly examine the ownership type of firm, again reflecting both the historic lack of data on this topic, but also reflecting the degree to which ownership remains an under-examined and researched domain of the economy. To measure cooperatives in the US as compared to other similar countries, I utilize two datasets, as detailed below. First, however, I define the countries for comparison.

3.2.1 Countries for Comparison. To make meaningful contrasts to the US, I limit the comparison set to rich democracies, which share many characteristics stemming from common histories with democratic political institutions, the timing and nature of their industrialization, and economic development. This is consistent with the approach of many orthodox comparativist studies in sociology, political science, and economics, which are typically conducted with rich democracies and/or OECD nations as the sample set (e.g. Hall and Soskice, 2001; Amable, 2003; Iversen and Soskice, 2006).

Nonetheless, I offer specific empirics to delimit these countries, based on income, size, degree/quality of democracy, and country age, respectively operationalized as GDP/Capita over \$25,000 USD as of 2013, minimum population of 1 million, scores

of 1 on Freedom House's Freedom in the World Index 2016 categories (political rights, civil liberties, and freedom rating), and existence as an independent country for at least 50 years.

By applying these criteria, one is better able to

compare the US to an appropriate group of countries, while addressing specific questions of cooperative scaling. Exceptionally small country size (e.g. Iceland) may present measurement challenges, in both the independent and dependent variables of study. Similar concerns apply regarding the level of income and democracy. Existence tenure is included as a characteristic, as to exclude transition economies (e.g. Slovenia, Estonia) which might otherwise meet the criteria. New states were recently parts of other countries, which introduces measurement error on country-level characteristics as independent variables, and their current political and economic institutions may still be stabilizing or in transition.

Ultimately, these criteria yielded a list of 19 countries for comparison to the US, as shown in Figure 3.2.1.

3.2.2 Datasets. International time series panel data on the activity of large-scale cooperative enterprises is not readily available. Current, cross-sectional data, however, was available from one source, and created using another, to yield two data sets for analysis.

ICA/EURICSE data. Historically, the International Cooperative Alliance tracked some data from its constitutive national member organizations, but this varied in quality and coverage. Typically, the data had covered the total number of consumer cooperative members by country, and included some data on the number of agricultural producer and industry worker cooperative members. Sometimes these different cooperative subtype memberships, however, might be overlapping: that is, individuals may be members of multiple cooperatives. In the case of some national federations, some cooperative sub-types were not reported at all. Data on the individual cooperative enterprises' size was also not typically tracked.

Figure 3.2.1 Countries for Comparison

Criteria	Min Threshold	Countries	
		2013 GDP/Capita	\$25,000
Population	1,000,000	Austria	Korea
Freedom House Scores	1	Belgium	Netherlands
Tenure in Years	50	Canada	New Zealand
		Denmark	Norway
		Finland	Spain
		France	Sweden
		Germany	Switzerland
		Ireland	United Kingdom
		Italy	United States

To remedy the lack of comprehensive metrics on cooperative enterprises, the International Cooperative Alliance (ICA), however, recently began collecting data on large cooperatives around the world. Beginning in 2010-2011, the ICA tracked, for the first time, the globe's largest cooperative enterprises, starting with the top 300 based on total revenue. This has since been expanded, in collaboration with the European Research Institute for Cooperative and Social Enterprises (EURICSE) at the University of Trento, Italy, to cover approximately the top 2,000 cooperatives.

All countries and cooperative types – producer, consumer, worker – are included in these data sets, as are firms which may technically not be structured formally as cooperatives, but self-identify with the cooperative principles and movement. For example, John Lewis, the large British retailer which includes the same-named department store chain as well as grocer Waitrose, with nearly 90,000 employees and \$15B in annual revenues, is technically structured as an employee-owned partnership (in some ways, a British equivalent to a US ESOP), but with cooperative/democratic practices and operating bylaws, and it elects to be included in ICA's data. As such, it is included in the data set. Other employee owned partnership firms which do not adhere to such principles, however, are not included. As an example, due to conflict of interest concerns, law firms in the US are prohibited, by industry association rules which effectively have the force of law (Hansmann, 1990), from being owned by investors: they must be owned and controlled by lawyer employees. Nonetheless, no major law firm was identified as adhering to democratic or other cooperative operating principles, and as such, they are not included.

I use two sub-data sets for analysis based on the ICA/Euricse data. The first is the publicly available top 300 list, for which I obtained both the 2011 data, released in 2013, and the 2013 data, released in 2015. For the second sub-data set, reflecting considerations of economies of scale and the Paretian nature of the population distribution, I truncated the larger, ~2,000 record data set to contain approximately the top 1,650 records for the firms with approximately \$75M or more in revenue based in the 20 rich democracies. A natural break in the data exists near \$75M, after which firm revenue begins to decline significantly. Firms with \$75M revenue and higher account for 96% of the total revenue in the overall database, at \$2.8T. This level of revenue is also consistent with the revenue ranges calculated in the preceding section to distinguish between a large and small firm. This threshold likely varies by country-industry pair, but for expediency's sake, a uniform \$75M threshold was used. Communication with a research analyst involved with the dataset confirmed this threshold also would reduce any concerns regarding sample bias, specifically regarding a decline in data quality coverage of cooperatives below this threshold. Notably, and again further reflecting economies of scale, the top 300 accounted for 80% of the total revenue of the larger set of ~2,000 firms.

Though the complete ICA/EURICSE dataset contains nearly 2,000 cooperatives (on which the top 300 is based), this is not publicly available with identifiers due to

confidentiality. Further, the ICA/EURICSE tracks only cooperatives/mutual, not

Figure 3.2.2

Cooperative Enterprise Datasets: Key Figures		
	Total Coop Revenue	Count of Coop Firms
ICA/Euricse All	\$3.0T	2,810
ICA/Euricse, 20 Rich Dems	\$2.9T	2,551
ICA/Euricse \$75M+	\$2.9T	1,780
ICA/Euricse \$75M+ 20 Rich Dems	\$2.8T	1,650
OneSource \$75M+ 20 Rich Dems)	\$2.1T	1,602

**Summary Overview, Cooperative Revenue in Rich Democracies,
ICA/Euricse (2015 data)**

Country	Total Coop Revenue	Rev /GDP	Rev /Population
Finland	\$76,881,881,798	28.7%	\$14,135
Denmark	\$76,373,989,636	22.7%	\$13,602
Netherlands	\$165,338,477,557	19.4%	\$9,839
New Zealand	\$32,813,767,299	17.4%	\$7,387
France	\$410,412,245,202	14.6%	\$6,225
Switzerland	\$84,506,563,817	12.3%	\$10,447
Austria	\$48,496,624,913	11.3%	\$5,719
Germany	\$362,666,276,188	9.7%	\$4,497
Belgium	\$48,441,661,883	9.2%	\$4,332
Spain	\$107,355,255,377	7.7%	\$2,303
Ireland	\$16,781,665,089	7.2%	\$3,650
Norway	\$34,014,441,484	6.5%	\$6,696
Japan	\$292,359,520,582	5.9%	\$2,296
Italy	\$111,991,420,073	5.2%	\$1,859
Korea	\$66,023,941,126	5.1%	\$2,652
Sweden	\$29,009,764,373	5.0%	\$3,022
United States	\$747,758,549,101	4.5%	\$2,363
United Kingdom	\$77,303,840,753	2.9%	\$1,206
Canada	\$49,175,254,600	2.7%	\$1,399
Australia	\$22,839,029,028	1.5%	\$988

traditional firm types, making it difficult to make comparisons between them, or to determine sources of difference or similarity between cooperatives and other firms.

OneSource Data. To remedy these issues, and create more flexibility and robustness for regression modelling (please see section 3 in this Chapter, below), I created a second dataset. Thomson Reuters, a leading global financial information company, maintains a global company database, OneSource, which tracks global businesses. Utilizing this, I created a sub-database with over 73,000 records, consisting of all enterprises with revenues exceeding approximately \$75MM per year, in each of the 20 rich democracies (the US plus 19 others) which met the country criteria outlined above.

I then manually coded which firms were cooperatives using several sources, including the publicly available top 300 firm names in the ICA/EURICSE data, and national cooperative apex bodies' data. I also used existing industry identifiers in the OneSource database to construct aggregate industry categories which approximate some of the NAICS based industry codes.

As most countries have national legal forms of incorporation for cooperatives, legal nomenclature was also utilized to identify cooperatives. In France, for example, worker cooperatives are identified as SCOP (Société Coopérative et Participative), and multi-stakeholder cooperatives are SCIC (Société Coopérative d'Intérêt Collectif), in the same manner as a US company might be suffixed "Company, Inc." or "Company, LLC", or a British corporation might be suffixed "plc". Belgium, Finland, Denmark, Sweden and several other countries also utilize such systems. Last, I identified firms containing the English or native language version of "cooperative" or "mutual". I coded and verified, using firm identity materials available online, that such firms were cooperatives.

3.2.3 Descriptive Statistics and Overview. To give a preliminary sense of the comparative prevalence of cooperatives, I calculated a range of descriptive statistics using both the ICA and Onesource data.

Upon first glance, based on the ICA data, it might seem that the US leads the world, on a gross basis, in terms of the total revenue of cooperatively owned firms, exceeding \$700B, accounting for nearly one-fourth of the nearly \$3 trillion in annual revenues of cooperatives. But the US is the world's largest economy on a GDP basis. When normalized for country size, the US has comparatively fewer such enterprises. When cooperative revenue is expressed per dollar of GDP, the US cooperatives' revenue compare to 4.5% of GDP, with only the UK, Canada, and Australia – all Anglo-American economies with "liberal market economies" (LMEs) with "residual welfare states" – registering with lower figures. At the other end of the spectrum, Finland leads the rich democracies, with total cooperative revenue comparing at just under 30% when divided by the GDP.

Expressed in terms of dollars of cooperative revenue per person, the distribution holds, as shown in Figure 3.2.2, with Finland again generating roughly six times the cooperative revenue per person than the US, which ranks near the bottom.

Comparing gross cooperative revenues against GDP, however, is misleading. Firm revenues are not the same as “value-add” in an economy: a grocery store, for example, may have revenues for the whole retail value of a product. But much of the value, for national accounting purposes in GDP, is created by the rest of the supply chain: the raw materials produced for the good, the product’s manufacturer, its wholesaler, the energy companies, banks and other “utilities” whose services are incorporated into the production of the good.

Confounding variables may also reduce the meaningfulness of this measure. Some countries, for example, may simply have more large firms overall, be they cooperative or not. As such, its large cooperatives’ total revenue as expressed compared to GDP may be larger, all else equal, than another, similarly-size (based on GDP) country where the population of firms by size is different.

Meanwhile, industry distribution may also confound: it is difficult to assess the comparative concentration of cooperatives in certain industries over others, without a benchmark to compare the overall size of each industry, or the prevalence of large firms by industry, by country.

Use of the OneSource database eliminates some of these concerns, by allowing calculation of the percentage of large firms which are cooperatives, both overall, and as cross-tabulated by industry and country. Overall, I identified 1,602 large cooperatives in the US and the comparison countries, totaling 2.2% of all large firms in these countries. On a revenue, basis, these large cooperatives total 3.0% of the total large firm revenue. With a total revenue exceeding \$2.1T, these figures are not significantly different from the ICA/EURICSE data totals.

As with the ICA/EURICSE data, in the OneSource data the country percentages of large businesses which are cooperative varies significantly. Finland again leads, with cooperatives accounting for over 8% of large firms, which account for 17.4% of all large firms’ revenues in the country, with the US near the bottom at 0.9% of all large firms appearing to be cooperatives, accounting for 2.2% of all large firm revenue.

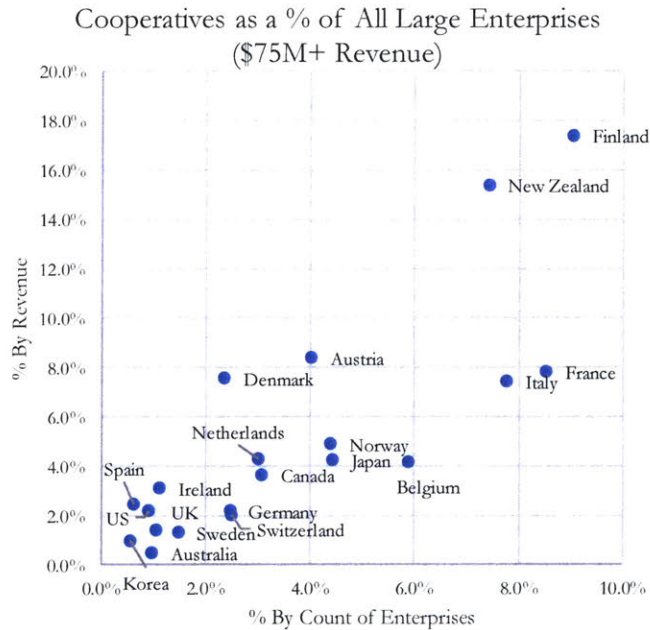
Only Spain and Korea register figures lower than the US on the firm count prevalence measure, but this appears to reflect in part data availability and sample bias issue: large firm revenues in general in both countries appear to be under-reported, with a possible bias of under-reporting among cooperatives. Their rank in the OneSource data is one of the only notable aberrations from the country rankings based on ICA/EURICSE data, where they occupy a middling position. Nonetheless, the result is notable, given the focus in the US cooperative movement on Spain (as reviewed in Chapter 1), home to the worker-consumer cooperative network, Mondragon. There are, however, few other large worker cooperatives in Spain, and except for banking/insurance, few large

consumer cooperatives, with most accounted for by agricultural producer cooperatives.

Figure 3.2.3

Cooperatives as a Share of All Large Enterprises

Country	% Revenue	% Enterprises
Australia	0.5%	1.0%
Austria	8.4%	4.0%
Belgium	4.1%	5.9%
Canada	3.7%	3.1%
Denmark	7.6%	2.4%
Finland	17.4%	9.0%
France	7.8%	8.5%
Germany	2.2%	2.5%
Ireland	3.1%	1.1%
Italy	7.4%	7.8%
Japan	4.3%	4.4%
Korea	1.0%	0.6%
Netherlands	4.3%	3.0%
New Zealand	15.4%	7.4%
Norway	4.9%	4.4%
Spain	2.5%	0.6%
Sweden	1.3%	1.5%
Switzerland	2.0%	2.5%
UK	1.4%	1.1%
US	2.2%	0.9%



Source: Author-constructed database utilizing OneSource Firm Revenue Data

Industry Effects: Insurance, Health/Social Services, Agriculture, Banking, Retail/Wholesale

Reflecting the expected industry effects, the OneSource dataset also demonstrates that cooperatives are far more prevalent in five industries, led by insurance, where they account for over 11% of large firms, globally, followed by agriculture, at 6.4%, then health, education and social services, at 6.0%. The fourth and fifth prominent industries are telecommunications, transport and utilities, at 4.1%, and banking/finance, at 4.1%. In two other industries, large cooperatives approach the overall rich democracy average prevalence of 2.2%: in retail/wholesale, they account for 1.9% of large firms, and in real estate/architecture/engineering/construction, they account for 1.3%. In all other industries, cooperatives account for less than 1% of large firms.

The rankings for cooperatives' share of all large firms' revenue reflect a similar pattern, with the top three industries remaining the same: cooperative or mutual insurance firms account for 18% of global large firm revenue, followed by agriculture at 12%,

health, education and social services at 6%, banking/finance at 5%, and retail/wholesale at 3%.

Cooperative prevalence in these industries follows Hansmann's (1996) theory of the homogeneity of economic interests as critical in reducing decision-making costs and enabling the cooperative to achieve scale, as reviewed in Chapter 2. Insurance contracts and banking deposits, for example, are both economic activities in which consumers often share a homogeneous, common purpose: to pool their capital (which is a uniform, fungible good, as one dollar is interchangeable with any other) as to reduce their risks. What is being cooperativized in these industries is also, by nature, driven by consumer members: the model is not driven by bank employees seeking to reinvest their capital. Instead, in the modern industry structure of banking, the consumer-member seeks to safely and securely store and access money. In insurance, the consumer seeks to procure protection against the effects of accidental injury, death, or sickness/illness, by spreading and pooling risk in a larger group.

Cooperatives by Type: Worker Cooperatives at Scale Virtually Non-Existent

Initial attempts to exhaustively identify all cooperative firms as a consumer, producer, or worker cooperative, or some hybrid combination of these three firms, proved difficult. This is in part due to some countries having a vast array of cooperative subtypes which defy easy characterization. France, as will be detailed later, has sixteen legal types of cooperatives and mutuals, many of which are hybrid types. Nonetheless, the overwhelming majority of large cooperatives appear to be consumer or producer cooperatives, or hybrid. Given the rarity of worker cooperatives, for expediency's sake, I elected to identify which cooperatives were pure worker cooperatives. I triangulated using existing data identifying large-scale worker cooperatives from their global apex organization, CICOPA, which is the worker cooperative affiliate of the ICA, while also utilizing datasets on large cooperatives from the national governing bodies.

Focusing on the very largest cooperatives, by using the top 300 list of named cooperatives as publicly available from the ICA, *I could not identify as single "pure" worker cooperative among their ranks.* Mondragon, which is consistently cited as a federation or amalgamation of worker cooperatives²³ is actually a hybrid model, a network of consumer and worker cooperatives: the banking, insurance and retail portions, for example, are effectively consumer-owned, or owned under a hybrid worker-consumer model. Some consumers are also worker-members of the industrial portion of the cooperative. But it is not a worker cooperative.

This is consistent with self-reported data from CICOPA, which is the apex organization for industrial and social cooperatives, which includes both worker cooperatives, and cooperatives of independent artisans and the self-employed, the

²³ <http://www.yesmagazine.org/new-economy/world-s-largest-federation-of-worker-owned-cooperatives-mondragon-josu-ugarte>

latter of which technically could be classified as producer cooperatives. CICOPA estimates there are roughly 10.8 million members of these worker and artisanal cooperatives, of which over 70% (7.7 million) are in India, with other regions in the Global South also accounting for significant shares of activity. This reflects the role that cooperatives play as a response to economic crisis and economic marginalization, as the Global South remains comparatively excluded from high value-add activity in the global economy, for reasons which go beyond the scope of this analysis. By world region, according to CICOPA data, there are just over 60,000 worker cooperative members in North America, and slightly over 1 million in all of Europe.

Other large cooperatives affiliated with CICOPA are actually often artisanal, service, or social cooperatives, which are technically forms of producer cooperatives, in which other businesses, which might be cooperatives themselves, form a cooperative to supply or procure goods and services. Groupe Orcab in France, for example, is effectively a producer cooperative. Its members are over 50 cooperative supply businesses, which are “artisanal cooperatives”, a special legal form of cooperative in France, which provide all the materials and supply to 30,000+ independent construction and building workers, some of whom work independently, and some of whom are in cooperatively owned shops. This artisanal structure allows these plumbers, carpenters, masons, landscapers, and electricians to continue to work as small, worker-controlled businesses, by pooling their resources up the supply chain. (Interviewee #12, Paris, May 2017)

The rarity of large-scale worker cooperatives again follows the supply and demand factors reviewed in Chapter 1 and 2. As noted, in lieu of the profit motive, cooperatives are driven by use value and substantive rationality, as applied towards some shared purpose. In the case specifically of worker cooperatives, what is being cooperativized is individuals’ labor, to create a use for that labor. But labor – unlike capital, which is what is being cooperativized in most consumer and producer cooperatives – is not homogeneous. As Durkheim theorized (Durkheim, 1893), a defining feature of modern society is its move towards differentiation of labor. This involved the shift from what he called mechanical solidarity, where social cohesion and cooperation is based on common, shared beliefs and a collective conscience rooted in homogeneous material experiences of work in “small-scale” societies, towards organic solidarity, in which social cohesion is rooted in interdependence and complementarities of differentiated workers.

In a large-scale, global economy in which skills have become highly differentiated, labor is not homogeneous and fungible. Cooperative firms which incorporate workers with a wide range of different skills cannot necessarily rely on a mechanical solidarity, rooted in shared experience and homogeneity, to motivate cooperation and cohesion, in lieu of the profit/income maximization motive. Organic solidarity, rooted in difference, may be unlikely to sustain the shared economic purpose of a cooperative,

without the additional incentive provided by highly differentiated financial rewards to different labor.

Firms with a narrow skill profile, however, can rely on mechanical solidarity, in the absence of the profit motive. Enterprises narrowly focusing on a singular function, such as in the case of home health care workers in CHCA, the largest worker cooperative in the US, exemplify this point. Furthermore, decision-making costs may also be higher due to rising social diversity: in a worker cooperative, members must make joint, shared decisions over their labor, a task likely to be more difficult and time-consuming among members with fewer common social characteristics, again as discussed in Chapter 2. Unless the firm has a very narrow skill profile among its workers, and/or also has workers with other shared common characteristics, the decision-making costs in a worker cooperative are likely to be high. Given the comparatively high level of social diversity in the US, notably regarding race and ethnicity, we might expect this to be problematic in the US context.

Nonetheless, worker cooperatives are not driven by socioeconomic factors alone: CICOPA has well documented the need for an enabling policy framework for worker cooperatives to succeed (The Future of Work, CICOPA, March 2018).

3.3 Modeling and Explaining the Comparative Prevalence of Large Scale Cooperatives

The descriptive statistics from these various data sets, as generated and reviewed above, are broadly consistent with the known literature on social and economic factors conditioning the supply and demand for cooperatives, as reviewed and as used to construct a partial theory of their prevalence in Chapter 2. Descriptive statistics, however, do not allow for testing of these various factors, to confirm their correlation with cooperative prevalence. They also do not allow us to isolate or identify how other macro features, such as policy or political factors, again as briefly noted in Chapter 2, may condition the prevalence of cooperatives at scale in various national contexts.

To that end, in this section, I construct a regression model to predict the comparative national prevalence of cooperatives (y), as a function of factors conditioning their supply (x_{si}) and demand (x_{di}), as expressed in simplified equation form below. Such an approach should allow isolation of the strength and significance of various causal factors, and eliminate factors merely either spurious covariates, or which might otherwise serve as confounding variables.

$$y = b + x_{si} (x_{s1} + x_{s2} + \dots x_{si}) + x_{di} (x_{d1} + x_{d2} + \dots x_{di}) + \varepsilon$$

The first challenge is in determining an appropriate output to measure and model as the dependent variable. What can serve as the y variable, measuring the prevalence of

large cooperatives? Using national cooperative revenue per person or GDP as an output variable yields a “small N” problem: 20 rich democracies (N=20) leave insufficient degrees of freedom to construct a regression model incorporating the range of categorical and continuous variable factors of interest.

Further, such a model would exhibit various mis-specification problems. For example, firm industry, which existing theory implies as a factor and which appears, based on descriptive statistics, to be significant, is not a country-level characteristic. It is a firm-level trait, introducing inferential concerns about the population of cooperative enterprises, stemming from the potential ecological fallacy of measuring the country, rather than the firm.

To remedy these issues, I reconceive the outcome of interest variable (y) as follows: are large enterprises in rich democracies identified as cooperatives or mutuals (outcome = 1), or not (outcome = 0)? Unfortunately, the ICA/EURICSE data only tracks cooperatives/mutuals, not investor-owned firms. The publicly-available top 300 enterprises component of the ICA data set also is not robust for modelling purposes; it lacks sufficient observations to test firm and country level effects. For this purpose, I deploy the firm-level OneSource database I developed and coded.

Using this data, I develop a logistic regression model to predict the *probability* that a firm is a cooperative in each country. The prediction outcome is binary (0 – not a cooperative, 1 = cooperative), consistent with the use of logistic regression for such purposes. By specifying firm (x) and country (z) level characteristics, some “small N” issues were reduced, if not outright eliminated. This allows for incorporation of categorical and continuous social, economic, and political variables alongside other possible control variables. As cooperatives are contained within national legal and policy systems, the nation serves as a “level” in which the population of enterprises is nested, with a multilevel or hierarchical model specified. Such approaches with territories/geography being the basis for a level has precedent in both in urban studies (Arcaya et al., 2012, 2018) and cross-national sociological and economic studies²⁴. Unobserved or unmeasured national effects are presumed to be random, while other effects are fixed, warranting a multi-level, mixed effects logistic regression model. A simplified version of the general equation is as follows, where P represents the probability that a large firm is or is not a cooperative, b is a constant, x_{sd} represent firm-level supply and demand factors, y_{sd} represent country-level supply and demand factors, and z_u accounts for unobserved country random effects:

$$P(y = 1) = \frac{1}{1 + e^{b+x_{sd}+z_{sd}+z_u}} + \varepsilon$$

²⁴ For review of the use of such models in cross-national socioeconomic regressions, please see Bryan and Jenkins, 2016.

3.3.1 Operationalizing Social and Economic Factors Conditioning the Supply and Demand of Cooperatives

How can the existing, known or implied social and economic factors conditioning cooperative supply and demand, as reviewed in Chapter 2, be operationalized as variables for testing? I proxy the effects of these factors using the variables below, which I group by supply and demand-side factors. As noted, in Chapter 2, some factors – most notably, social diversity – may condition both the supply and demand for cooperatives. Given that, by definition, the suppliers and demanders of cooperatives are often one and the same people – the member-owners – this duality is not surprising.

Demand-side factors (Country level): Spatial marginalization due to country size/distance.

As reviewed in Chapter 2, larger, centrally-located countries would be expected to have fewer cooperatives as a response to spatially-based economic marginalization. Country size was therefore tested via Gross Domestic Product. Remoteness was measured using a gravity-weighted index (Evans and Hughes, 2003) of the countries' weighted trade distance to global markets.

Supply-side factors (Country and firm): Social and Economic Heterogeneity

Social Heterogeneity. Countries which are more socially homogeneous, all else equal, might be expected to have a greater level of supply of “mechanical solidarity”, through social identity rooted in a shared, common experience (cf. Van Parijs, 2003), with which to sustain the supply of large-scale cooperatives and reduce their decision-making costs. Conversely, countries which are more heterogeneous – assuming that this heterogeneity translates into socioeconomic marginalization of minority groups – might be expected to sustain small-scale cooperatives rooted in this shared social identity. As noted above, these dynamics could be reconceptualized as demand features, as well (marginalized social groups “demanding” a cooperative, as a means to self-provide when excluded from the market, as per Chapter 2). “Socioethnic” homogeneity, as it is sometimes called in the literature, was measured using a straight-line weighted composite of Alesina, Glaeser and Sacerdote's (2001) heterogeneity indices of racial/ethnic, religious, and linguistic diversity within countries. Any changes to the underlying distribution of these characteristics across countries in years since this measure was created, notably, could reduce the goodness-of-fit of this variable as applied to current cooperative data, and is a possible source of error.

Economic Homogeneity. Firms operating in industries which are more economically homogeneous, i.e. self-provisioning, non-basic industries such as commercial banking/insurance, as well as uniform product industries such as agricultural production, to have higher levels of cooperation, due to reduced decision-

making costs and shared economic interests. Firm-level, industry fixed effects were accounted for by assigning each firm's given OneSource Industry code (approximated based on GICs categories) to thirteen broader industry clusters.

Other Control Factors. Additional firm-level characteristics were introduced as control variables: namely, firm age and revenue size. As noted earlier in this Chapter and in Chapter 1, some cooperatives are exceptionally large as compared to the overall population of firms with revenues exceeding \$75M, which is why their revenue share of large cooperative revenue is higher than their count share of total firms. Further, cooperative interest is commonly understood to be periodic, in waves, as a response to crisis, with two early nineteenth century waves figuring prominently in the movement's history. Cooperatives are also commonly believed to scale more slowly, in part due to higher decision-making costs/time required for democratic decision making (Hansmann, 1996), and the lack of a profit motive. We thus might expect cohort effects to be observed in the data: with cooperative firms generally requiring more time to achieve scale and likely to have been founded earlier, older firms may be more likely to be cooperative than younger firms.

3.3.2 Previously Unconsidered Political Factors: Policy/Political Economy Logics and Federalism

As noted in Chapter 2, the roles that comparative policy or political features may play in explaining cross-national variation in cooperative activity has not been well considered in academic literature. Conversely, the dominant social science paradigms most frequently used to explain cross-national variation in the economy, also largely ignore the cooperative.

As Schneiberg et al. (2008) noted, the cooperative and mutual forms of ownership are often treated in social scientists' framing of the economy as some "aberration", with some economists outright calling it "something of an oddity in a capitalist economy" (Rasmusen, 1988). Today, in the standard economics textbook treatment, firms are now broadly assumed to be profit-maximizing, investor-owned and traded corporations (Kalmi, 2007). Similarly, mainstream, orthodox treatments of "the firm" in political economy, such as in Hall and Soskice's *Varieties of Capitalism* (2001), assume that the modern, large-scale enterprise is a monolith: a profit-maximizing corporation owned by outside investors, traded on a public stock exchange with some cross-shareholding (Gourevitch and Shinn, 2007). Other significant works directly or indirectly examining the structure of firms and their governance largely ignore²⁵ or merely mention in passing²⁶ the cooperative specifically or ownership in general.

²⁵ Gourevitch and Shinn, 2007; Hall and Soskice, 2001; Dobbin, 1994; Swenson, 1991; Fligstein, 1990.

²⁶ Ciepley, 2013, notes this in his political science treatment of the corporation; Many other works in this field mention the co-operative and notions regarding ownership in passing (cf. Jackson and Thelen, 2015; Gomory and Sylla, 2013; Chandler 1977. The oversight is all the more puzzling given that scholars

As noted in Chapter 2 and as reviewed earlier in this chapter, assumptions of a monolithic firm conflict with reality. In some rich democracies' key industries and sectors, the cooperative alongside other "alternative" forms of ownership, such as virtually-owned models such as the industrial foundations, trusts and associations, may play a significant role alongside the public joint-stock company. Combined, these may be the dominant ownership form, as is the case, for example, with cooperatives alone in several countries' agriculture, insurance, and banking sectors (Mitra, 2014). A diversity of institutional ownership forms (Schneiberg, 2011), including the cooperative, are simultaneously present in the political economies of the US and other advanced democracies, and they may play a significant role in jointly driving outcomes of interest. If the institutions of the economy have evolved in path-dependent fashion, as the institutionalists reviewed in Chapter 2 suggest, who owns these institutions? As Schneiberg asked regarding path dependency (2007), what is on the path? Adding to his question, who owns the institutions on the path?

The comparative political economy of cooperatives and "alternative" institutional forms should therefore concern mainstream sociologists and political economists who otherwise ignore it. Two popular frames used by these scholars, the Varieties of Capitalism and the Three Worlds of Welfare frameworks, stand out as applicable to the question of cooperatives specifically, and more broadly for our understanding of varieties of economic ownership. In addition, the role of federalism in driving cross-national differences in the economy, is also largely ignored in the works cited above, and is germane to the question of cooperative scale.

Conceptual Frames and Policy Logics: Varieties of Capitalism and Worlds of Welfare Capitalism.

Why does the political economy of otherwise "similar" countries (e.g. rich democracies) exhibit so much variation? Why do labor market institutions, social and industrial policies, and employers in Germany and Japan operate in so differently than in the United States? Orthodox answers in political economy today often rely on two broad, if now aging, analytical frames: the Varieties of Capitalism framework (Hall and Soskice, 2001), and the Worlds of Welfare Capitalism (Esping-Andersen, 1990) typology. Despite clear relevance to cooperatives' logic and mode of operation, as reviewed below, neither framework has been examined in relation to cooperatives and mutuals.

To construct an answer as to why capitalist economies are so different in nature across nations, VofC focuses on the firm. This focus makes it of heightened interest to my question of predicting the ownership of a firm. VofC argues that firms relate to one

working around these issues have examined alternative economic ownership plans, such as the failed Swedish Meidner plan for labor ownership of pension investments, in great detail (Pontusson and Kuruvilla, 1992 ; Swenson, 1989, 2002).

another differently in liberal market economies (US) than in coordinated market economies (Germany), its two “ideal types”.

In liberal market economies (LMEs), firms are assumed to be atomized, unrelated actors whose actions are generally coordinated contractually through the market. The state intervenes via policies as needed to perfect and secure the market as the primary mechanism to coordinate activity. Firms are encouraged to be competitive, and discouraged from collaborating or sharing. Workers are responsible for vocational education, and if they can collectively bargain for wages, they do so through fragmented and weak labor market institutions. In coordinated market economies (CMEs), firms collaborate, have incomplete and informal contracting. Wages and working conditions are centrally and collectively bargained for by large, powerful industry unions. Employers and labor market institutions also collaborate with the state to train and develop workers. States intervene, often in collaboration with institutions representing employers and workers, through a host of policies to facilitate this coordination. (Hall and Soskice, 2001).

Hall and Soskice argue that key differences in how firms operate and cooperate - with institutional complementarities in financial systems and corporate governance, industrial relations/labor, education and training, and interfirm relations - explain a host of different outcomes between LMEs and CMEs. Cooperation via a system of non-market coordination, both between and within firms, coupled with strong labor market institutions, produce a lower-inequality system focused on incremental innovation in CMEs, while its mirror image – that of externalized, market-based relations between firms and limited labor protections, produce a high-inequality system of radical innovation in LMEs. These differences are not solely a function of how the firms relate to one another, but also reflect producer-group politics and industrial policies and institutions, which support and enable these arrangements.

Surprisingly, given their move to put firms at the analytical center, there is little consideration by Hall and Soskice of the ownership types and logics of the firms operating in the manner they describe. Despite their repeated use of the word “cooperation” and its various related root words (cooperate, cooperative) 34 times in their highly cited first chapter to the seminal *Varieties of Capitalism* edited volume (2001), they do not mention or consider the cooperative itself.

Nonetheless, the complementary institutional features described by Hall and Soskice as being a function of institutions which govern intra and inter-firm relations in the CME countries, are in part already “internalized” into the “institutional logic”, as organizational scholars might term it (Haveman and Gualtieri, 2014), and rules of the cooperative form. Variations in corporate governance are in part a function of these different ownership logics. Firms in LMEs use the public market to coordinate action, while firms in CMEs collaborate amongst themselves, with state and labor institutions’ input, to solve coordination problems. Cooperatively owned businesses, as seen

through federating and “Cooperative Commonwealth” scaling strategies reviewed in Chapter 2, effectively use the CME approach, which conflicts with the LME system of arrangements.

This can be readily seen in operation by examining each of the key fronts of institutional complementarity:

Figure 3.2.4

Dimension	Ownership in Varieties of Capitalism?	
	LME (US)	CME (Germany)
Industrial Relations	Competitive, firm-specific	Mon-market relations, highly centralized/coordinated bargaining, unions
Vocational Training	Schools, firms externalize, general skills	Function/industry-specific training, firms participate
Interfirm Relations	Competitive	Collaborative
Employee Relations	Adversarial	Cooperative
State Role	Minimal, rules enforcement, promote competition, anti-trust	Active role in coordinating firms and workers
Corporate Governance	Stock markets/IR, short-term capital	Cross-shareholding, insiders, long-term capital
	↓	↓
Firm Ownership?	Arm's Length Investor Ownership?	Member and Virtual Ownership (Cooperatives, Industrial Foundations, Trusts, Family Firms)

Financial Systems and Corporate Governance. In many cooperatives, and as consistent with ICA cooperative principles, financing will often rely on retained, member-owner profits held in reserve, or from investment from other cooperatives, consistent with cooperative principle 6, not on debt and equity from outside banks or investors. Subject to the requirements of its member-owners’ return expectations, and not that of outside investors, one would expect such capital to be more likely to be the “patient capital” typically associated with CMEs, rather than the “footloose capital” associated with LMEs. Indeed, in CMEs, companies have “access to finance that is not entirely dependent on publicly available financial data or current returns” (Hall and Soskice, 2001, p. 21), in contrast to LMEs, where such finance is subject to market pressures. The cooperative model thus approximates the CME approach to finance.

Further, reflecting a more collaborative, multi-stakeholder based approach to firm governance involving supervisory boards, employees, suppliers and customers (ibid, p. 24) in CMEs, the traditional cooperative form typically requires a “one person, one vote” decision making process, in which all member-owners have an equal voice on governance matters. Cooperative members by definition are both investors and either customers, suppliers, or employees, again reflecting the embedded multi-stakeholder logic of the cooperative, with multiple roles combined. They may own different shares of the cooperation, and in some cooperative variants, the one person-one vote rule

may be relaxed, but decision making is still majority controlled by the members, not by either managers or arms' length investors, as in the LME.

Industrial Relations/Labor. At a worker-owned cooperative, the employees are also the owners. Beyond governance issues, they typically exert direct and explicitly codified control over many workplace decisions, from wages and earnings distribution, to decisions regarding the adoption of new technology and its incorporation into jobs, to firm strategy. In making employees the owners, the cooperative internalizes the antagonistic, but alliance-seeking, industrial relations model between workers and owners/managers in CMEs, a model invoked not only in VofC, but also in so many classic political economy analyses of rich democracies (e.g. Korpi, 1983; Swenson, 1991; Gourevitch and Shinn, 2007). Employees are not the owners in producer and consumer-owned cooperatives. Instead, suppliers and customers are the owners, but this again creates a different dynamic as compared to that which exists between workers and a third-party, arms' length investor with no direct interest in the firm, besides their ownership stake. Again, some of the external labor market institutions which VofC posits as enabling a different set of firm relations in CME than LME countries, and which help coordinate the firm interests of external stakeholders, are already internalized in the cooperative through its member-owner structure.

Interfirm Relations. At a producer-owned cooperative, the owners are the suppliers, and therefore what might be either the "informal" relation, based on incomplete contracting (CME), or a formal relationship based on market relations (LME), between an upstream and downstream firm, is something else entirely: it is a formal but internal relation, one of the downstream service provider as direct owner. This is distinct from a corporate conglomerate, in which upstream and downstream firms are operated under one roof by an investor and/or its management team (as in Chandler's personal or managerial capitalism regimes, 1990), because of the ownership and control by a supplier in the producer cooperative form.

But more generally, the CME model, whereby firms informally coordinate activities in the supply chain, mirrors the classic "Cooperative Commonwealth" strategy. This is the cooperative federating strategy in which cooperatives form relations up and downstream in the production process with other cooperatives, creating an "interlocking group of consumer and producer cooperatives" (Gourevitch, 2015) as reviewed in Chapter 2 as a key manner through which cooperatives achieve scale.

Education and Training. One of the seven Rochdalian cooperative principles mandates education and training of members. As a result, for cooperatives, the option of externalizing education and training costs is not consistent with the adoption of a cooperative organizational identity or form. Investment in education and training by the firm thus becomes a core function of the enterprise, consistent with the general model of skills investment by a CME firm in the VofC literature.

Notably, while the VofC literature focuses its gaze on two Weberian ideal types - the LME and CME - in some competing typologies, including in Hall and Soskice's (2001) original formulation, France, along with several of its Mediterranean Sea neighbors, such as Italy and Spain, are acknowledged to potentially constitute a third variety: a mixed or Mediterranean model of capitalism. Amable (2003) argued for five varieties of capitalism, a market-based Anglophone model, a Nordic social democratic variant, a Mediterranean capitalism, a Continental European model, and an Asian (Japan and Korea) model.

This further divided typology is not wholly inconsistent with the picture painted by combining the two-type LME/CME model, which focuses on differences in the institutional organization and complementarities of firms, with the three welfare regimes approach of Esping-Andersen (1990), which focuses on social policy regimes in different advanced capitalist countries. LMEs largely operate with Esping-Andersen's residual market-based welfare regime, while CMEs are broken into two different welfare regime models, the conservative-corporatist model, such as in France and Germany, and the social democratic model, as in the Nordics.

Beyond the VofC framework, Esping-Andersen's Three Worlds of Welfare Capitalism (1990), remains a frequently-cited framework through which to understand labor market and social policy variation among rich democracies by foregrounding the question of how, and how much, they shield the population from pressure to commodify their wage labor. Liberal, residual welfare states, like the US, have the most commodified labor regimes, with means-tested, duration-limited, and low value welfare policies, encouraging workforce participation. Most must sell their labor to survive. At the other extreme are Social Democratic regimes in Nordic countries, like Denmark and Finland, with the strongest labor decommodification. The state (either directly, or through employer mandates) provides a strong and universally accessible social safety net; most adults need not sell labor to survive. Conservative-corporatist or statist welfare regimes, like France, maintain less commodification pressure than liberal regimes, but only for some individuals: the state's resources are deployed once traditional, social institutions, such as the family or church or other corporate bodies in society, have been depleted or exhausted.

In a residual welfare regime, on the supply side, workers are subject to more commodification pressure on their labor through policies which (a) impose smaller social safety net costs on employers, to reduce the cost of labor and (b) impose fewer labor regulations on employers, reducing worker control and workers' rights over their labor. In such environments, firms which voluntarily internalize such costs cannot compete and will be rendered obsolete, unable to achieve and maintain scale. The supply of firms such as cooperatives, which act in this way, according to a different logic, will be lower. On the demand side, who will seek and demand the services of a cooperative, particularly a worker cooperative, in a residual welfare state? Those

individuals unable to find employment in the existing market, who are likely to be the self-same “residual” of the population and are marginalized.

To be precise, put in the framework of supply and demand, the political economy of CMEs, built on corporatist industrial relations, would be expected to support conditions which better enable the supply of cooperatives. Meanwhile, the more robust welfare regimes of social democratic and conservative-corporatist countries, might reduce the demand for cooperatives.

Besides the known factors related to size and distance to markets, and social and economic homogeneity, we would thus expect cooperatives to be less likely to scale and thrive in a liberal market economy (LME) than in a coordinated market economy, and are also less likely to thrive under a residual welfare state than other welfare regimes. As reviewed above, this is because the logic of LMEs and residual welfare state systems are associated with a firm operating environment (which is in turn supported by policy) which inhibits the scaling of cooperatives.

Ultimately, LMEs discourage explicit collaboration and coordination among firms. *Such coordination is how cooperatives most often scale.* It is one of the seven operating principles of the form: cooperation among cooperatives (ICA). As noted above and earlier, this principle is reflected in federating strategies like the “Cooperative Commonwealth”, in which larger producer and consumer cooperatives, maintain extensive and explicit “interlocking” (Gourevitch, 2015) economic relationships with other such entities, including cooperative insurers and banks which finance growth. The LME logic is also antithetical to two other cooperative principles: education and training of members, and concern for community through sustainable development. Under the LME logic, the costs of education are externalized to workers. Community costs are born by civil society or the state, not the firm. Meanwhile, the residual welfare logic also inhibits cooperative scale on both the supply and demand side, for these latter reasons.

To reflect the role of these policy logics to cooperatives, I coded countries as to whether they are commonly understood to be a liberal market economy (LME) or a coordinated market economy (CME). Separately, as a second and confirmatory test, I also code countries as to whether they are considered to have a residual welfare state, a conservative-corporatist state, or a social democratic one. Notably, the countries considered LMEs are the same as those considered to possess a residual welfare state, and constitute the Anglo-American countries of the US, Great Britain, Canada, Ireland, Australia, and New Zealand.

The Role of Federalism

Reflecting the relevance of federalism, and as reviewed in Chapter 1, US city and state initiatives to amend policies regarding cooperatives are underway (Camou, 2016, Spicer, 2017, Sutton, 2018). States and cities (in as much as states delegate their powers to cities) wield significant autonomy over economic affairs. The US’ variety of

federalism splits control of the economic field across multiple territorial levels. Civil society and market actors in the cooperative business ecosystem must navigate these multiple territorial scales, or levels, of government policy, to achieve economies of scale. In as much as they must lobby multiple governments for accommodative policy, this acts as a cost and barrier to their growth. This is effectively a form of what economic geographers might call “scale-jumping” (Smith, 1984, 1995, Brenner, 1999, Jessop et al, 2008), or “scale shift” (McAdam et al., 2001, 2005) that is, having to operate at variable territorial scales, or at a different territorial scale than they previously did.

But mustn't US investor-owned corporations navigate the same problem? On the basis of the profit motive, US corporations overcame such obstacles (Gomory and Sylla, 2013): out-of-state corporations used Delaware's loose incorporation laws, bolstered by application of the interstate commerce clause (culminating in the Securities Act of 1933). This created a race-to-the-bottom among states as they competed to retain and attract corporations and the excise fees, taxes, and jobs they produced, and high standardization of corporate law and policy at both the state and federal scale was the result. For cooperatives, which lack a profit maximization motive, no such animating force has achieved comparable harmonization in the US. Though some researchers have noted this lack of standardization (Hansmann, 1990; Cracogna et al., 2013), how or why this matters has not been well confirmed or researched.

Hinting at how this might matter, as noted by Henry (2005), in speaking of cross-national legal variation: “Heterogeneous cooperative laws diminish the competitiveness of national cooperative movements, make cross-border operations of cooperatives difficult and decelerate regional integration. Harmonization is both a consequence of and a prerequisite for regional and international economic integration.” (page V) The same dynamic might apply sub-nationally, particularly in federal countries lacking uniform business incorporation laws and a coherent national industrial policy.

To test federalism, countries were coded ($N = 0$ or 1) on whether or not they are or are not federal, with the federal countries including the US, Canada, Germany, Switzerland, Belgium, and Australia, and the remainder possessing unitary states. This is an imperfect operationalization of federalism, given the existence of distinct varieties of federalism (Stepan, 2001). It may fail to well capture the particular way different federalisms inhibit cooperative scale.

Exploratory Analyses: Policy Regimes and Federalism

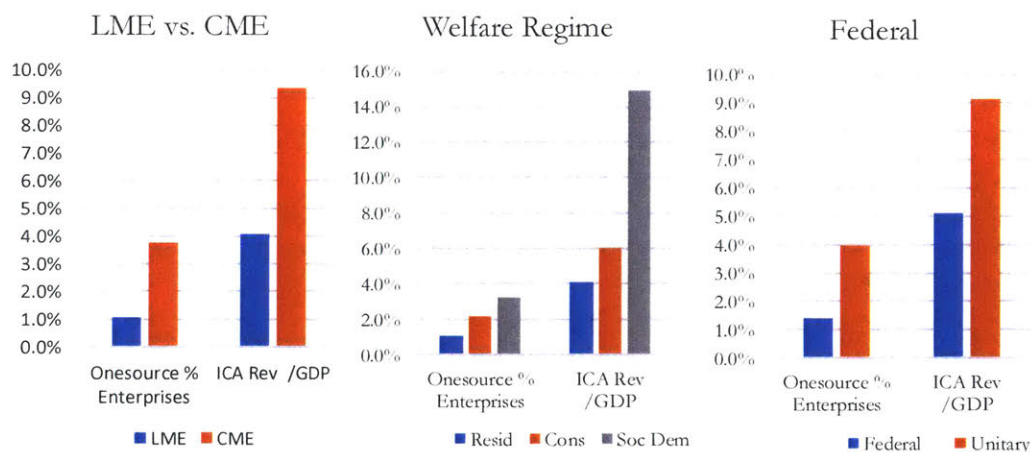
Before running regression models, I performed several exploratory analysis to initially confirm a correlation between cooperative prevalence and the VofC and Welfare Regimes literatures, and federalism. First, I calculated weighted averages for the country groupings for each category, for two key measures of cooperative prevalence, using both the ICA summary data of total revenue normalized by GDP (as this

measure is the most complete measure of cooperative revenue available), as well as the OneSource percentage of large enterprises that are cooperative (as this measure is the most robust indicator of the cooperative share of large enterprises per country available). I note I have assigned Netherlands to the social democratic welfare regime, consistent with Esping-Andersen (1999), though the country has technically been more strongly influenced by Christian Democratic ideology, and is sometimes argued to represent a mixed regime with some conservative-corporatist features (ibid).

Unsurprisingly, the countries typically categorized as Coordinated Market Economies (CMEs) in the Varieties of Capitalism (VofC) literature are mostly ranked higher, in terms of the presence of large cooperatives, than Liberal Market Economies (LMEs), across both measures, shown below in graphical form.

In both of the data sets, the weighted average of cooperative activity across the CMEs was typically 2 to 3 times higher than that of the weighted average for LMEs. A similar difference is found by welfare regime, with the conservative welfare regimes registering at 1.5 to 2 times higher than the residual countries, and with social democratic countries registering at 2 to 3 times higher than residual countries. Similarly, unitary state countries were at 2 to 3 times higher than federal countries.

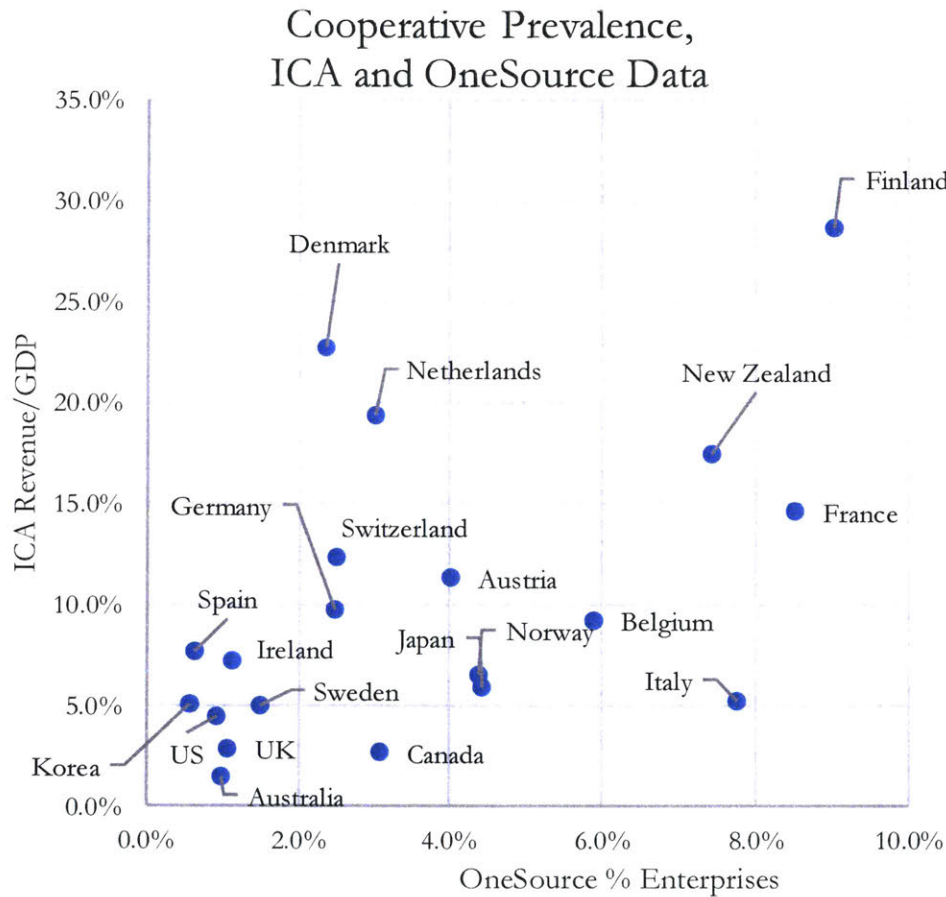
Figure 3.3.1 Cooperative Prevalence by Policy/Political Factor



These splits, however, do not perfectly hold across countries, with some notable exceptions plainly visible in the data, as shown by the case of New Zealand in Figure 3.3.1. To confirm these visible clusters, I conducted a k-means and k-medians cluster analysis with an initial k medians of 2, using these two measures of cooperative prevalence. K-means and k-medians clustering is a technique which divides n observations into k clusters. Each observation is assigned to a cluster with the nearest mean or median, which serves as the prototype for the cluster. The means or median

of each of the k clusters is not selected by the analyst, but is determined by computing the values which minimize the within-cluster sum of squares or WCSS, defined as the sum of the distance functions of each observation in the cluster to each k's center.

Figure 3.3.2



This technique could likely have been fruitfully applied to many of the founding VofC analyses, to confirm the accuracy of applying the typologies and classifications using measurable indicators. Given the visibly “fat-tailed” distribution, I have selected both k-means and k-medians clustering approaches to confirm result robustness.

Figure 3.3.3

"High" Activity Countries:

<u>K-means and K-medians clustering</u>	
Finland	Denmark
France	Netherlands
New Zealand	

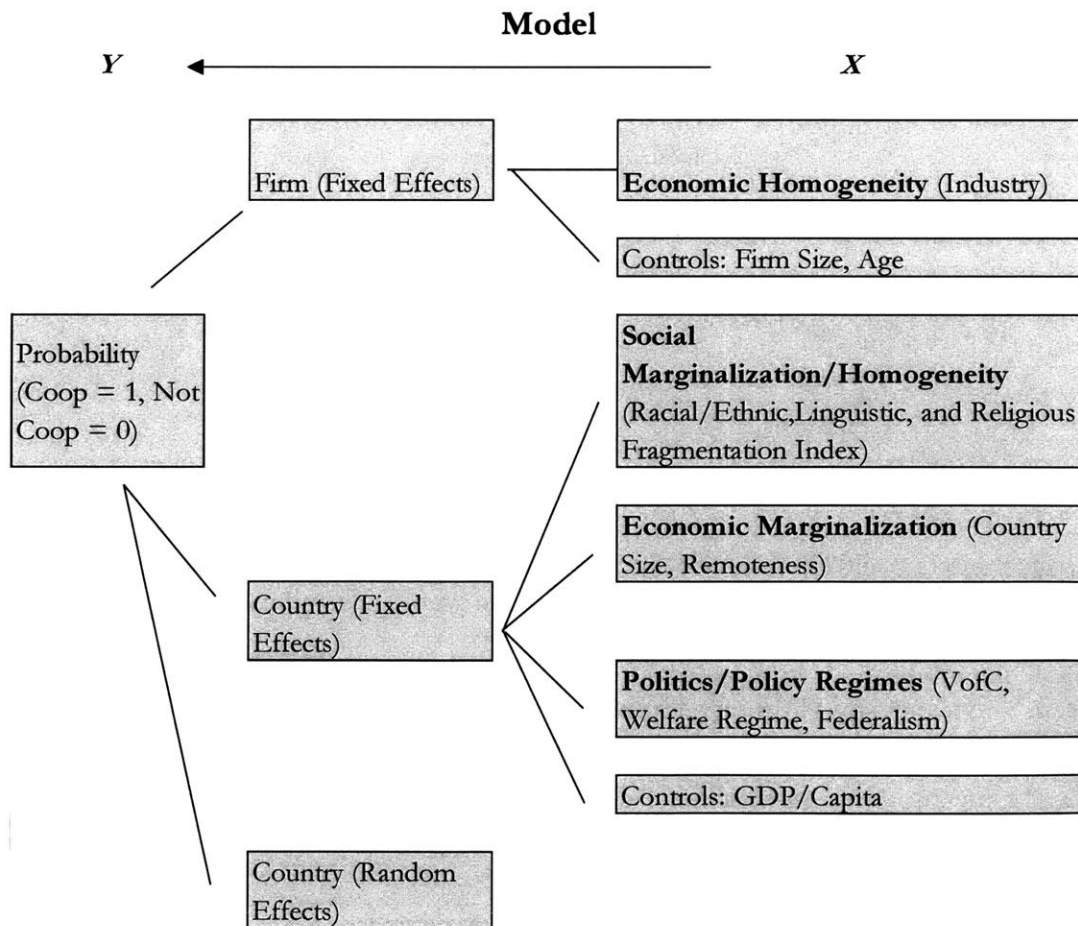
The k-means and k-medians clustering analyses, partitioning the data into two categories across the two variables, yielded the same two clusters: cluster A, the “high” cluster, of five nations: Finland, France, New Zealand,

Denmark, and the Netherlands. The remaining nations are assigned to a second “low” cluster.

Of the five “high” nations, none are federal. Three have social democratic welfare regimes. Only one has a residual welfare state with an LME: New Zealand. France’s position, which is towards the lower end of the high cooperative activity cluster, is especially notable given its size. Among large economies (here defined as those OECD countries with a GDP exceeding \$2T and/or a population exceeding 50 million), France is positioned far above its size peers (US, UK, Japan, Italy, Germany), with breadth of large cooperatives across multiple sectors, including in banking, insurance, agriculture, retail/wholesale, and industry.

3.4 Multi-level Mixed Effects Logistic Regression Models: Results and Discussion

Figure 3.4.1



Models were developed to predict the probability that a large firm is a cooperative, with the models utilized to both (a) test and confirm existing social and economic factors, and (b) examine the role played by heretofore unconsidered policy regimes and political features, as depicted in Figures 3.4.1 and 3.4.2.

Incorporating the policy and political factors reviewed in the preceding section, political economy type and welfare regime type variables were assigned categorically (LME = 0, CME = 1; Residual welfare regime = 0, Conservative = 1, Liberal Democratic = 2). Additional country and firm level control variables introduced included measures of country wealth (country GDP per capita), and firm age (decade founded) and size (revenue in millions). Such controls are based on assumptions that cooperatives might be more common in lower-income countries (again, as a response to market failure); and that cooperatives, which are often perceived as growing and achieving scale more slowly than traditional firms, might on average be older than non-cooperative firms; and that they might be smaller than non-cooperative firms.

Figure 3.4.2 Detailed Specification Information for Tested Variables

Category	Variable	Description	Actual Value Range	Low Value	High Value
Social Heterogeneity/Marginalization	Composite Fragmentation Index	Composite of three measures of social "fragmentation" (Alesina et al, 2000), i.e. difference, across three different indexed measures of dissimilarity with regard to race/ethnicity, religion, and language. A higher score implies greater dissimilarity within the population across the measure.	0.31 - 1.99	Ireland	Canada
Economic Marginalization	Remoteness	Indexed variable from X to Y, measures the gravity-weighted, trade-weighted distance of output both within the country, as well as between the country and other global markets (Evans et al., 2003)	.72 - .98	Japan	New Zealand
Economic Heterogeneity	Industry	Categorical/Multinomial (14): Major Industry	0-14	N/A	N/A
Political and Policy Regimes	Variety of Capitalism	Categorical/Binary: Liberal Market Economy, or C0 - 1		US	Germany
	Welfare Regime	Categorical/Multinomial (3): Residual, Conservativ0 - 2		US	Denmark
	Federal	Categorical/Binary: Federal or Unitary	0 - 1	Finland	US
	Memo: Coop Legislation	Comprehensive, National Cooperative Enabling Le;0-1		Non-US	US

3.4.1 Model Results and Discussion

Results are included as Figure 3.4.3 and 3.4.4. Of more than thirty regression models, sixteen models are presented, including the null model, with varying controls specified in each as to check for robustness. Because the LME designation is coterminous with the residual welfare regime designation, these two factors could not be simultaneously tested. Lacking variation (there is no LME with a non-residual welfare state) such a model would fail to converge. Details on the specific nature and range of the variables are included in Figures 3.4.1/2.

Social Heterogeneity. Lower levels of country social heterogeneity (i.e. higher homogeneity) positively and consistently increased the probability a large firm was a cooperative, as expected. Across almost all models, results were either statistically significant at the 5% level, or were near significance (with a p value between .05 and .15). The size of the coefficient exhibited some variation across the models, with most ranging between -0.5 and 1, yielding odds ratios between 0.4 and 0.6. This means, that for example, all else equal, a one point increase in the composite index level of social heterogeneity, would roughly decrease the odds that a firm would be a cooperative in half. Finland and the US, for example, have approximately one full point in difference in the composite index (Finland at 1.56 and the US at .53). *This means that, all else equal, if the US possessed Finland's level of social heterogeneity, the share of its large enterprises accounted for by cooperatives might be twice as high as it is today.*

Economic Homogeneity. Industry fixed effects were strong and significant. Industry was the most consistently significant predictor across all models. As to clarify differences across industry, a known low-probability industry, publishing/media/information, was selected as the “reference” category, effectively magnifying differences between industries as measured by the odds ratio, due to a denominator effect. This was done intentionally, as to make the industry differences more readily apparent in reviewing results. Agriculture, banking, insurance, retail/wholesale and telecommunications industries were associated with higher probabilities of being a cooperative than the reference category. Cooperatives in these high-activity industries typically pool either homogeneous inputs (e.g. capital in banks) or outputs (commodities and agricultural products), as noted earlier.

Country Size and Remoteness. The size of the country, as measured by overall GDP, was not consistently statistically significant, and did not consistently display the expected sign. This variable was accordingly dropped in several later models. Country remoteness, however, as measured by the trade-weighted distance/gravity index, exhibited the expected sign, with the probability that a firm was a cooperative also consistently, and statistically significantly, increasing with a country's distance to global markets. The effect, however, was small, effectively increasing the odds by 5%. The scale on this variable, an index with a high value of 1, with the tested countries between .72 and .99, means that an increase from the remoteness of France (0.78) to that of New Zealand (0.98, a .20 change in the index) is associated with a 1% increase in the odds of being a cooperative.

Control Variables. Neither size of firm nor country were significant in two of the three models where included. In two of three, including the one where significant, directionality was as expected: an increase in host country size was associated with a slight decrease in the probability that a firm would be a cooperative. In the third model, there was no effect ($pr = 1.00$). There was no discernible relationship between firm revenues and the probability of being a cooperative. Though the data set only includes

larger firms, it still encompasses wide variation, with the largest firms having 500+ times the revenues of the smallest ones (at \$75 million).

Age of firm and country income levels, both control variables, consistently exhibited small but statistically significant effects. With each passing decade, the likelihood a firm will be a cooperative, is 15% lower than the previous decade. Whether this reflects cohort effects (cooperative firms more likely to be founded at certain times) or survival rates (cooperatives have higher survival rates and/or lower start-up rates) is unclear. Country income exhibited a mildly negative, but significant, effect on probabilities: for each thousand dollars of increase in GDP per capita, the probability decreased by 3%.

Policy Regimes and Political Variables. As noted above, VofC and Welfare Regimes could not be simultaneously tested. Separate testing of both confirmed prior expectations: being an LME with a residual welfare regime are both associated with a significant decrease in probability that a firm is a cooperative. Being based in a CME was consistently associated with more than a 50% increase in the probability a firm was a cooperative. Results of higher magnitude were obtained for the two welfare regimes associated with coordinated market economies, with the social democratic typically exhibiting higher coefficients and more consistently statistically significant result, nearly double the odds that a large firm is a cooperative.

Because the LME countries are identical to those of the residual welfare regime, it is difficult to isolate their separate effects. Nonetheless, I interpret the result to mean that LME relations undermine the supply of cooperatives to a far greater degree than they might conversely stoke demand for them (as generated by a “residual” segment of the population which struggles to sell their labor in the open market.)

Federalism displayed weak and mixed results, not always exhibiting the expected sign, and not always consistently statistically significant.

This may reflect two variable specification issues. One challenge is that, similarly to the collinearity problem with LMEs and residual welfare regimes, federalism significantly correlates with LMEs. Coupled with the fact that both are dummy variables, this makes it difficult to test their independent effects given the lack of variation. Also as noted earlier, this may reflect a poor operationalization of federalism in the model. Coding federalism as a binary variable obscures the varieties of federalism and types of federal countries, as noted above. This imperfect treatment might be improved by identifying which specific aspect of federalism is most germane to cooperative’s scale, and coding that aspect. As an effort to isolate this, based on the analysis in Chapter 4, I coded countries based on whether they possessed a comprehensive, national enabling statute for cooperatives at the national (as opposed to state or local level) scale. The only rich democratic country, as shown in Chapter 4, which lacks such a framework is the United States. Thus, as a “memo” variable, I ran several additional models which tested a Cooperative Law dummy variable as a proxy for federalism, with the US coded as zero, and all other countries assigned 1. On these

models, the dummy variable also did not always exhibit the posited sign, and it was not always statistically significant.

Figure 3.4.3: Logistic Regression Models, Coefficients

Dependent Variables (X)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
	<i>null</i>	<i>country random</i>	<i>firms random</i>	<i>country random effect</i>	<i>firms + country random fixed effects</i>	LAME Models			Welfare Models			Federalism					
							<i>Coop Lem</i>	<i>Significant</i>	<i>Full</i>	<i>No Remoteness Only</i>	<i>Hetero</i>	<i>Partial</i>	<i>Coop Lem</i>	<i>Significant</i>			
Country Variables (Fixed)						<i>Full</i>											
Income: Gdp/Capita (Ths)					0.99	0.97	0.98	0.98	0.98	0.96	0.98	0.98	0.97	0.97	0.97	0.97	
Size: Gdp (Tr)					0.96	0.97	0.98	0.97	0.91	0.91	0.97	0.98	0.93	0.80	0.93	0.80	
Social Heterogeneity Index (Alesma Et Al)					0.54	0.44	0.63	0.56	0.41	0.37	0.54	0.53	0.44	0.34	0.37	0.37	
Remoteness (Gravity Weighted Distance)					0.97	1.03	1.04	1.04	1.03	1.05	1.05	1.05	1.05	1.05	1.05	1.02	0.98
Federal Country					1.02	1.33	1.40	1.40	1.12	2.57	1.30	1.30	1.50	1.50	1.50	0.08	
Memo: Coop Law?					1.57	2.63	3.83	3.83									
Coordinated Market Economy (Vs. Liberal)																	
Welfare Regime:																	
Social Democratic									1.91	1.46	1.53	2.67	1.53	1.81	1.81	1.81	
Conservative/Corporatist									2.84	1.22	2.47	4.96	3.92	4.65	4.65	4.65	
Firm Variables (Fixed)																	
Revenues, Millions					1.01	1.01	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Age (Decade Founded)					0.86	0.86	0.84	0.84	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Industry																	
Agricultural/Commodities					29.31	26.93	25.65	22.53	22.54	22.91	24.14	22.52	22.57	22.55	22.58	22.55	22.55
Arts/Entertainment					1.08	1.08	1.06	1.08	1.08	1.07	1.03	1.08	1.08	1.08	1.08	1.08	1.08
Banking/Finance					17.40	18.87	15.70	18.80	18.69	18.71	19.01	18.73	18.81	18.82	18.76	18.71	18.71
Health, Ed, And Social Services					27.26	30.46	38.52	39.73	39.76	39.67	39.29	39.76	39.72	39.72	39.70	39.78	39.78
Insurance					55.53	56.76	76.46	74.21	72.41	72.87	74.61	72.53	73.92	73.98	73.77	73.68	73.68
Manufacturing/Industry					1.62	1.53	1.40	1.31	1.31	1.32	1.35	1.30	1.31	1.31	1.31	1.31	1.31
Natural Resources					1.33	1.46	1.77	1.57	1.56	1.57	1.65	1.56	1.57	1.57	1.57	1.57	1.57
Other					1.34	1.29	1.47	1.64	1.63	1.64	1.66	1.64	1.63	1.63	1.62	1.61	1.61
Professional Services					3.67	3.59	3.51	3.53	3.53	3.56	3.69	3.53	3.54	3.53	3.53	3.52	3.52
Re/Arch/Eng/Con					5.59	5.24	5.61	5.20	5.20	5.23	5.30	5.20	5.20	5.20	5.21	5.20	5.20
Retail/Wholesale					7.67	7.10	10.83	9.61	9.61	9.65	9.67	9.59	9.61	9.60	9.62	9.61	9.61
Telecom/Transport/Utilities					19.23	18.22	18.79	17.23	17.14	17.36	18.06	17.14	17.24	17.24	17.25	17.23	17.23
Ref. Cat: Pub./Media/Information					0.02	0.02	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.01	0.01	0.01
Constant					0.67	0.67	0.67	0.67	0.87	1.01	0.72	0.94	1.01	1.03	1.05	0.99	0.99
Random Effects (By Country)					0.72	0.72	0.72	0.72	0.87	1.01	0.72	0.94	1.01	1.03	1.05	0.99	0.99

bold indicates significant at .05 level
italic indicates borderline significance (.05 - .15)

Figure 3.4.4: Logistic Regression Models, Odds Ratios

Dependent Variables (X)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	<i>null</i>	<i>country</i> <i>random</i>	<i>firms</i>	<i>firms +</i> <i>country</i> <i>random</i> <i>effect</i>	<i>firms +</i> <i>country</i> <i>fixed</i> <i>effects</i>	LME Models			Welfare Models							
						Full	Coop Law	Significa nt	Full	No Remoteness	Social Heterom.	Partial Coop Law	Coop Law	Significant		Federalism
Country Variables (Fixed)																
Income: Gdp/Capita (1hs)					-0.01	-0.03	-0.03	-0.02	-0.02	-0.04	-0.02	-0.02			-0.03	-0.03
Size: Gdp (Tt)					-0.04	-0.04	-0.46	-0.58	-0.03	-0.10	-0.10				-0.07	-0.22
Social Heterogeneity Index (Alesina Et Al)					-0.62	-0.63	-0.46	-0.58	-0.56	-0.90	-1.00	-0.63	-0.72	-0.81	-1.09	-0.99
Remoteness (Gravity Weighted Distance)					-0.03	0.03	0.04	0.04	0.03	0.94	0.04	0.05	0.05	0.48	0.02	-0.02
Federal Country					0.02	0.28	0.34		0.12			0.26			0.40	-2.52
Memo: Coop Law?					0.45	0.97	1.12	1.34								
Coordinated Market Economy (Vs. Liberal)																
Welfare Regime:																
Social Democratic									0.65	0.38	0.43	0.98	0.42	0.60		
Conservative/Corporatist									1.04	0.20	0.90	1.41	1.37	1.54		
Firm Variables (Fixed)																
Revenues, Millions			0.01	0.01	0.00	0.00			0.00	0.00	0.00	0.00				
Age (Decade Founded)			-0.15	-0.15	-0.17	-0.16	-0.16	-0.16	-0.16	-0.16	-0.16	-0.16	-0.16	-0.16	-0.16	-0.16
Industry																
Agricultural/Commodities			3.38	3.29	3.24	3.12	3.11	3.12	3.12	3.13	3.18	3.11	3.12	3.12	3.12	3.12
Arts/Entertainment			0.08	0.08	0.06	0.08	0.08	0.08	0.08	0.07	0.03	0.08	0.08	0.08	0.08	0.08
Banking/Finance			2.86	2.94	2.75	2.93	2.93	2.93	2.93	2.93	2.94	2.93	2.93	2.94	2.93	2.93
Health, Ed, And Social Services			3.31	3.42	3.65	3.68	3.68	3.68	3.68	3.68	3.67	3.68	3.68	3.68	3.68	3.68
Insurance			4.02	4.04	4.34	4.28	4.31	4.31	4.28	4.29	4.31	4.28	4.30	4.30	4.30	4.30
Manufacturing/Industry			0.48	0.43	0.33	0.27	0.27	0.27	0.27	0.28	0.30	0.27	0.27	0.27	0.27	0.27
Natural Resources			0.28	0.38	0.57	0.44	0.45	0.45	0.44	0.45	0.50	0.44	0.45	0.45	0.45	0.45
Other			0.29	0.25	0.39	0.49	0.50	0.50	0.49	0.50	0.51	0.49	0.49	0.49	0.48	0.48
Professional Services			1.30	1.28	1.25	1.26	1.26	1.26	1.26	1.27	1.31	1.26	1.26	1.26	1.26	1.26
Re/Arch/Eng/Con			1.72	1.66	1.72	1.65	1.65	1.65	1.65	1.65	1.67	1.65	1.65	1.65	1.65	1.65
Retail/Wholesale			2.04	1.96	2.38	2.26	2.26	2.26	2.26	2.27	2.27	2.26	2.26	2.26	2.26	2.26
Telecom/Transport/Utilities			2.96	2.90	2.93	2.84	2.85	2.85	2.84	2.85	2.89	2.84	2.85	2.85	2.85	2.85
Ref. Cat: Pub./Media/Information																
Constant	-3.80	-3.89	-5.77	-5.82	-2.95	-6.88	-8.51	-8.37	-7.50	-3.02	-5.46	-8.81	-9.92	-9.79	-4.39	1.48
Random Effects (By Country)																
Constant						0.89	0.93	0.97	0.87	1.01	0.72	0.94	1.01	1.03	1.05	0.99

bold indicates significant at .05 level
italics indicates borderline significance (.05 - .15)

Figure 3.4.5 Predicted Probability of a Large Firm Being A Cooperative, By Country – Fixed and Random Effects Broken Out

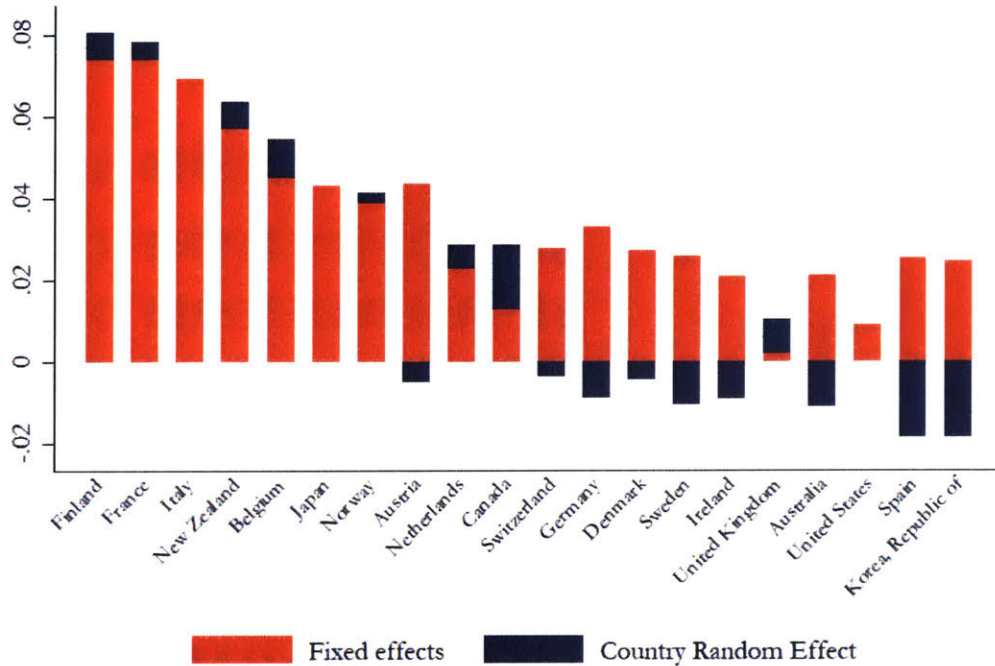
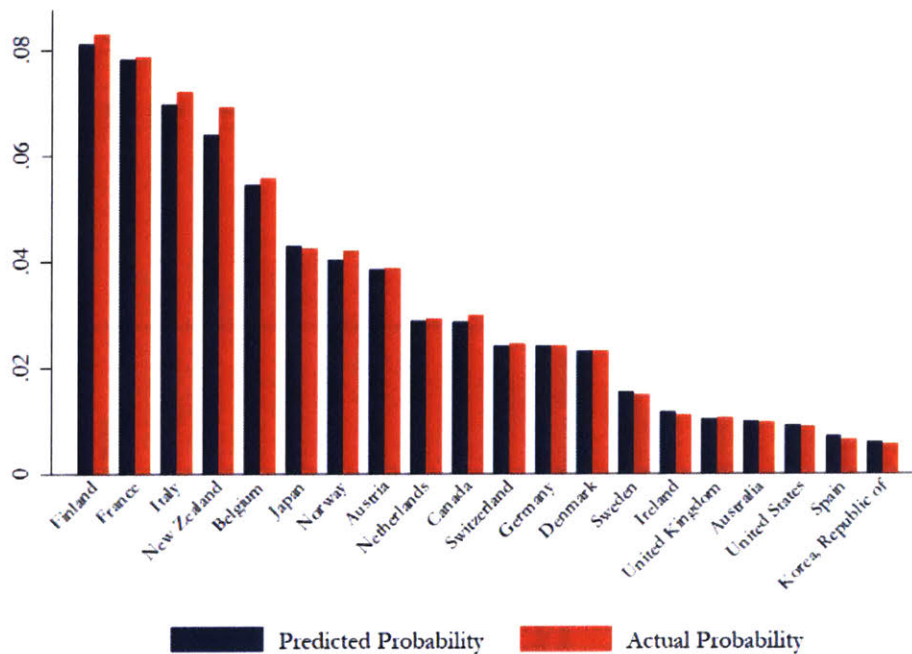


Figure 3.4.6 Predicted vs. Actual Probability of a Large Firm Being A Cooperative, By Country



3.5 Conclusions: Confirming Policy and Politics Matter...But How?

Figures 3.4.5 and 3.4.6 graphically depict the results for one of the best fit models, Model (14) in the preceding two figures, which incorporates Welfare Regime and other statistically significant variables to predict the probability that a firm is a cooperative in each country. Compared to the null model, the cross-national variation accounted for by country random effects declined dramatically. Most variation in probability across countries is accordingly accounted for by tested factors, as Figure 3.4.5 depicts; the remaining variance share, attributable to country random effects, likely reflects unmodeled factors in the country environment, perhaps directly attributable to other policy factors.

The regression model results thus generally confirmed both (a) prior expectations of significant socioeconomic factors, notably relating to size/distance of countries, social homogeneity, and industry effects; and (b) the hypothesis that political-economic and policy regimes are germane to the question of the comparative, cross-national prevalence of large-scale cooperative enterprises.

Even accounting for these other, known macro socioeconomic factors germane to cooperatives, the policy environment, as measured by the political economy and social policy regimes tested, exhibited a statistically significant relationship in accounting for cross-national variation in the prevalence of large scale cooperatives.

Model results cannot tell us, however, *how* these differences in policy frames and logics manifests. Which policies are most relevant to cooperative prevalence, and why? This issue will be addressed in Chapter 4.

CHAPTER 4

PUBLIC POLICY, VICIOUS CYCLES, AND THE US COOPERATIVE ECOSYSTEM IN COMPARATIVE PERSPECTIVE

“National and state government agencies that are supposed to support economic development don’t even know we exist. It’s unbelievably frustrating. In other countries, cooperatives have a seat at the table...here, we have to fight for table scraps. We are running up the down escalator, with our hand behind our back...pick your cliché...America claims it’s the land of equal opportunity...a level playing field. That only applies to certain types of businesses and organizations. Sometimes I feel like we don’t stand a chance.” – *US Cooperative Developer/Consultant, Interviewee, August 2017*

In Chapter 3, I showed that several socioeconomic and political factors exhibited a statistically significant relationship in explaining cross-national variation in the prevalence of large scale cooperatives. Model results alone, however, cannot explain precisely *how* these differences manifest in ways which may affect cooperatives’ ability to scale. How do the statistically significant factors affect the operating context for cooperative businesses in the US, as compared with countries where large-scale cooperatives are more successful? Beyond the statistically significant factors, federalism, as noted in Chapter 3, may still also play a role, with its weak statistical significance perhaps a data artefact, or reflection of poor operationalization of federalism as a variable. Based on cooperatives’ history of scaling through federating, which in some countries may involve working across federated territories with different legal rules for cooperatives, there is good reason to suspect that federalism may be also be at work as a contributing political factor.

This chapter examines *how* the posited range of causal political and socioeconomic factors shape cooperatives’ ability to scale in the US, as compared to other countries where such enterprises have been more successful. I focus on how these factors shape and influence the major constituent components of the cooperative business ecosystem, a concept introduced and discussed in Chapter 2, which include policy,

finance, education/training, and markets. Though given slightly different names, these “ecosystem components” also appear in some form in the Varieties of Capitalism framework, which highlights differences national systems of interfirm relations across ecosystem dimensions.

I will specifically focus on how variations in *public policies* shape the cooperative business ecosystem, for three reasons. First, I highlight policy because of the general lack of consideration of political factors in theorization of cooperative prevalence, as examined in both Chapter 2 and 3, which is part of the broader lack of theorization of the prevalence of cooperatives specifically, and of other ownership forms in general. An analysis of the role of policy in the cooperative ecosystem might fill a critical gap in activists’ and academics’ understanding of different enterprises’ scaling and prevalence. Second, I focus on public policies because they form the most tangible and readily traceable component of a cooperative ecosystem: statutes and public policies are a form of knowledge and rules explicitly “codified”, rather than “tacit” (Polanyi, 1966; Gertler, 1995). While bureaucrats have some autonomy in choosing how these statutes are implemented (Lipsky, 1980), the statutes and policies are nonetheless codified.

Last and most important, I focus on public policy because, as I will show in this chapter, ***it was the most frequently mentioned primary challenge by US cooperative sector stakeholders in interviews, more so than the other major components of the business ecosystem.*** To wit, the problems in *other* components of the cooperative ecosystem – which are ostensibly *not* about policy, per se - were *also* frequently structured either directly or indirectly by policy. A lack of finance and capital for cooperatives, for example, in part reflects the unique policy restrictions placed on cooperative financial institutions in the US.

This indirect role of policy is not unique to cooperatives, but applies to all types of economic activities and organizations. As reviewed in Chapter 2, states “condition” markets in myriad ways which belie the notion of “free enterprise”, deploying tax policy, research & development funding mechanisms, and industrial and social policies to shape the structure and nature of economic activity (Volscho and Kelly, 2012, Hacker and Pierson, 2010, 2016). Sometimes, such policy treatment may be difficult to see directly, if deployed *sub rosa* through a “submerged state” (Mettler, 2011) approach, leaving the impression that countries like the US lack an industrial policy (Reich, 1982; Block, 2008). But this is a misnomer: there is no such thing as a “free market”: policies affect all components of business ecosystems, it is simply whether such policies are applied explicitly and directly.

This may contravene today’s popular and normative notions that markets should be free, even if in practice, they are not. Political, economic and social thinkers from a wide range of philosophical traditions have long acknowledged the inescapable reality of states’ effects in markets, as noted by economic historian Mirowski (2018):

While it is undeniable that neoliberals routinely disparage the state, both back then and now, it does not follow that they are politically libertarian or, as David Harvey would have it, that they are implacably opposed to state interventions in the economy and society. Harvey's error is distressing, since even Antonio Gramsci understood this: "Moreover, laissez-faire liberalism, too, must be introduced by law, through the intervention of political power: it is an act of will, not the spontaneous, automatic expression of economic facts." From the 1940s onward, the distinguishing characteristic of neoliberal doctrines and practice is that they embrace this prospect of repurposing the strong state to impose their vision of a society properly open to the dominance of the market as they conceive it. Neoliberals from Friedrich Hayek to James Buchanan to Richard Posner to Alexander Rüstow (who invented the term *Vitalpolitik*, which became Foucault's "biopolitics") to Jacques Rueff, not to mention a plethora of figures after 1970, all explicitly proposed policies to strengthen the state.

States structure markets, as reviewed in Chapter 2, in ways that cut across business ecosystems, be it to the benefit of neoliberal interests or otherwise.

To conduct the comparative policy and ecosystem examination, I first selected countries to compare to the US, deploying case selection criteria as explained below. Both document analysis and interviews confirmed that policy remains perhaps the most significant obstacle to success in the US context, more so than in the comparison countries. I then compare policies which effect the cooperative business ecosystem in the US vs. these other countries. Using data from cooperative sector interviews in the US and the comparison countries, I also attempt isolate the comparative role played by the range of posited causal socioeconomic and political factors in this process, and connect these factors to policy differences.

US policy treatment of cooperatives differs significantly from that of the high activity countries. These policy differences reflect both the distinct policy logics of liberalism adumbrated in Chapters 2 and 3, and the effect of the other causal factors, including federalism. ***The net result is that policy serves to systematically undermine, rather than enable or support, the development of a national cooperative ecosystem at scale in the US.***

This is accomplished both directly, through public policies which address the cooperative ecosystem, and indirectly, through other policies which structure "competing" organizational forms. By restricting cooperative debt and equity finance, denying or limiting cooperatives' access to public economic development tools, and failing to legislatively enable cooperative ownership at national scale in the US, ***the state impinges on cooperatives' success and scale across multiple fronts of the cooperative ecosystem.*** Meanwhile, the power of the US government has been deployed to enable and promote organizational forms which compete with the cooperative at a national scale, yielding an organizational environment which makes it more difficult for cooperatives to succeed. Given this restrictive national stance, it is unsurprising that cooperative advocacy continues to appear as an issue in the local level in the US, showing up in both city and state policy and planning today.

This restrictive US stance contrasts sharply with other countries in which the cooperative enterprise form has been more successful. In these countries, the cooperative is treated either neutrally in national public policy, or granted legal accommodation or outright state support, in accordance with its distinct logic and purpose in achieving pro-social goals. In these countries, the cooperative is also on a more even footing with competing organizational forms, and is sometimes encouraged to collaborate and coordinate with such forms as a matter a law (e.g. France's social and solidarity economy, a legally defined sector including cooperatives, see Chapter 6).

Hampered by such government actions, which directly undermine the potential of the cooperative organizational form, US cooperatives remain caught in an Acemoglian (2012) "vicious cycle", in which problems in one ecosystem component cascade to the next. Such public policies in the US do not just reflect "political" factors - the logic of liberal policy regimes and federalism - but also reflect the influence of the other posited causal social and economic factors, as I will show in this chapter.

The outcome is that in the US, as one interviewee noted to open this chapter, that cooperatives "are running up the down escalator, with our hand behind our back", and *they do so by policy design*.

4.1 Country Case Selection Criteria: US vs. Finland, France, and NZ.

Given the nuances of national legal systems, and the challenge of reading documents on them in many foreign languages beyond those in which I possess reading ability, an exhaustive analysis of all the rich democracies' cooperative business ecosystems would not be feasible. Instead, I use a case study approach, contrasting the US to three case countries.

I selected comparison cases on the dependent variable. I select three "high cooperative activity" countries, i.e. where large scale cooperatives are more frequent and common. I contrast these to the US, a "low activity" country, where such enterprises are comparatively rare, as demonstrated in Chapter 3. Such a research design might, upon first glance, appear to violate the conventional wisdom that one should never select cases, particularly in "small N" qualitative studies examining an "extreme" outcome, on the dependent variable (Geddes, 1990; King, Keohane and Verba, 1994). But the nature of the research questions asked in this study are precisely about an extreme outcome in one particular case. I have asked if cooperatives in other countries more readily scale than in the US, and if so, why? The outcome of interest is an answer to the question: why is the dependent variable (large scale cooperative frequency) so low in the US?

Dependent variable selection bias would be a potential problem if one selected other low activity countries (e.g. UK, Australia) for comparison. This would not allow me to isolate variation across the posited causal dimensions (independent variables), and link it to variations in the outcome (dependent variable). In this instance, proper

application of the rule against dependent variable selection warrants selection of comparison cases *high* in the dependent variable, but are otherwise similar (i.e. rich democracies) *except* across the various posited causal dimensions. This is precisely the approach I have taken.

On this basis, for detailed comparative analysis, I select “high” outcome cases from among the rich democracies, focusing on cases which are both “representative” and “anomalous” (Gerring and Cojocaru, 2016; Gerring, 2016). The cases I select are anomalous: they have achieved high levels of cooperative activity. But within this class of cases, they are also *representative* of different latent classes of countries, in that they each possess a different mix of causal characteristics, and thereby exhibit representative variation across these dimensions.

Among the countries examined, just three – Finland, France and New Zealand – appear as “high” across two measures of cooperatives’ extensiveness as calculated in Chapter 3, Cooperative Revenue Per Dollar of GDP (ICA data) and Cooperatives as a Share of the Number of Large Enterprises (OneSource Data). These countries also exhibit variation across hypothesized socioeconomic and political causal factors, making them ideal for the research question.

Finland is a coordinated market economy with a social democratic welfare state; small, far from global markets; and comparatively socially homogeneous. Economically homogeneous, “basic needs” industries, such as agriculture, are also overweight in its economy. In many ways, it is a “perfect” case, one nearly a mirror image of the US, presenting with different features across nearly all causal characteristics.

New Zealand and France, however, are mixed cases in terms of their features. New Zealand, like the US, is a liberal market economy with a residual welfare state. It is also an Anglo-American country, which, as another former British colony, shares additional similarities with the US in its cultural, political and economic institutions.

Figure 4.1 Country Case Selection Criteria

Factor	US	Cases			Shadow Case	Rejected Cases		
		France	NZ	Finland	UK	Switzerland	Germany	Belgium
Y: Few Large-Scale Coops	X				Partial	Partial	Partial	Partial
X: Size and Distance			X	X				
Social Heterogeneity	X	X			X		X	X
Industry/Economic Hetero.	X	X			X		X	
Federal	X					X	X	X
LME/Residual Welfare	X		X		X			

But it is also small, fairly homogeneous, and distant from markets, with a high degree of global economic marginality stemming from its remoteness.

France, like the US, is one of the world's largest and more diverse economies, with advanced, multi-industry manufacturing and services sectors. It is not economically marginal, occupying a central position in the global economy. It is socially, religiously, and racially diverse, like the US. But France is a coordinated market economy with a conservative welfare state.

Notably, these countries boast strong agricultural/natural resources sectors, and cooperatives are strong in these sectors, as they are in the US. Yet unlike the US, cooperatives are strong in other key industries, demonstrating how industry effects, or any other single factor alone, do not explain cooperative strength. New Zealand and France, with their mix of features alongside comparatively high concentrations of large cooperatives, further affirm there is no single "smoking gun" (Bennett and Checkel, 2014) cause that can be traced as the key explanation. Rather, it is the variety of causal characteristics, combined and in conjunction, which are explanatory. This is consistent with the statistical results in Chapter 3.

Before eliminating the possible existence of a single causal "smoking gun", however, it must first be noted that none of the "high" activity countries are federal. Is federalism perhaps the singular cause? Two federal countries register as high on at least one the two key measures of cooperative extensiveness. Switzerland, at 12.3%, ranks sixth in cooperative revenue per dollar of GDP. But in both absolute number of cooperatives and share of total enterprise measures, Switzerland ranks low. Belgium ranks high in its share of large enterprises which are cooperative, but in revenue, it does not. Belgium also has only three federal sub-national sovereign regions: Wallonie, Flanders, and Brussels. The US has 50 sovereign states. Another federal country, which rank as "middling", not "high", is Germany. Given significant changes to Germany's borders, and given unique effects of two World Wars on its political economy, Germany introduces other factors which eliminate it as a strong case. Germany's federalism is also manifestly different than the US', with regions effectively setting national policy. Canada and Australia, the other federal nations, also rank as low. Federalism is therefore difficult to isolate or incorporate definitively as a factor in the comparative analysis, but, given this pattern, must nonetheless still be qualitatively assessed and considered in the US case.

Of note, the UK is sometimes discussed in this and other chapters as something of a "shadow" case, due to the high degree of similarity to the US across multiple characteristics, and due to its historic and historical role as the birthplace of the modern cooperative organizational form.

4.2 Research Approach and Method

To isolate critical differences between the case countries' cooperative ecosystems, I interviewed stakeholders to identify similarities and differences in terms of the most significant challenges they comparatively face. Based on their responses, which most frequently identified policy as the most problematic ecosystem component in the US, I use both interview data and document and content analysis of policies and statutes to systematically analyze differences in policies, and how they reflect the causal factors. I apply the logic which underlies Mill's Methods (Mill, 1843, 1848), specifically the method of difference and the method of concomitant variation, to conduct and develop "contextualized comparisons" (Locke and Thelen, 1995) and "process trace" (Bennett and Checkel, 2014) the sources of policy variation in the cooperative ecosystems. In simple language, I attempt to identify key cooperative policy differences between the US and the case countries, and trace their connection to the presence or absence of different causal factors.

I also deploy a "ground-truthing" (Glaser and Strauss, 1967) approach to affirm the comparative relevance of observed differences between national cooperative ecosystems, in semi-structured interviews with cooperative sector stakeholders in all four countries (N = 154). I solicit input from participants *on what they believe to be* the most critical issues in their respective cooperative ecosystems. Interviews were coded and analyzed to reflect whether, and how, *interviewees perceive and respond* to factors impeding or enabling their growth and survival. In all four country cases, interviewees additionally alerted me to the existence of policies and ecosystem features which I otherwise would not have identified via document analysis or archival research alone. Individual formal interviews were supplemented by participant-observation ethnographic data and informal interviews at global and/or international cooperative sector events held in Quebec and New York, as well as within-country, local cooperative events held in Paris, Wellington (NZ), Boston, New York, and Oakland (CA).

For the formal interviews, I engaged in purposive sampling of key strata of stakeholders and participants in the cooperative ecosystem (e.g. different types and industries of cooperatives, large and small businesses, failed and successful cooperatives, local and national government officials, cooperative apex organizations). To achieve this coverage, I arranged interviews clustered in "high activity" regions (based on analysis of the data sets developed and tested in Chapter 3) in all four countries.

In the US, three regions established by other research as "high activity" regions (Spicer, 2015; Jackall and Levin, 1984) were selected to allow maximum coverage of both national and state/local cooperative actors, as well as account for the diffuse and multi-polar/regional structure of the US economy: the Northeast Corridor, focused on Boston, New York and Washington DC (with the DC area containing many national

representatives), the San Francisco Bay Area in Northern California, and the Upper Midwestern regions of Minneapolis-St. Paul (MN) and Madison (WI), as the two states have a shared cooperative history (see Chapter 5). These interviews were largely conducted in person between 2015 and 2017, though a small number (N = 12) were conducted via video or telephone.

In France, in-person interviews were conducted in July 2015, July 2016, and from March to May 2017, and centred on the Paris region (N=25), which dominates national economic, political, cultural activity in general. Of note, in France, interviews were conducted largely in French, with some in “Franglais”, a mix of the languages, and a few (N= 5) entirely in English. A small number (N= 7) of additional supplemental interviews were conducted with nationally prominent cooperative ecosystem actors in Rennes, Lille, and Lyon. In Finland, interviews were conducted in June and July of 2017, and clustered in the greater Helsinki region, which accounts for nearly one-fourth of the national population. A small number of supplemental interviews were conducted in two cities outside of the Helsinki region, Tampere and Turku, which are also part of the “six-aiki”, Finland’s six largest cities (three of which are in the Helsinki region – the cities of Helsinki, Espoo and Vantaa), with national coverage thus achieved via interviews in five of the six principal cities. In New Zealand, the Auckland region accounts for roughly one-third of the national population and is the business center of the country, while the national government is based in the second largest region, Wellington, which is also on the North Island. Christchurch is the third largest region and the hub of economic activity on New Zealand’s South Island. Given the dispersion of actors across these regions, interviews were conducted in all three (N = 26), which combined account for more than half of New Zealand’s population, in November and December 2016.

Summary information on the interviewee coverage and approach is included in the Appendix as well as in Figure 4.2. As to avoid biasing respondents, questions were typically sequenced from open and broad, to narrow and closed. For example, interviewees were generally asked what they viewed as to the greatest obstacles to development and growth for their cooperative. After probing their initial answer, and depending on the nature of their response, I then asked them to consider in general these obstacles, and rank them in terms of the greatest to least obstacles in the cooperative ecosystem: policy/law, education/training, market conditions/business opportunities, or finance/equity capital. I would also ask if certain of these functional areas were or were not significantly a problem, as to confirm their initial answers, also confirming with interviewees that the specific obstacles they described could be aptly characterized as belonging in one of these four buckets.

The four broad factors reflect a simplified structure of the “ecosystem” approach now popular in business schools, IT, and strategy consulting, as noted in Chapters 2 and 3. Many interviewees, particularly in the US, referenced the idea of a cooperative

ecosystem. I tried to avoid using the term “ecosystem” unless a respondent did. In one interview in Minnesota, I inadvertently used the term before a respondent did.

Interviewees were explicitly informed that it was acceptable to say that none of these ecosystem areas were problems, or to suggest other types of problems. If interviewees were unable to choose between one or any of the other factors as the primary problem, or select just one for each positional rank, they could tie their answers. I typically

Figure 4.2

Interviewees (N= 154) By Country and Type

	Country				Combined
	US	Finland	France	New Zealand	
Cooperative Type					
Worker	7	3	5	1	16
Producer	15	3	8	7	33
Consumer	9	5	4	5	23
Hybrid/Platform	6	4	9	1	20
Industry					
Agriculture	9	3	4	3	19
Insurance	3	1	2	1	7
Banking	6	2	3	2	13
Retail/Wholesale	3	3	5	2	13
Health/Ed/Social	7	3	6	3	19
Size					
Large (\$75M+ Revenue)	16	7	13	6	42
Small (<50)	19	9	10	4	42
Status					
Failed Cooperative	4	1	2	2	9
Quasi-Cooperative/Related	8	2	3	4	17
Non-Cooperative	6	3	4	3	16
Ecosystem					
Finance	13	5	7	4	29
Business/Markets	24	12	16	9	61
Education/Training	11	4	6	2	23
Advocacy/Policy/Govt.	22	5	9	7	43
National	9	3	6	4	22
State/City	13	2	3	3	21
Total	71	27	32	24	154

n.b. Due to overlap between categories and the omission of some minor categories, all figures may not sum

concluded by asking interviewees what they would change, if they could only change one thing, to enhance the successful development of cooperatives in their local context.

Of note, I did not explicitly ask interviewees about culture or ideology as an obstacle. Culture and ideology was mentioned by many interviewees as a consideration. A debate on role of material vs. ideological factors in shaping general socioeconomic and political outcomes is beyond the scope of this research, but I explicitly adopted a materialist stance in this study, one affirmed by the interviewees themselves. When I probed interviewees who suggested culture or ideology as an obstacle, in *all cases* (N = 16 in the US) their listing of “culture” as an obstacle ultimately manifested as an issue for education and training of potential cooperative participants, often in very concrete and tangible ways (see penultimate section of this Chapter).

Based on interviewee responses, I also conducted a document analysis to systematically examine differences in cooperative-specific statutes and policies across countries: how are cooperatives either restricted or supported by different statutes and policies in these countries? I also examined variations, where appropriate, in sub-national cooperative statutes and policies, at the city, regional and state scales.

Finally, I consider differences between how cooperatives are treated with regard to other, competing institutional forms. This is necessary to contextualize differences in cooperative policy: if, for example, US cooperatives are restricted in a certain way while French cooperatives are not, but similar differences also mark US vs. French investor-owned corporations, then the differences between cooperative statutes could not account for differences in the robustness of cooperatives (vs. investor owned corporations and other ownership forms) between countries.

4.3 Interview Summary Results: The Importance of Policy in the US

To understand how the posited causal factors manifest in cooperative ecosystem differences across countries, I analyzed data from over 150 (N = 154) interviews of cooperative stakeholders across all four countries. As reviewed above, respondents detailed their views and experiences on challenges cooperatives face.

As to confirm the relative importance of obstacles across different ecosystem fronts, I created three analytical measures of their responses, based on (a) the number of times a certain type of difficulty was ranked first, (b) whether it was mentioned as a significant difficulty, and (c) whether it was mentioned as a challenge at all. These results are summarized in Figure 4.3.

Two key findings emerge from the interview data, and I will address each key finding in-depth in the next two sub-sections in this chapter.

First, policy appears as a direct issue more often in the US than in any other country. Policy was disproportionately likely to be mentioned as a leading and/or significant

barrier in the US. Overall slightly more than half of respondents mentioned policy as the leading obstacle. Though this was only slightly more often than the second most frequent obstacle was mentioned (education/training), in no other country did policy rank first.

The only other country where policy appeared as directly playing a major role was in New Zealand, the only other case country with a liberal market economy and residual welfare state logic. Policy, however, was still far less frequently mentioned as a barrier in New Zealand than in the US, likely reflecting both industry effects coupled with its small size and distance to global markets as offsets.

Figure 4.3

Ranking of Obstacles/Difficulties, by Ecosystem Feature/Component				
	US	FI	FR	NZ
Most Important Obstacle?				
policy/law	22	3	3	7
business opportunities/market conditions	14	7	8	4
education/training	16	14	19	8
finance/cap avail	14	3	2	4
other/can't say	7	2	4	4
A Significant Obstacle?				
policy/law	46	6	9	13
business opportunities/market conditions	38	14	16	14
education/training	42	20	27	15
finance/cap avail	44	7	6	8
Mentioned At All as Obstacle:				
policy/law	52	8	10	17
business opportunities/market conditions	45	18	18	15
education/training	50	22	29	16
finance/cap avail	48	9	9	12

The second key finding is that, beyond policy, the other major components of the ecosystem were also more frequently mentioned as posing significant problems in the US, as well. But qualitative analysis of these other major fronts revealed these obstacles *were often also about policy*, reflecting how states structure markets and business ecosystems in many subtle and indirect ways.

4.4 Comparative Analysis of Public Policy in Cooperative Ecosystems

In this section, I detail the most significant differences in cooperative policies and statutes between the US and the case countries. Major policy differences are summarized in Figure 4-4. I group the differences into two main categories: policy and legal differences which explicitly address cooperatives, and differences which implicitly shape their operating environment.

Figure 4.4.1 Cooperative Ecosystems - Comparative Policy Features

Factor	US		Cases		
	National	State/ Local	France	Finland	NZ
Cooperative-Specific					
Comprehensive Statute?		Some	X	X	X
Enabling Equity Finance Policies?	Rare	Rare	X	X	X
Scale Restrictions on Coop Finance Institutions?	X	X			Partial
Pro-demutualization laws/policies?	X	X			
State action to mutualize assets?			X	X	X
Procurement/Public Market - Coop Social Clauses?		Rare	X		
Implicit/Indirect					
Investor-Owned Corporations: Statute?		X	X	X	X
Complementing Institutional Forms: Statutes?	X	X	X	X	X
Social Costs Heavily Imposed on Competitors?			X	X	

4.4.1 Cooperative Public Policy and Legal Differences – US vs. Case Countries

1. Territorial Scale of Cooperative Enabling Statutes: US Lacks Comprehensive, National Enabling Legislation for Cooperatives. Limited Enabling Laws Are Restrictive in Nature.

The most pronounced policy difference between the case countries and the US is that the US lacks a comprehensive national cooperative statute. Finland, France, and New Zealand all have such legislation, which define, at national scale, how to legally incorporate as a cooperative.

US national law addresses only three specific cooperative areas: agricultural marketing cooperatives, rural electric cooperatives, and credit unions. In the latter two sub-areas, the law specifically limits cooperatives' ability to scale and grow by limiting their fields of membership and operation. Even in agriculture, the legislation effectively restricts the scope of function.

The US's first major national cooperative legislation was an anti-trust act in 1922, the Capper-Volstead Act, which merely exempted agricultural cooperatives from being prosecuted under the existing anti-trust law (the Sherman Act). This was not enabling legislation. The second law, the Cooperative Marketing Act of 1926, affirmed the ability of agricultural marketing cooperatives to conduct a specified range of activities

(Zeuli et al., 2004). The Rural Electrification Act (1934, see Spinak, 2014), and the Credit Unions Act (1934), specifically limit the ability of cooperatives to achieve scale in these arenas, by restricting their fields of membership. Rural electric cooperatives, in states which adopted the model legislation drafted by the federal agency, typically may only serve towns in rural areas. Credit unions, which may incorporate under state or federal statutes, may only serve members with a shared employer and/or a shared sub-state area of residence. Similarly, the US Congress chartered and supported both a cooperative agricultural banking system in 1916, which grew into CoBank, and the National Cooperative Bank, in 1978, to lend to other cooperative businesses and housing. But these banks are also restricted in which geographic and functional areas they can serve, and in which lending activities they can undertake.

In contrast, France has sixteen types of cooperatives and mutuals delineated in its national statutes, from maritime/fishing cooperatives, to worker/production cooperatives, and multi-stakeholder/investment cooperatives. Finland and New Zealand also both have comprehensive national acts which define the legal form, though with less sub-variety and detail than France.

Upon first glance, the lack of a national statute in the US might seem attributable to federalism: the US, unlike, the other three case countries, is federal, with sovereignty shared between different territorial scales, split among states (which control city sovereignty) and the national government. The cooperative movement must target multiple levels of the government to achieve accommodative policy treatment, and engage in “scale-jumping” (Smith, 1992) and “scale shift” (McAdam et al., 2001) in their actions to be effective. Thus it is not surprising that a wave of US city-level governments is promoting cooperatives as community economic development and wealth building strategies, but in a disjointed, uncoordinated way, with no national framework to guide their efforts.

But in the other three case countries, none of which were federal, and all of which have national cooperative statutes, city governments and other local actors *also* seek to address cooperatives. I interviewed individuals in Paris, Auckland, and Tampere (FI), which all have cooperative development efforts (see Chapter 6) that mirror US city-scaled efforts, but they all work within the national framework established for cooperatives.

Returning to the larger group of rich democracies, however, demonstrates that federalism *per se* is not the issue: ***all federal countries*** among the rich democracies, save the US, have comprehensive national cooperative enabling statutes (See Cracogna et al., 2013). Usually these statutes have been in place since the 19th or early 20th century.

Not only do cooperatives lack a nationally consistent, harmonized legal framework in the US, they are subject to a confusing mix of state and federal laws and policies, most notably regarding state labor vs. federal taxation laws.

Many states specify how cooperatives can raise capital, pay investor returns, and conduct business with non-members. Some states do not formally recognize many cooperatives – Illinois formally proposed updating their century-old cooperative statute to recognize worker cooperatives in 2015. The act has not yet been passed. Only clothing, produce and grocery cooperatives are legally recognized in the state (in addition to credit unions). Most state enabling laws restrict cooperatives by requiring that they have a minimum number of members, most typically five or seven (e.g. NY, MA), which further restricts the use of the cooperative form at the start-up phase.

US interviewees frequently noted these various issues could be managed by incorporating as an LLC with cooperative bylaws, or by converting to a cooperative once scale was achieved. But nonetheless, this represents a barrier, particularly for individuals in different states seeking to work together as a group in their own firm. As one interviewee, a principal in an online media and web consulting group, noted:

“We call ourselves a collective, and are in solidarity with the cooperative movement, but no, technically, we are not a cooperative. We looked into being a cooperative, but because we are in different states...we often work virtually...and the cooperatives statutes are different in each state...well, we could have figured it out, of course, but it was a headache, and our lawyer advised us just to do an LLC with cooperative bylaws, which is what we did. We’re all equal members of the LLC and run it like a cooperative, but it technically isn’t one.” (Interview, Boston, May 2016)

This may not seem to be a significant issue. A nationally active cooperative sector lawyer, based in Colorado (personal communication at a field event, New York, November 2016), noted that, “the coop statute thing, that isn’t necessarily a big deal. You just need a good lawyer who understands coops. We can incorporate in another state if need be, or figure out a work-around, an LLC with coop by-laws, something like that, sure.” Similarly, an expert in cooperative finance and law, based in Madison, WI (Interview, May 2017), noted that “state-by-state cooperative legal differences isn’t that big of a deal, look at REI (largest US consumer cooperative), they figured it out.” But a long-time national cooperative economic developer based in Minneapolis vehemently disagreed with this view, noting that:

“We’ve always had pretty good statutes in Minnesota, and in Wisconsin, too...but I can’t tell you the number of times we were doing TA (technical assistance) work and they decided not to be a coop because of legal issues...and the legal issues in turn make it harder to get financing or funding, especially if you are dealing with an out-of-state capital source, because you constantly have to educate them, how do coops work in this state, what are the differences. It’s a nightmare.” (Interviewee, August 2017)

Ultimately, the lack of a comprehensive framework yields transaction costs. The transaction costs represent a barrier to scale for the cooperative form in the US, one not present elsewhere. Beyond costs, as one interviewee noted, another specialist in cooperative law, the “hodgepodge of laws can be problematic for mergers across state lines, especially if incorporated in two state with very different coop statutes”

(Interviewee, Minneapolis, August, 2017). Having been involved with an effort run by the Uniform Law Commission to develop a uniform model state statute for nationwide adoption several years ago, the ultimate effort got “bogged down with academics and consultants and the end result wasn’t that great, so it never really went anywhere. Without a real national framework there are limits and costs for coops, but without a financial or political impetus to develop something that’s consistent nationwide, without an incentive, I don’t see it happening.” (ibid)

When asked why the NCBA, informally the “voice” of the cooperative sector in the US, had not succeeded in developing such a national framework, another interviewee, who asked for full anonymity, stated:

“The NCBA is, frankly, a total joke. Almost their entire budget, something like 90 percent - 90! - is for international aid to coops, from USAID, in developing countries. They are a complete backwater when it comes to doing anything for the US beyond the ag coops. Useless. I will deny saying this because I would be blackballed, but they are content to preside over the decline of the cooperative sector in this country. An economist friend of mine calls it ‘rent seeking behavior’, where they just extract the [expletive] out of what’s left of coops in this country...coops have been in decline here for some time, with worker coops and credit unions a bright spot after the recession and Occupy and what not, especially with the Millennials. But worker coops are the smallest part of the coop sector, credit unions aren’t banks, and the NCBA is quite content to just use it as flash and sizzle, great marketing, without really doing anything to support building a cooperative economy in the US...lots of smiling and nodding. We won’t even talk about how the CEO makes over 300,000 a year leading a non-profit association of coops that claims to be an “anti-poverty organization”, I mean, this is a problem throughout the non-profit industrial complex, but coops are supposed to be better than this, you know?” (Interviewee, US, 2017)

This comment was not an anomaly. No less than seven US interviewees specifically mentioned the weakness and ineffectiveness of the NCBA, the voluntary membership, advocacy, and apex organization for cooperatives, as a specific problem in promoting pro-cooperative policies nationally. Four of these interviewees had developed international ties and experiences through the global cooperative movement, and were assessing the NCBA based on their experience of comparable entities in other countries.

To the point of the interviewee above, according to the Form 990 which the NCBA, as a tax-exempt association must file with the IRS, nearly 90 percent of the NCBA’s 44 million in funding in 2017 was for international development purposes, not domestic work: nearly 40 million dollars was spent on cooperative development in Africa (30 million), Central America/Carribbean (almost 6 million), and Asia (almost 4 million). Membership dues accounted for less than 1 million (approximately 700k) in its budget.

Alongside the NCBA are other advocacy organizations, such as the National Farmer’s Cooperative Council (NCFC), the National Rural Electric Cooperative Association

(NRECA), and the Credit Union National Association (CUNA). Though these organizations often engage in joint ventures and collaborate, they are not legally or formally linked into a comprehensive, singular apex organization structure.

This stands in contrast to the case countries, where there is a unified advocacy and apex organization and sub-structure, which speaks with one voice for the cooperative sector to the national government. In France, the complex regional and national “network of networks”, consisting of an array of cooperative subtype-specific advocacy organizations often receive small grants from the government, for their operations. They ultimately also speak with a unified voice to the state, through various, formally recognized High Counsels of Cooperation and the Social Economy. In Finland, Pellervo, a cooperative association linked to the founding of both the cooperative movement and the country itself, plays this role, while in New Zealand, Cooperative Business NZ performs this function.

Consistent with the portrayal of its national cooperative advocacy and apex organization structure as dispersed and limited in capacity, the US thus lacks a comprehensive national statute regarding cooperatives, some century and a half after the first national acts were passed in countries such as the UK and Germany (Fici in Cracogna, 2013), and a century after such a framework was developed in Finland, and it lacks a singular advocacy group which can effectively coordinate such efforts.

This imposes coordination costs and barriers to growth, impeding the ability of cooperatives to achieve scale. Again as noted by Henry (2005), in speaking of cross-national legal variation: “Heterogeneous cooperative laws diminish the competitiveness of national cooperative movements, make cross-border operations of cooperatives difficult and decelerate regional integration. Harmonization is both a consequence of and a prerequisite for regional and international economic integration.” The same dynamic applies sub-nationally.

The high-activity case countries not only possess national comprehensive legislation, their Cooperative Acts have been repeatedly updated and amended, to allow cooperatives to persist in changing markets. France’s first statute of the 1860s was replaced by the comprehensive law of 1947, and by further laws in 1978, 1983, 1992, 2001, and 2012, and 2014 (Seeberger, 2014). Finland has rewritten its cooperative statutes, in 1954, 2001, and 2014. In contrast to US states, Finland allows single member cooperatives: enterprises can start life as cooperatives from day one, and adding members over time as they grow. After New Zealand rewrote its corporate statutes in 1993, concern that the cooperative might be rendered less competitive or obsolete (Evans and Meade, 2005) motivated a modernization of cooperative statutes in 1996. A special parliamentary act in 2001 also enabled the creation of New Zealand’s largest cooperative, Fonterra. By revenue it is the nation’s largest domestic enterprise. Firm-specific legislation also exists for their largest mutual insurer (see below).

2. Cooperative Demutualization: The US has Directly Acted to Encourage Cooperatives to Convert to Investor-Owned Form, High Activity Countries Have Acted To Restrict Such Action.

National and state-level US laws have enabled and eased cooperatives and mutuals' ability to demutualize (Chaddad and Cook, 2004), that is, to convert from member-owned to investor-owned. This releases the capital value of cooperatives by allowing the enterprise to be valued at the market rate, not on the cost or "book value". The effect is also a separation of stakeholder types joined in the concept of "member-owner", into a separate, arm's length "investor-owner". Policies promoting demutualization thus reflect the liberal market economy logic of atomized firms and actors, operating at arm's length, rather than closely held or interlocking ownership structures.

The most pronounced examples of demutualization occurred in banking and insurance in the US and in the UK, both LMEs. As part of the broader wave of neoliberal deregulation, demutualization of US banks spread after federal deregulation in 1982, which made it easier for state-chartered institutions to demutualize, and allowed them to engage in a broader range of activities. State demutualization laws for insurance companies, which were often restricted from converting, soon followed (Sloane, 1984). Mutuals accounted for most assets in these sectors (Chaddad and Cook 2004, 2007). Several credit unions have similarly since converted to mutual thrift banks, then to investor-owned commercial banks, in a two-step process.

Overall, in banking, insurance, and agriculture in particular, US demutualization laws and incentives effectively destroyed many of the US' largest cooperatives at scale, allowing them to convert to investor-owned, effectively converting and financializing their social capital, built up over decades by generations of member-owners. In agriculture, state laws which explicitly assure that cooperatives need not maintain indivisible reserve requirements, while also explicitly limiting payout rates of return (Girard, 2015) also increase incentives for members to seek demutualization, as a way to individually reap excess retained earnings.

In France, demutualization was effectively not allowed until 1992, when a legal change made it possible, in rare or exceptional circumstances, to convert to another ownership form. Such cases remain rare, according to several interviewees, and require approval of the French Minister of the Economy, on advice of the counsel body liaising between the cooperative sector and the government (Naett, 2014). Typically, approval to exit the cooperative sector is granted to the enterprise when there are few options for the cooperative to otherwise remain a going concern. Further, some cooperative subtypes, the French law specifies the use of "indivisible reserves", a cooperative sector term which refers to cooperative capital which cannot be divided for distribution or payout to individuals. It also does not comparably restrict internal rates of return on cooperatives, reducing financial incentive to demutualize.

Demutualization also, as noted by one interviewee involved with cooperative policy work in France, embodies a logic that is “against the nature and purpose of cooperatives. the capital value of the cooperative has been built up over a long time, by generations of cooperators, the surpluses reinvested. Why should today’s generation have the ability benefit from this, in some “windfall” from an exit or demutualization as is said in Britain? Past generations did not do this so that they could benefit today....this is against the logic of cooperatives.” (Interviewee, Paris, May 2017)

In New Zealand, consistent with the LME logic, demutualization has been repeatedly considered as an issue by policy makers and left to the cooperative sector to self-determine, with little regulatory treatment by the state (Galor, 2008). A notable exception to this laissez-faire approach, as detailed by an interviewee, was the 2007 amendment to the special enabling statute for the nation’s largest agricultural mutual insurer, which lobbied for an act making it more difficult for them to demutualize, requiring 75% member shareholder approval.

Finnish law is largely silent on demutualization, but as interviewees confirmed, it remains rare. A high-profile example was the demutualization of Elisa Oy, a dominant telecommunications service provider, in 2000. Reflecting its more “universalistic” and “flexicurity” approach to liberalization (Thelen, 2012, 2014), Finland cooperative law reflects the goal that “you should be able to do everything in a cooperative that you can do in a corporation, and vice versa.” (Interview, Helsinki, June 2017). Rather than have “special” provisions for the cooperative which reflect its distinct logic, in Finland, the law focuses on making the cooperative as flexible and universal a format as possible, to allow its use alongside the limited liability company. Meanwhile, however, other general features of Finnish labor and employment law (discussed in the next major subsection) accommodate cooperatives’ logic, enabling it to compete.

3. High-Activity Countries’ Governments Engage in Active Mutualization of State-Owned or Private Sector Assets. The United States Does Not.

In contrast to all three case countries, privatization of US public assets or state-owned enterprises are striking for the lack of consideration of mutualization as a serious option. High-profile examples of US privatization include divestitures of public utilities, from energy to roads and water (Goodman and Lovemen, 1990).

France mutualized the state-owned local savings branches, the caisses d’épargnes, with Law #25, in 1999 (Karafolas, 2016). The state has acted in other ways to allow private sector assets to be mutualized: the Florange law, for example, allows plants or operations scheduled to be closed by investor-owners to be converted to a cooperative, acquired by employees through right of first offer. Such legislation is under discussion in the US and was proposed in the late 1970s (Zwerdling, 1978), and interest led by Sen. Sanders (Sander, 2016) in such action is again high today, but does not currently exist.

In New Zealand, the government enabled the mutualization of the regionalized energy system into consumer and community trusts that effectively operate as cooperatives, while a few are legally formally cooperatives, reflecting local voter preference (Hunt and Evans, 2011). This decision was in part a backlash against the effects of neoliberal deregulation which resulted in losing control of many New Zealand-owned businesses to foreign investors (including community-owned banks). According to interviewees, this also reflected geopolitical concerns over economic independence from Australia, in turn a function of its remoteness (see Chapter 6).

In Finland, one of the most unusual and high-profile examples of state action to mutualize assets is its compulsory road cooperative scheme, in existence since 1962. The act, which transferred road responsibility in rural areas to local property owners, requires adjacent owners to maintain the road via a cooperative, with some state subsidy. Such roads account for roughly one-third of the total road length in the country (Heggie and Vickers, 1998) and are used by approximately 20% of the population. A similar system is in place for water, which remains heavily cooperativized outside of the largest cities, and has also received active state support. Water cooperatives exist in the US, but are small, with less than one percent of the US population as members (UWCC, n.d.), while in Finland, 13% of the population is served by such cooperatives (Pietilä, 2016). In Denmark, 40% of the population is served by such entities (ibid).

As another example, Finland's largest cooperative bank, OP Group, which today accounts for upwards of 40% of national deposits, was not only originally created with active state enabling action, but was the only major Nordic cooperative banking system to survive the region's 1990s banking crisis. This was due to state action: parliament changed Finnish capitalization requirements and the mutual guarantee structures among the OP Group's member cooperatives. Banking sector interviewees viewed this policy change as critical in allowing cooperative banking to recover and survive the crisis.

4. Equity Finance: Raising Outside Equity Capital Comparatively Difficult under US National and State Law and Policy

The US lacks national provisions for non-member equity finance in cooperatives, though a few states have recently introduced innovations to allow limited community investment (CA), and outside/multi-stakeholder investment (MN, WI). Broadly, it is comparatively difficult for US cooperatives to raise common equity. It also somewhat difficult to raise preferred equity, though in rare instances agricultural cooperatives have done so. In such instances, their action has warranted special SEC waivers exempting them from securities filing restrictions, the procurement of which has involved costs smaller cooperatives likely could not bear.

Common equity in the US from outside investors can be procured by setting up a publicly-traded subsidiary, at a significant transaction and advisory cost. Nonetheless,

the cooperative itself faces limitations in both US federal and state law in its ability to raise external common equity. Subchapter S corporate status (not the Subchapter T cooperative tax status), is typically required to raise public common equity, for which filing provisions can be costly. Many states regardless also specify that coops may not raise external common equity.

This US structure contrasts sharply with that of New Zealand. Since its cooperative laws were rewritten in 1996, it allows up to a 40% public sale of common non-voting stock. A similar change to allow outside stock investment was made in 2014 in Finland. New Zealand's cooperative apex body has also secured waivers, as recently as 2016, from securities filing provisions which would impose costs on small-scale cooperatives and their capital raising, enabling their continued existence as cooperatives and allowing them to potentially scale.

France enabled new cooperative equity innovations through repeated legislation. These include the *titre participative* (a preferred equity instrument) in 1983, and 90/10 funds in the early 2000s, in which 10% of a mutual fund is dedicated to funding cooperatives and other social economy businesses. Laws require all major employers to offer at least one such fund as an employee retirement investment option. Legislation in 1992 and 2001 allows direct outside investment into cooperatives, notably through the creation of the multi-stakeholder cooperative legal structure, the SCIC. In 2014, the new social and solidarity economy law also enhanced the ability of worker cooperatives to effectively utilize a form of venture capital for worker cooperatives, *amorçage*.

Cooperatives in France and Finland also benefit from public start-up grants to workers to start their own firms, with additional monies available for the unemployed to do so. Though technically considered social or employment benefits, these social programs act as start-up equity for cooperatives. Not only can employees elect to use the cooperative form, but there are other incentives to use it: in Finland, for example, the cost to incorporate as a cooperative is lower than for a corporation (see subsection below.)

5. Debt and Banking Finance: US Restricts Nationally-Scaled Cooperative Finance, and has Limited Public Finance Access for Cooperatives.

As noted above, a natural source of debt financing for cooperative enterprises is cooperatively-owned banks. According to interviewees in all four countries, cooperative banks are more likely to understand the cooperative business model and structure, and have specialty lending practices for the cooperative sector. Public banks also may invest in cooperatives alongside other types of businesses. Neither option is well-developed in the US.

a. Cooperative/Mutual Banks Limited in US as Compared to Case Countries

In the US, mutual banks were encouraged through policy to demutualize. This leaves the US without a robust cooperative banking system. Not only is the lack of cooperative banks itself a weakness of its own, it has network or multiplier effects in the cooperative business ecosystem. As one US cooperative developer interviewee in New York (Interview, September 2016) noted,

“...to get comfortable with them as a borrower, cooperative banks do not require an education on what a cooperative business is, because the bank is also a cooperative...I have worked with many groups who need to educate their local bank on what a coop is, because they only know the more common business types, not coops.”

While healthy cooperative businesses can obtain financing from traditional banks, or, if in a relevant sub-sector, from CoBank or NCB, the lack of general financial capacity from cooperatively-owned banks for cooperative businesses imposes search and transaction costs on them, as they have to seek financing from other sources that may not understand their model.

Exemplifying how this matters, one of the last remaining significantly-sized mutual banks is Eastern Bank, based in Boston, MA. Eastern offers a special certificate of deposit (CD) savings products to its member-depositors which is used to lend funds to Equal Exchange, a Boston-based worker cooperative and one of the five largest worker cooperatives in the US, which produces a national line of Fair Trade coffees and other food products. This product has been so popular it has often been oversubscribed, with Equal Exchange able to access sufficient capital for its operations. As the rare cooperative or mutual bank of scale in the US, Eastern's behavior demonstrates “cooperation among cooperatives” in action. How many more cooperatives might readily receive financing were such banks more common?

The US cooperative banking sector, outside of two individual specialist institutions (CoBank and NCB) and a handful of small mutual banks, now consists largely of credit unions, which account for roughly 10% of deposits. Their assets are fragmented among a large number of small institutions, precluding the potential for lending activities which require institutional economies of scale. Credit unions' ability to scale their membership, as noted, is restricted by “bonds of association” requirements among members, limiting their ability to grow beyond customers sharing a local geography of residence or shared employer. Credit unions are also legally limited in raising capital: their capital base may only include retained earnings. Credit unions are also not banks: they primarily meet household, not business, credit needs. They must maintain capital ratios higher than banks, and are also restricted in their ability to engage in commercial lending only to members. Until 2017, such loans had to be fully and personally collateralized.

Due to policy restrictions on field of membership and lending activities, there are very few credit unions with sufficient size to engage in any meaningful business lending. This was noted as a challenge by interviewees. Two special cooperative banks – for

agriculture (CoBank) and for the remainder of the sector (NCB) - were developed by the USDA and by act of Congress in 1978, respectively. These institutions are limited their lending activities, scale and scope.

In France and Finland, consumer cooperative banks have coalesced, typically using a federating structure across domestic regions, into a handful of dominant players in the domestic markets. They account for upwards of 40% of deposits nationwide in both countries. The major cooperative banking groups operate at national scale, and have branches throughout the country, with specialized lending units for cooperative businesses. These banks are not credit unions, restricted from engaging in the full range of banking services, or restricted in terms of who their members and customers can be. They are full-service commercial banks that are cooperatively owned.

In Finland, OP Group is the dominant bank in the country, a cooperative of cooperative banks. They offer a complete range of banking and financial products for consumers and businesses. They are not without cooperative competitors. A second smaller group, formed largely from a network of strong balance sheet local cooperative banks which disliked the post-financial crisis legislative changes in the 1990s, formed POP Pankki Bank. Meanwhile, cooperative insurer Lahitapiola also offers some financial services and products, and grocer and retailing cooperative S-Group, which has nearly a 50% grocery market share in the country, has developed an S-Bank group, to offer card and banking services to its members. OP Group, however, remains the dominant cooperative bank in what is ultimately a robust cooperative financial system, and traces its founding directly to the founders of the cooperative movement in Finland, Mr. and Mrs. Hans Gebhard, who were also politicians who played a prominent role in the development of Finland's economic and political independence (see Chapter 6).

New Zealand, meanwhile, lost many "trust"-owned banks (whose structure can mimic that of a cooperative: profits revert to their source communities for distribution to charities, non-profits, and other community causes) to Australian investors but has since seen a modest revival in community trust-owned and cooperative banking, through TSB, the Cooperative Bank (again created by government action out of the PSIS), and the Coop Money federation of credit unions. Coupled with the Dutch agricultural cooperative bank Rabobank, which maintains a large footprint in the New Zealand agricultural cooperative sector, the cooperative banking sector has a well-developed presence in New Zealand.

b. Public Financial Access for Cooperatives Weaker in the US

Besides cooperative banks themselves, both Finland and France have public investment banks, which explicitly or implicitly work with cooperatives. France's *Banque Publique d'Investissement* (BPI France), which serves similar functions as the US SBA, has a large (500M EUR) lending program to the social and solidarity economy sector, with cooperatives at its heart. Finland's public Sitra Investment Fund,

meanwhile, which serves a comparable function, also works with the social and circular economies, which can include cooperatives.

The US's chief public sector, small business lending support agency – the U.S. Small Business Administration (SBA) - has historically explicitly excluded most types of cooperatives from eligibility for loans, technical assistance or guarantees. A small, pilot lending effort to worker cooperatives was begun in 2012. In September 2017, after decades of lobbying by the cooperative sector, the SBA changed policy to allow consumer and producer cooperatives access to loan guarantees in their large 7(a) lending program. Cooperatives still require either personal or entity guarantees, which may limit cooperative take-up of this program. Cooperative CDFIs (Community Development Financial Institutions) also remain blocked from participating in certain SBA programs restricted to non-profit CDFIs.

When interviewing a senior former US national government official with oversight of these programs when these changes were underway, I was asked by the interviewee, “What do you mean by a cooperative, exactly? Do you mean coop apartments like in New York?” In clarifying that I was referring to cooperative businesses, and giving examples, the official asked questions about their structure, which made me wonder whether they even knew what a cooperative was. This interviewee admitted, without prompting, that they were unfamiliar with the cooperative as a business ownership structure. As confirmed from a nationally active cooperative developer based in New England,

“The SBA literally does not even know what cooperatives are, nor do many of the state or city economic development agencies. So many small businesses, when they get started, are engaging with the SBA or with these types of local agencies. They are advising small businesses on how to structure themselves, and they have never even heard of a coop. We don't even appear in their materials. It's enraging and frustrating, but that's America. We are not Spain or Italy...it's a chicken and egg problem. Because there are no coops, they've never heard of them and don't include them. But because they don't include them, nobody considers forming as one.” (Boston, October 2017)

6. Cooperatives in Public Markets - Social Clauses, Procurement, and Grants: US Lacks Special Consideration for Cooperatives, And Sometimes Excludes Them.

In the US, though there is a wave of efforts at the city and state scale to enable favorable treatment for cooperatives in government procurement (Camou, 2016), there is no such legislation at national scale. Many cooperatives have historically been excluded from participating in existing social clauses which target minority, women, and veteran-owned businesses. Such clauses typically were interpreted to require full ownership by the targeted population, which meant a cooperative not entirely owned by that sub-group was ineligible. Though some policies have recently been clarified as requiring 51% ownership, this may exclude or discourage many cooperatives from

participating if membership composition fluctuates, as noted by interviewees in all three US regions where interviews were conducted.

For many grant programs, for example, Housing & Urban Development (HUD) administered community economic development grants, co-operatives may not be eligible because they often are not technically organized as non-profit associations, e.g. 501(c)3 organizations, which are not member-owned.

In France, social clauses in public procurement specify favorable treatment for worker and artisanal cooperatives, while in Finland, social enterprises, which have been largely developed through association with “new wave” social cooperatives (Borzaga and Becchetti, 2010; Andersen et al., 2016), have been lobbying for similar provisions by introducing social clauses, which remain debated within EU nations. There are cases of cities also implemented similar policies at a local level: an interviewee, who worked as the “social and solidarity economy” minister for a major French city government, noted that they had informal programs to target procurement for such businesses (Interviewee #14, May 2017).

Meanwhile, cooperative members are eligible to receive other public grants as a source of funding: besides start-up entrepreneurial grants (see next subsection), cooperatives are eligible to participate in significant arts and cultural grant programs in France.

Figure 4.4.2 France’s “Creative Class” Cooperatives. CAE Clara is a business cooperative for creative professionals in Paris, and has spun-off Clara-bis as a sibling cooperative for digital economy workers.

In France, for example, the French government has a long-standing public investment program in the arts, commonly known as *l’exception culturelle française*, which refers to public supports and grant programs (*les subventions*) created by France’s first Ministry for Culture (Malraux) in the 1960s. These grants are available to a wide range of visual and performing artists and artisans. But as an interviewee noted, there are more applicants than there are grants, and the grants are not sufficient to permanently support an artist’s livelihood. Besides these grants, some working artists with irregular income can, if they meet certain minimum activity criteria, be eligible for public subsidy and support during their down-time periods of underemployment between artistic



engagements (*le intermittent du spectacle*), a public support which the artists' unions have repeatedly helped negotiate, as noted by this interviewee.

Many artists and artisans, however, are not eligible for the intermittence benefit, or, as noted above, do not with general French cultural grants. In order to “develop their capabilities” and be self-sustaining, worker cooperatives have been created, with cultural cooperatives like CAE Clara in Paris being a large and prominent example. CAE, an acronym for *coopérative d'activités et d'emploi*, refers to a specific type of business and employment cooperative, which was given legal standing as a business form in 2001 in national law. CAE Clara works with artists and artisans to help them use these various grants and subsidies to develop their artistic work into a sustainable career, providing business development, marketing/branding, financial, training, and other career and entrepreneurial support services. Clara, with roughly 150 artists affiliated as either permanent or trial basis members, has grown so large that demand for its services has expanded beyond the arts. It has thus formed a spin-off sister cooperative CAE Clara-bis, to provide similar services for young professionals working in design, digital programming and computer services, and other high-tech or professional services.

This specific example demonstrates a link between welfare regimes and cooperatives that might otherwise not be clear: in a country possessing more than a “residual” welfare state, grants partially reduce the need for artists to completely commodify their labor in the marketplace, for example, by either selling their labor to an investor-owned corporation, or leaving artistic work for some other profession altogether. The cooperative structure, as this example demonstrates, works in conjunction with the public, general welfare grants, to allow non-profit or other socially valued activities (based on their substantive, not exchange value), to be further developed.

4.4.3 Other Sources of Cooperative Ecosystem Policy Variation: Policy Treatment of Cooperatives vs. “Competing” Institutions

Beyond the differences in policies and laws which explicitly address cooperatives, are differences which indirectly affect cooperatives. Here, combining a “population ecology” and “fields” approach from organizational studies and field theory (see Chapter 2), I compare cooperatives to populations of other, competing organizations and strategic action fields, which are attempting to fulfil some of the same functions and roles as the cooperatives. I focus on policy differences which structure the competitiveness and robustness of cooperatives *vis a vis* these organizational forms.

1. Cooperatives vs. “Competing” Institutions in the Field Environment: A “Fair Fight” in Case Countries, but Not the US

When cooperatives in the US are subject to national law, it is typically to restrict them; they are largely a matter for states to regulate.

As noted in Chapter 3, US investor-owned corporations also faced this challenge, but overcame this obstacle due to the profit motive, which produced dynamics among both entrepreneurs and policy-makers which resulted in fairly uniform incorporation laws (Gomory and Sylla, 2013), with a race-to-the-bottom among states to retain corporations yielding high standardization of corporate law and policy at both the state and federal scale. For US cooperatives, which lack a profit maximization motive, no such animating force has emerged to yield comparable harmonization.

Other institutional forms whose socio-economic and political purposes overlap with cooperatives, however, are typically treated explicitly and comprehensively under national law in the US. This includes civil society institutional forms with social goals of community well-being, such as non-profits, and market forms with economic goals of enhancing democratic control and ownership over production, such as ESOPs and unions.

Non-profit organizations, for example, typically focus on social goals, which may overlap and effectively compete with cooperatives. Though incorporated in states, non-profits have a nationally consistent tax treatment under the 501(c) provisions of the IRS tax code, which were developed in waves of revisions over the course of the first half of the twentieth century, and most states have adopted or reference 501(c) provisions for state taxation. This has harmonized a host of rules related to reporting, governance, and funding, with a coherent and unified national non-profit “sector” taking hold in its wake (Hall, 2010). Though cooperatives have a national tax provision (subchapter T corporation), interviewees noted that many cooperatives choose not to file using this code due to its unfavorable treatment of retained earnings, and, for worker cooperatives, problematic treatment of dividends, which deviates from ILO recommendations.

Similarly, employee stock ownership plans (ESOPs) overlap worker cooperatives: they enable employee ownership (but not employee control). ESOPs grew from profit-sharing into a formal “trust” model in the 1950s, achieving national status under ERISA in 1974. This nationally harmonized, consistent treatment of the ESOP trust has enabled its rapid adoption throughout the country. Though US labor unions remain subject to a host of limitations, they nonetheless operate under the nationally consistent framework of the Taft-Hartley and National Labor Relations Acts, which comprehensively define conditions under which unions operate. Though unions function under an inverse logic to worker cooperatives (reinforcing rather than eliminating the division between worker and owner), they nonetheless overlap with cooperatives in their goals of achieving worker control in the workplace.

In the case countries, these overlapping or competing institutional forms are also all addressed by national law, but so are cooperatives. France, as the extreme case, has actively linked cooperatives to overlapping ownership forms through its formal creation of the social and solidarity economy (*l'économie sociale et solidaire*), a legally-

defined sector encompassing cooperatives and most non-profits, foundations, and legally-defined social enterprises (to be discussed in detail in Chapter 6).

Though laws in each country vary in how they enhance or restrict cooperatives *vis a vis* these other forms, they nonetheless all operate on a “level playing field”, in the sense they are fully treated in national law. This contrasts to the US, where excepting agriculture, cooperatives are largely a matter of state law, resulting in a “hodge-podge” of rules and regulations at the local and national scale. Further, rules at the national scale restrict and exclude cooperatives, when they address them at all.

2. No Policy Parity Between US Investor-Owned Firms and Cooperatives: “Cooperative-Like” Restrictions and Costs Not Imposed on Investor-Owned Firm in the US, But Are Elsewhere.

Reflecting a history of corporatism and coordinated labor market institutions, in France and Finland, traditional investor-owned firms are subject to a host of cost restrictions and restraints, many of which mimic the voluntary restrictions and democratic “one person, one vote” decision-making of cooperatives.

In France, all firms with over 50 employees have a workers’ committee, technically called the enterprise committee in French (*comité d’entreprise*). For all workers in each union’s trade, the firm must also have union representation on the workers’ committee, and health and safety committee. The firm must consult with these unions and committees on a wide range of decisions pertaining to workplace wages and job control. This applies to all workers (in that trade) at firms with over 50 employees, even if those workers are not members of the union. The impact of these costs and controls are significant on investor-owned firms. The result is a “distortion”, as documented by economists (Garicano et al., 2016), in the number of 49 person firms, with many firms clustered just below the 50 employee threshold, the level at which many regulations apply. There are comparatively few firms just above this threshold size. These regulations, which may equate to a 10% increase in wage costs, create a “strong disincentive to grow” (ibid), reducing economies of scale for investor-owned firms.

Due to this, the “additional restrictions” of a cooperative – on capital raising, for example, or on governance, voluntary restrictions of cooperatives, are comparatively less of a restraint on cooperatives’ ability to grow in countries like France, because such restraints apply to all businesses, levelling the playing field. As a Paris-based cooperative banker noted, when asked about regulatory challenges for cooperatives:

“This is not a big problem for cooperatives in France. Of course not! No, in France, this is a problem for all of the businesses! This is not the Silicon Valley. I tell you? I went to school there. Start up here, hire people there. No, as I told you, that’s crazy. This is France. We have workers councils, health and safety committees, collective bargaining, and many other things for any company with 50 or more employees! Any company! These regulations are not so different than those of a cooperative, very restrictive compared to the US. Somewhere around 40 or so rules become effective

on any company when it has 50 employees. 50 is not very many. Growth comes with costs.” (translated by Spicer)

Similarly, in Finland, employee representation in management applies above 150 employees. Interviewees, notably those with international experience in investor-owned firms and cooperatives in both Finland and France, observed that because of these policies (coupled with strong tax regimes on corporate profits and individual wages), there is “less of a distinction” between cooperatives and investor-owned firms, and how they operate.

As one interviewee noted in Finland, this desire for less of a distinction between firms types is a reason that the cooperative statute has, albeit controversially, been repeatedly amended to make it ever more flexible, as noted earlier in this chapter. The cooperative has its own logic, but there is an interest in having individuals be able to use the cooperative in any and all ways, just as one might a limited partnership. And yet, investor-owned firms in Finland are still subject to these additional restrictions noted above, which make it possible for cooperative law to be more flexible, while cooperatives can still compete with investor owned firms.

Nonetheless, there remain distinctions between coops and investor-owned firms in Finland, where “limited companies” (investor owned firms) actually face *additional* transactional and legal costs. One notable cost distinction in Finland is the incorporation cost: legally registering as a cooperative is a nominal expense (50 EUR), while the cost of filing for a limited liability company is 2,000 EUR.

Though the US imposes health, safety and equal employment provisions for 50+ person firms, they are comparatively less extensive in their scope than those imposed in Finland and France. New Zealand, reflecting institutional arrangements that parallel the US in the degree to which firms and labor are liberal, also broadly lacks imposition of such controls.

Because of these differences, the US’ residual welfare state creates difficult competitive conditions for large cooperatives to get to scale, vs. traditional investor-owned corporations. This is particularly a problem for worker cooperatives, where it is labor that is cooperatized: neither US nor New Zealand have a significant worker cooperative sector. As an interviewee in Oakland said,

“There is only one really large worker coop, CHCA, and that is 50-60% of all employment in worker coops....why? I know why. The key reason: starting a regular business is hard enough, and with a worker coop, any coop, really, you’re saying, hmmm, let’s voluntarily start with other constraints. Let’s add capital raising constraints. And it’s not just about not raising capital in the open market. It’s also about no control, you can’t really control the company because of the democratic process of a cooperative. Will a VC (venture capital firm) fund that company? Without control? No, no way, can’t do it, won’t do it. They’ll want board seats, control of the strategy, things that a coop governance process simply won’t allow you to hand over. It’s fine if you want to stay small, but with these restrictions you can’t get to scale rapidly, which is what a VC wants. You also can’t also get quality

management, because you can't get paid more than x times the workers, and again you can't control compensation because of the democratic process."

As another US interviewee noted, speaking of the problems faced by a high-profile worker cooperative, one of the largest in the US and featured in Michael Moore's film "Capitalism: A Love Story", about a firm which had subsequently fallen on hard times:

"To achieve scale, they made a deal with the devil, [Traditional Retailer X]. They kept making them cut the price, 5%, cut the price again, they're no better than Wal-Mart, people think [Traditional Retailer X] is so great. They're not. So it's not surprising they're in trouble. They got to scale by supplying a business that only cares about price. What's that expression, when you dance with the devil, the devil doesn't change, you do?...This is hard for coops, to engage with "the system"...it's why we have that "cooperation among cooperatives"...the ecosystem matters...you need to keep to your values, and choose partners wisely. But you have to be practical and realistic – for example we own our building. We could've said "oh, we can't be "the man" and own property, private property is bad. But it made sense for us to buy and we got a great deal, and we would have been priced out of the city long ago if we didn't own our building. We're still around. Many other coops from back when we started – many were against owning property - they are long gone."

Cooperatives in the US, particularly worker cooperatives, through their member-owner approach to democratic and inclusive firm governance, may be more likely to attempt to embed social costs into their production. They may thus not be able to effectively compete against low-wage producers, and if they do, they may wind up either bankrupt or struggling to remain cooperative and a "going concern". Indeed, low-wage producers are common in the US, which lacks the "universalistic" social policies (Korpi, 1980) and labor market institutions which act as "beneficial constraints" (Streeck, 1997) on companies in countries with stronger, less "liberal" welfare regimes. Strong minimum wage laws, family leave, vacation, and other social and industrial policies which effectively squeeze out low-wage producers in other welfare regimes. When all employers are forced to become "high-road" (Osterman and Shulman, 2011) businesses and bear the full social costs of production, as occurs in countries with other welfare regimes, cooperatives can better compete at scale.

In contrast, as noted in Finland by a representative of the nation's largest cooperative enterprise, when discussing their business, they noted that competitive market pressures on wages driven by competitors were *not* a challenge:

"This is not an issue for us. Our top (investor-owned) competitor has to pay their workers the same that we do. This is nationally negotiated for everyone in this type of work, across all big companies. They cannot "undercut" us on wages. We have to compete on quality and service instead. Because our members own us, and get the profits and have a say in what we do, we can win that competition." (Interviewee, Helsinki, June 2017)

The residual welfare regime (and lack of coordinated labor market institutions) manifests not just in a comparative lack of costs imposed on traditional firms, but a lack of benefits for workers, in other ways that affect cooperatives. Reflecting the

different welfare logic, young workers in both Finland and France are eligible to receive start-up grants or entrepreneurial benefits to start their own businesses, including cooperatives.

In Finland, Enterprise Finland provided “startuppi” grants, which exceed the unemployment allowance, for workers to try to form their own firm, including a cooperative. As one cooperative entrepreneur noted, “Yes, I can try it out, see if I like having my own business, not have to worry about paying my basic expenses, and if not, I can go work for a regular company again...the start-up doesn’t have to be a cooperative, no. Most aren’t. But I can choose. I don’t choose the cooperative because I have to. It is because I want to.” (Interview, Helsinki, June 2017)

Similarly, in France, an additional benefit applies if a worker cannot find a job. In both countries, multiple cooperatives’ founders noted that their enterprise had been started by making use of these programs. One high-tech platform cooperative in Paris, for example, specifically mentioned this subsidy as playing a critical role in its start-up phase, “yes, without it, I do not know we would have dared to start this business. The entrepreneur subsidy, this allowed us to take this risk, to see if we could make it. It isn’t much, but we could eat and breathe until we made enough in revenue to pay our salaries.” This cooperative, organized as a multi-stakeholder cooperative or SCIC, is owned by the workers, the customers, and partly by cooperative banks as solidarity investors.

Contrast this with the experience of one of the largest and most prominent high-tech platform company start-ups in the US, which has become a multi-billion dollar, investor-owned enterprise. As a former director of the company, based in San Francisco, noted,

“We actually considered being a cooperative, thought about being one...but we had already taken VC money. The ship had sailed! It was too late! We couldn’t convert to a coop. They were on our board, we were scaling up, we were in bed with them, like it or not. What, we were supposed to buy them out? Yeah, so, coops aren’t going to work for everybody, especially if you’ve already taken VC money, game over. Maybe it’s different in other countries, I don’t know. Not here.” (Interview, Bay Area, California, February 2017)

Who forms a worker cooperative in the US, given these constraints? As a cooperative developer in the Midwest noted:

“The hard business issues have to come first ...in the 1980s, this was one reason why the idea of coops to convert these failing industrial plants was just, well, we saw them as goofy. Coops were goofy.....they still are...some of these people have just been so wounded by the world, it’s why they’re drawn to coops. But coops are not therapy. Therapy is important, absolutely. But you can’t expect the coop to do that, generally. Coops are a business, and that includes worker coops and social coops. They have to be viable as businesses to succeed.” (Interview, MN, August 2017)

The net result of these cross-national differences is that cooperatives, particularly worker cooperatives, are less appealing as an organizational form for viable businesses in the US to adopt from the start-up phase forward. US interviewees repeatedly mentioned the imposition of additional controls and costs within the cooperative itself, and on wage differentials between members, as a limiting factor in its appeal. Such distinctions are less evident in other countries, where companies are forced to pay social costs, or employees are forced to pay higher taxes (stronger pre-distribution (Hacker, 2011) and redistribution, respectively), making cooperatives by comparison less unappealing, and also more competitive over the long-term.

4.5 From Causes to Consequences in Cooperative Ecosystem Policies

The preceding section demonstrated how public policy plays a systematic role throughout the cooperative ecosystem, acting to restrict and inhibit cooperatives' investment/financing; weigh on education, training and development efforts for participants; and market access and general market/business potential. US policy also restrains the cooperative form more than it does competing fields and organizational forms.

Policy is thus not a “stand alone” obstacle for US cooperatives, but a widespread problem, both inside and outside the cooperative ecosystem. Many interviewees were aware of this complex relationship. They frequently noted that the problems cooperatives face were inter-related, and that policy often appeared as an issue across multiple substantive fronts, and not just as a “stand alone” issue. Overall, over 80% of US interviewees discussed at least three separate categories of obstacles as significant, with each of four major areas being cited as obstacles by at least half of all interviewees.

For example, an interviewee in Minneapolis, MN, said:

“Even here, where we have so many coops and a supportive local government, there isn't always enough capital, so capital availability is a problem, but that's in part because of policy, which is also partly a function of educating and training people about coops. It's all connected.”

Similarly, another in the Bronx, NY, noted:

“It's definitely a chicken and egg thing. To even get money from the city (program for coops), we have to have some money, because yes, we front the money which they reimburse. If we don't have the money, we can borrow it from the city, yes, but that's stupid...and these businesses, they don't have enough up-front money because we don't have enough solid, viable businesses being started and making it, but that's somewhat because we don't have enough money to begin with...which then makes it hard to do this stuff, because regular people don't understand coops or know about them...this means you get nutty people who are drawn to coops. They want to start a knitting coop, or an incense coop...that's nice and all, but that's not going to move the needle...but to get regular people, that's really an education and training problem.”

Due to the myriad ways policy interacts with and affects so many aspects of the cooperative ecosystem, it is difficult to disentangle how the presence or absence of various causal factors differentially affects policy vs. the other individual ecosystem components.

But by examining evidence of policy difference as an analytical jumping-off point, I can isolate how the presence of certain causal factors play a role in policy in some contexts, and not in others. Several of the policy differences in the preceding section self-evidently reflected the role of liberalism and federalism (“political factors”) in the US political economy, as discussed in the preceding sections. But what about the other, socioeconomic factors in the US vs. case country contexts? And do political factors such as liberalization, present in weakened form in even the less-liberal democratic countries (Thelen, 2012, 2014), play a role there, too?

I cannot directly examine the complete absence or lack of certain factors: for example it is difficult to examine how the lack of distance to global markets in the US plays a role in cooperative prevalence. This reflects a variation on the counterfactual or “negative case” (Ragin, 2000) problem in case study research. Nonetheless, the presence of certain factors can be readily observed, and linked to consequences in the various national cooperative ecosystems.

4.5.1 Race, Public Policy, and the Cooperative Ecosystem in the United States

In interviews throughout the US, race was often frequently mentioned as a cause of ecosystem problems, typically for education, training and human capital development, but also for policy. As noted by an interviewee in Minneapolis,

“The coop movement remains a predominantly white, upper middle class movement in the US, particularly the most visible activist part of the cooperative sector, like the consumer food cooperatives, and the worker cooperative movement. Yes, there are exceptions, like CHCA in New York, that are not predominantly white, but it’s a problem. Black and Latino folks trying to build coops often have to go it alone, and don’t have access to the same community resources as whites.”

In making a similar point, and linking it to policy, an interviewee in the Bay Area said:

“When you have workers (of color) trying to form cooperatives and self-manage them, but they are getting technical assistance from a white person and it turns into a very hierarchical relationship, suddenly it’s the white “jefe” (boss), which is precisely the kind of problematic workplace dynamic you’re trying to escape, right?...This isn’t just a problem with private technical consultants, but also with the (local) government, too. So many white people, and they don’t always get the lived experience of the people of color who might really benefit from a coop model, but not be in a place to make it work right now.”

And finally, in another US city government which has a cooperative business program, an interviewee asked for complete anonymity in making this comment, which most directly linked race to policy. This informant stated:

“The cooperative movement is very white here, and very rich. We did not set up this program to help rich white people. We specifically wanted to target poor people of color and immigrants in getting assistance to build shared ownership businesses, rooted in their communities. But we can’t say that, of course, because if we did, we would lose support of the administration. We have to keep the white people happy to keep doing this work in the city.”

This issue was also raised by national actors, as well: beyond the references of local or city-based actors, two different interviewees in Washington DC mentioned perceptions or associations with race as a challenge for achieving national “buy-in” on cooperative policy. Ultimately, the interview data suggests that race emerges as a policy issue for cooperatives, because race in the US context conditions what goes on the policy agenda, and how. As an Oakland private sector interviewee noted,

“It’s a bit of a paradox. You need white people to buy in so that you get broad support, and certain types of white people love coops, the food coops, the utility coops, even the worker coops. But the people we’re really fighting for here are poor brown people. But if you make it about them, you lose broad support.”

This is broadly consistent with the well-known inter-racial coalition building challenges faced in American cities, even in those where the administration has been led by black or brown mayors (Thompson, 2005).

In contrast, I found little direct evidence in interviews that race or other critical vectors of social heterogeneity acted as a significant barrier in the case countries, even in France, which possesses a great degree of racial and social diversity, and where race, though rarely acknowledged remains a source of unequal opportunity (Hargreaves, 1995). This is not to say that such differences play no role in France or elsewhere, but rather that they were not evident in the interview data.

4.5.2 Economic Marginalization and Cooperative Policy in New Zealand and Finland

Both Finland and New Zealand are small, economically remote countries. And in both countries, interviewees discussed specific ways this played a role in policies which affect cooperatives.

In New Zealand, due to the prominent role of cooperatives in driving commodity exports such as dairy and sheep, policy has sometimes been supportive and enabling, with special acts of Parliament, as reviewed in Chapter 6, being passed to assure the continued well-being of at least two of the largest cooperatives/mutuals linked to agriculture. As one interviewee noted, “some people joke that our version of the US’s ‘What’s good for General Motors is good for America’, is ‘What’s good for Fonterra is good for New Zealand’” (Interviewee, Auckland, November 2017) a reference to the nation’s large enterprise, Fonterra, which is a cooperative. Reflecting New Zealand’s liberal orientation, this accommodation of the cooperative model has drawn critiques from right-wing politicians in the media (news article). Consistent with this, other types of cooperatives receive little “special” government accommodation: New Zealand’s

cooperative framework does not spell out separate provisions for worker cooperative, for example, which are virtually not existence in the country. The apex agency for the sector, Cooperatives NZ, receive no substantive direct government support.

Also reflecting how political factors compound with economic ones to impact policy, Finland's declining economic remoteness was mentioned by several interviewees as another potential policy-related challenge. Reflecting the continued compression of time and space (Harvey, 1989) and reduction in time-space distantiation (Giddens, 1990), the proposed rail tunnel between Tallinn and Helsinki would reduce cargo freight and shipping costs and times. This would add further competitive pressures on commodity and agricultural cooperatives, making lower-cost goods from the mainland EU states, some of which are already subject to less stringent production regulations, even more cost competitive. The tunnel was mentioned by four separate interviewees at four large cooperatives as a significant market concern. This decline in remoteness is a function of increased EU integration: the tunnel only possible due to cross-national investment as to promote greater economic integration, which may lead to further liberalization and competition between member states.

4.5.3 Policy and Liberalization in “Less Liberal” Countries: Finland and France

Critically, though liberalization would be presumed to manifest as a more significant issue in the US and New Zealand, as they are both LMEs, it was also present as a policy issue the non-LMEs: it was frequently mentioned as a barrier or obstacle in France and Finland.

When mentioned, it was almost always regarding liberalization in supranational policies, specifically, European Union (EU) trade and competition policy. In Finland, however, liberalization was not seen as solely an EU-level bogeyman. Nationally, neoliberal politicians in Finland had recently critiqued how large the cooperative sector was as part of the national economy, with the government commissioning a report which framed cooperatives as a vestige of Finland's earlier period of economic development, and as somehow backward. The report was notable for how “shocking” and “unexpected” it was, as cooperatives have otherwise, according to eight interviewees who discussed this report, historically enjoyed strong supported in Finland, with prime ministers and other leading politicians typically belonging to several cooperatives. The report, purportedly ignored, has not yielded significantly policy change or action to date. But the issuance of such a report is consistent with the ongoing trend of liberalization across rich democracies (Thelen, 2012, 2014) including the Nordic countries. Even in Finland, neoliberal elites, led by high-profile figures such as Bjorn Walroos, the US-educated international banking executive, have been lobbying for further liberalization of the economy, and were generally seen as being “hostile” to cooperatives.

Other than on this particular national liberalization issue, however, the EU remained the key territorial scale of major policy concern for cooperative stakeholders in both

Finland and France. Interviewees in both countries (N= 6) specifically mentioned how the EU's liberalizing trade and labor policy presented policy challenges for cooperatives operating in Europe. While this is particularly an issue for larger cooperatives which would like to coordinate activity across borders, it also affects domestic activity, as well.

Some of these EU challenges specifically pertain to cooperatives alone, but others more generally reflected variations in the "beneficial constraints" embedded in different national regulatory systems of labor and in setting other industry standards.

On the former issue of competition policy, in France, one interviewee noted that EU competition policy was not accommodative of the unique "operating purpose" of cooperatives in France, which do not exist to maximize "efficiency" in the name of investor return, but to circulate and grow jobs and wealth in a supportable, socially and economically sustainable way for the people of France (interview, March 2017). Cooperatives have had to fight the "spirit of liberalization" in the EU, where policymakers have moved to limit and regulate "joint activities" and systems of coordination which might reduce competition²⁷, ostensibly in the name of reducing cartels and price fixing, but in ways which could undermine "cooperation among cooperatives", and also lead to international lawsuits in the European Court of Justice. (Interviewee, Paris, April 2017)

In Finland, EU policy conflicted with national policy for cooperatives in other ways. A large agricultural cooperative noted that they, like other large agricultural cooperatives in Nordic countries, must adhere to some of the highest national standards in Europe with regards not only to labor practices, but to animal welfare and environmental sustainability, and that these standards accordingly have a cost, which is priced into their goods: in fact, the interviewee noted this was one reason for comparatively limited demand for organic food: the standards for traditional agriculture are so high, they are not very different from many countries' organic certification requirements.

This also means, however, that if the Finnish agricultural and food market is fully opened to competition from the EU, they would likely have to directly compete with lower-cost agricultural producers from other EU member states not subject to such national constraints. Again, this reflects the relevance of "beneficial constraints" (Streeck, 1997) to the cooperative movement: the presence of beneficial constraints in the form of strict national labor and production regulations, does not just encourage producers to move to higher value-added production activities. Its support of these higher value-add, higher margin activities also enable cooperatives, which embed some of these costs into their structure regardless, to compete.

²⁷http://ec.europa.eu/competition/sectors/agriculture/overview_european_competition_rules_agricultural_sector.pdf

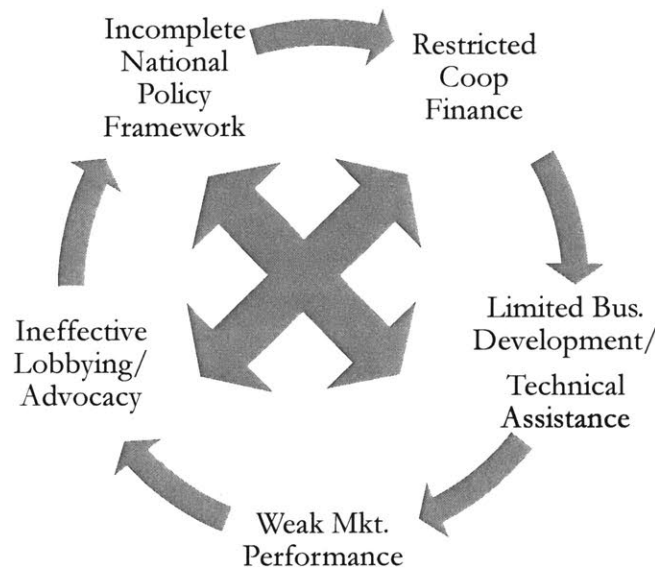
These EU-related policy concerns, ostensibly linked to liberalization, also reflect federalism: as EU nations move towards greater economic integration, cooperatives in EU nations must navigate both their national cooperative legal systems, and fight for fair treatment in the emerging supranational, multi-lateral EU policy context.

4.6 Conclusions: “American Exceptionalism” and the Vicious Cycle in the US Cooperative Ecosystem

The quantitative and qualitative empirical data in these two chapters of Part Two confirm that when it comes to cooperatives, the organizational environment is constrained in the US by an “American exceptionalism”. I have shown how this exceptionalism can be understood as a function of socioeconomic and political factors which jointly weigh on the ability of cooperatives to achieve scale, by inhibiting the development of a well-functioning cooperative ecosystem.

Cooperatives’ comparative failure in the US does not simply reflect that the US is a too market-oriented and individualistic society for them to form and succeed. To be sure, it is comparatively more difficult for cooperatives to compete at scale in the US marketplace for these reasons. But, as noted earlier, the role of culture is surely in turn partly rooted in the material causal factors I have examined, most notably social heterogeneity, and also manifests in material ways, especially for education and training.

Figure 4.6 The “Vicious Cycle” of the US Cooperative Ecosystem



Furthermore, markets are also always conditioned and structured by the state. And, as the policy treatment of cooperatives vs. other organizational forms clarifies, state power can be used in different ways to advance or diminish various organizational forms, as well as their distinct embedded logics. Cooperatives are thus in part marginalized by policy design in the US, as state power is used to diminish and hamper, rather than advance, cooperative development, in a host of specific ways across the cooperative ecosystem which I have traced and identified in this Chapter. It is also clear these policy differences cumulatively reflect the US's comparatively extreme exposure to liberalism, its federal structure, its social diversity and experience with race, industrial structure, and central position in global markets.

The result appears to reflect what institutionalists Acemoglu and Robinson (2012) call a “vicious cycle” for the cooperative organizational form in the US. Lacking an enabling national policy framework or effective public support, in an environment where they must compete against organizational forms which have a good enabling framework, cooperative actors struggle to educate and train individuals who can develop viable businesses, and struggle to finance such businesses, as well. The failure begets further challenges: without successful cooperative businesses or banks to reinvest in future cooperatives, the organizational form languishes on the vine. Without this financial success, the funds and capacity to engage in policy entrepreneurship and political advocacy is inadequate, and the policy challenges remain unremedied, and the cycle continued, unabated.

Though I have identified *current* differences between the US and other countries, which are readily observable in both policy/statute and interview data and which are consistent with such a “vicious cycle” framing, I have not examined how today's differences *developed and emerged*. The stark differences in cooperative policy today assumedly reflect, among other factors, a comparative inability of pro-cooperative US “policy entrepreneurs” (Kingdon, 1984/1995) to get fair treatment of cooperatives on the “policy agenda” (ibid). But when and how did this dynamic develop and unfold? Were the cooperative ecosystem differences between the US and other rich democracies, particularly regarding public policy, always so pronounced? Or did they emerge and evolve, gradually, over time?

The factors theorized to be barriers to cooperation at scale –liberalism and federalism, social and economic heterogeneity, country size and distance to markets – are the product of contingent and cumulative socioeconomic and political processes. We might expect that these processes, over time, may have supported “decreasing returns to scale” (Pierson, 2000) to cooperation in the US political economy, with a path-dependent “lock-in” to a set of institutional arrangements which undermined cooperatives' success, and instead favor that of other organizational forms. If so, how did such “American exceptionalism” towards cooperatives in the field or organizational environment emerge? How did this vicious cycle take hold? It is to these questions I now turn in Part Three of this work.

PART THREE

**HOW COOPERATIVES BECAME EXCEPTIONALLY UN-
AMERICAN**

CHAPTER 5

CYCLES OF FAILURE: THE AMERICAN COOPERATIVE AS AN UNFINISHED FIELD

“Ever since its commencement, the co-operative movement in the United States has never been properly organized.” - *Ira B. Cross (1905-1906, p. 45), Professor of Economics, UC Berkeley*

In Part Two (Chapters 3 and 4), I showed that large-scale cooperatives are less prevalent in the US than elsewhere today, and I explained why. Characterized by “vicious cycle” ecosystem dynamics, cooperatives are “running up the down escalator” by policy design, far more so in the US than elsewhere. But how did these conditions arise? In this chapter, I examine how these dynamics unfolded and developed in the US, over time, by “process tracing” (Bennett and Checkel, 2014) the development of the cooperative. Specifically, I trace the development of the cooperative form of ownership, as an institution and organizational field, jointly using the historical institutionalism of political science and strategic action field theory from sociology and organizational studies, as a framing device.

First, I briefly review relevant existing theory from institutionalism and field theory, which I use to trace the development of the cooperative in the US, over time. I do so while also adding a geographical lens to such theory – heretofore missing – considering the role of territorial scale in processes of field or institutional development. Based on the analysis developed in this and the subsequent chapter, I will attempt to extend and synthesize these theories in Chapter 7.

Second, in analyzing the historical record, I highlight distinct historical waves or phases in the cooperative’s development in the US, both internally as a field, and with respect to its inter-field relational dynamics, i.e. how it relates to overlapping and adjacent fields.

What emerges is a view of *the cooperative movement as an unfinished and incomplete effort to construct and define a nationally-scaled strategic action field in the United States*. Specifically, the cooperative “movement” has been a *social movement to construct a field*. Movements to construct fields may be common (Spicer, Kay, and Ganz, forthcoming 2019). As a partially constructed field, the cooperative remains hampered by weak field elements and boundaries: the cooperative movement in the US has never achieved effective,

enabling policy recognition and treatment at the national scale in the US, despite cyclical waves of efforts to do so. The field's "skilled social actors" have repeatedly been stymied in their efforts in the United States, in ways which did not occur in countries where the cooperative has been more successful. Other "competing" fields, meanwhile, achieved national scale in the US, further reducing the availability of unpopulated "field space" for the cooperative to occupy.

How did this happen? I trace activity over time through three distinct waves: the 1830s to the 1880s/1890s, the 1880s/1890s to the 1950s, and the 1960s to the present. Spreading to the US and around the world from the UK, the modern cooperative form emerged as an organizational innovation from the margins, a crisis response to the upheavals induced by industrialization. It was one of several new fields to emerge as part of this process. These included the labor movement and modern urban planning, both of which were tied to the utopian socialist movement, as noted in Chapter 2.

But from the beginning, the cooperative faced unique obstacles in the US, which would shape the path along which it developed. The cooperative ownership form has never recovered from these initial challenges, which also shaped its subsequent rounds of challenges. In the US, the cooperative took root in an organizational environment marked by the continued presence of a specific labor institution: legally-authorized, race-based slavery, which uniquely persisted in the US through the first Industrial Revolution, with its legacy Jim Crow arrangements continuing through the Second Industrial Revolution.

The US system of race-based slavery and the Southern ante-bellum "way of life" was more than just a labor market institution, to be sure. But, as a labor market institution, it occupied an adjacent "field space" to the cooperative in the US, which directly limited the cooperative's growth and development at a key, early period in its emergence, as I will explain in this chapter. A significant segment of US laborers could not participate in the formal cooperative movement at its birth, as they lacked standing before the law to participate, because they were slaves. This was not the case in other industrializing democracies.

Slavery remained an obstacle for the cooperative after the Civil War, as I will show in this chapter, during Reconstruction and the early Populist era of the late 19th century. The remnants of the institution of slavery interacted with two other, then emergent institutions or fields – the labor movement (a movement which ultimately constructed the field/institution of unions) and the investor-owned corporation – to produce "field conflict" and what I argue was the first "critical juncture" for US cooperatives, culminating in the fall of the Knights of Labor, in 1886-1887, and the subsequent demise of the Populist movement in the 1890s. Due to social and political cleavages reflecting a tension between race-based slavery, and construction of the cooperative as an antidote to the "wage slavery" (Gourevitch, 2015) of rising, investor-owned corporations, cooperative advocates could not unite across these divisions to achieve

success. With the demise of the Knights, the cooperative would lack an effective nationwide advocate in the labor movement until the emergence of the Cooperative League of the USA (CLUSA) in the Progressive Era, which would not ultimately become the national voice for cooperatives until the 1950s.

The cooperative movement built again to a cyclical peak in the Progressive Era and Great Depression, with significant national gains only for specific sub-types of cooperatives, most notably with regard to agricultural and credit. More comprehensive efforts remained “stuck” at the local/regional scale. Activity reached a zenith from the 1930s until the early 1950s, after which it entered into a period of retrenchment and decline, as it again encountered obstacles which can be traced back to the prior “critical juncture.” Unions and other labor movement actors, who had tolerated or modestly supported the cooperative after the Knights of Labor’s demise, again turned away from the cooperative model, which was then also attacked by emerging liberal and anti-communist forces through the 1950s, and further ring-fenced through a “tax war”, which also helped institutionalize the modern non-profit sector through related changes to the US tax code. Through this affirmative tax framework, the non-profit sector therefore also achieved a sufficient, nationally harmonized policy and legal framework with which to coordinate and bound itself internally as another field operating adjacent to the cooperative.

Facing such repeated obstacles at the national scale, in the 1960s the cooperative effectively reconnected with a “sister” field: urban planning, which had emerged from the same field ancestor, utopian socialism. Urban planning was then also facing national obstacles and in retreat from the national stage. Reflecting these failures, efforts to create a national framework for urban planning through a national land use act also failed. During this period, from the 1960s and 1980s, cooperative structures were incorporated into the “community economic development” and “Progressive Cities” movements in urban and regional planning. Though efforts to achieve national policy treatment for cooperatives temporarily receded with the rise of neoliberalism from the 1980s through the early 2000s, in the wake of today’s ongoing crises for neoliberal globalization, activists have picked up where they left off, with new proposed local and national legislation echoing efforts of the 1970s. Working from local successes, they are still trying to remedy the US’ deficiencies in the cooperative’s national legislative framework.

This chapter traces this American story. It is a story which is markedly different from the international cases, as shown through the country comparisons developed in Chapter 6. I note that the tracing offered in this chapter is not meant to be an exhaustive history of US cooperatives. Such an effort has previously been attempted several times²⁸ and would require many volumes. Rather I attempt to highlight key

²⁸ Ely 1886; Knapp, 1969, 1973; Roy, 1969, Parker, 1956; Curl, 2009

field or institutional developments, over time, which explain the cooperative's weakness in the US today.

5.1 Strategic Action Field Theory and the New Institutionalism As Framing Devices

Before examining the US cooperative, I first review key elements of field theory and new institutionalism that I will use as framing devices in chapters 5 and 6 to apply to the international cases, and synthesize in Chapter 7. To examine the rise, origins and institutional relationships, both within and between domains of action, scholars of social movements and organizations have in recent years increasingly deployed and developed sociological "strategic action field" theory, as advanced by Fligstein and McAdam (2011, 2012; cf. Kluttz and Fligstein, 2016). Field theory builds on prior work by Bourdieu (1990), and that of the new institutionalists²⁹ to develop a more dynamic approach to understanding the relationship between institutional stasis and change.

At its core, as articulated by Fligstein and McAdam (2012), field theory offers a general theory of social change and agency. Fligstein and McAdam define fields as "constructed social orders that define an arena within which a set of consensually defined and mutually attuned actors vie for advantage" (2012, p. 64). Research in this tradition has focused on how new fields emerge, on competing logics within fields, and how outsiders can affect fields³⁰. Fields may have different internal logics, but all are organized such that actors, beliefs and rules matter to their members, which include leaders who are typically "highly skilled social actors".

The primary focus of field theory, however, much like the new institutionalism of political science, was initially *within* individual fields. Less attention was initially paid to the relationships among and across fields. As Fligstein and McAdam note, "Virtually all of the previous work on fields, however, focuses only on the internal workings of these orders, depicting them as largely self-contained, autonomous worlds" (2012, p. 18). This is problematic, because social change often emerges from the agency found in the relationship *between* fields, and Fligstein and McAdam have set off a new wave of scholarship to examine this: "The main theoretical implication of the interdependence of fields is that the broader field environment is a source of routine, rolling turbulence in modern society. A significant change in any given strategic action field is like a stone thrown in a still pond sending ripples outward to all proximate fields" (2012, p. 19).

²⁹ North, 1991, Acemoglu and Robinson, 2012, Thelen, 2004, Hall and Taylor, 1995, Pierson, 2000, DiMaggio and Powell, 1983, Collier and Collier, 1991.

³⁰ see Armstrong 2002; Clemens 1993; Lounsbury 2007; Schneiberg and Soule 2005; Scott et al. 2000; Duffy, Binder, and Skrentny 2010.

This challenge of inter-field and inter-institutional relations, too, had also not been well addressed in the new institutionalism in political science, particularly the historical institutionalism variant³¹ which has developed a framework to examine institutional stability, evolution and change. Scholars associated with this tradition have examined patterns of institutional stasis and change either within or across countries, over time, and within individual institutions, as noted in Chapter 2. Building both explicitly and implicitly on preceding generations of historical scholarship across the social sciences in both the US (Stinchcombe, 1968) and Europe (Rokkan, 1970; Braudel, 1982), historical institutionalism conceives of changes and variations in outcomes in the socioeconomic and political spheres in a particular way. Small initial differences in institutional structures and their respective contexts may interact, over time, to produce divergent “paths” of institutional development. Events along the path depend on the prior trajectory, or are “path dependent” (Arthur, 1989), and can be subject to “lock in” along the path for periods of time.

There are other variants of institutionalism (Taylor and Hall, 1996), and the historical institutionalist framework is not without its debates: scholars disagree regarding the degree to which both institutional change and significant path shifts can be understood as being largely driven by events at “critical junctures” (Collier and Collier, 1991), in which dramatic events can reset the trajectory or directionality of a path, or are more a function of incremental change between such junctures (Thelen, 2004, Pierson, 2004), as a post-critical juncture set of institutional arrangements gets “locked in”, followed by “policy feedbacks” which produce “increasing returns to scale” (Pierson, 2000; Pierson and Skocpol in Katznelson, 2002) to maintaining and strengthening that set of arrangements, setting the stage for the next juncture.

Not that these junctures are unimportant: to marry the historical institutionalist framework to public policy scholarship, these junctures can contain “policy windows” (Kingdon, 1995) in which “policy entrepreneurs” (ibid) can effect changes to the path. But the structure and nature of these windows is shaped by the feedbacks and returns to scale which precede it: inter-period evolutions and subsequent “revolution” are, therefore, closely linked in their conditions and features (Thelen, 1999).

From this historical institutionalist perspective, the Varieties of Capitalism and Welfare Regimes frameworks, used extensively in the first half of this work, are inadequate as explanatory devices in understanding cross-national political-economic variations, as their application to cooperatives well demonstrate. With cooperatives, just as with other dimensions of the political economy, these frameworks may capture and explain a degree of the current cross-national differences, but they do not explain how these differences emerged, and do not help us predict or foresee how they might continue to evolve, over time. They are at best static, Weberian “ideal types” which do not

³¹ Hall 1986; Collier and Collier, 1991; Taylor and Hall, 1996; Skowronek, 1997; Pierson, 2004; Thelen, 1999; Thelen, 2004.

adequately capture dynamic elements of processes that explain socioeconomic and political change. Thelen (2012, 2014), for example, has well demonstrated such deficiencies in the Varieties of Capitalism and Welfare regimes framework, by showing how countries in these different “varieties” have all been liberalizing in recent decades, but they are evolving in distinctly different ways which reflect their different starting points and subsequent paths.

Less well theorized by historical institutionalists, however, is any general theoretical conception of *how the institutions are actually arranged with respect to one another*. do they overlap? Where? How? Is the overlap beneficial or problematic to the health and success of these particular fields? Further, how does individual agency play a role in constructing and shifting these arrangements or overlaps?

This is where new developments in field theory have proven useful in advancing an understanding of socioeconomic and political change, by moving to adumbrate an “architecture of field overlap” (Kay and Evans, 2008; Spicer et al., 2019), examining how individual agents, as “skilled social actors” situated at the intersection of fields, use their position to effect change and outcomes. In this approach, both agency and structure matter, for theoretical reasons which are quite clear and intuitive: different structural field overlaps can yield varying opportunities for agency. This does not mean agents will necessarily successfully leverage these opportunities to effect change: structural opportunities are necessary, but not sufficient, conditions for change. Effective agents must leverage them.

Notably, I will use fields and institutions interchangeably in Parts Three and Four of this work. I do this because part of the argument I advance in this work (see Chapter 7) is that fields and institutions are, in essence, corollary academic languages which seek to capture same concepts and explain many of the same puzzles. Much of their respective terminologies may be duplicative. For the goals of this chapter, by fields or institutions I mean a set of rules or practices with a “shared script” (cf. Thelen, 1999), which are bounded by logics, and carried out by agents operating within and across organizations which embed and reproduce these logics.

For my purposes regarding cooperatives, field theory allows us to demonstrate how the particular configuration of fields drives social change: which fields overlap, and by how much? Through process tracing of a field, or “field tracing” (Spicer et al., 2019), one can examine how the overlap of fields may explain variations in outcomes of interest between places. I will return to these theories, and what we can learn about them from the cooperative case, in detail in Chapter 7, but the historical development of the cooperative movement affirms the importance of interfield relations to our understanding of institutional development and change. One cannot understand why cooperatives fared so poorly in the US, without an understanding of where and how cooperatives overlapped with other institutions. Specifically one cannot understand

how or why cooperatives have comparatively failed in the US without understanding how *competing and overlapping institutions or fields were structured and succeeded*.

A historical analysis reveals that the cooperative movement was one of several institutions or fields which developed, in tandem, from the same nascent field, rooted in a particular place and time. This nascent field was utopian socialism, a response to the 19th century industrial revolution, which began in a specific place, Great Britain, before spreading to the US and elsewhere. This shared root partly explains why cooperatives have re-emerged as an issue for urban and regional planning in the twenty-first century in the US. The two fields have a common, underlying field logic from utopian socialism, which involved reconstructing both socioeconomic and physical space around cooperative social relations, as to improve the human condition.

But the case of cooperatives is compelling for advancing theories of how change in institutions and fields occur, however, for a second reason. It is my contention that many processes of socioeconomic or political stasis or change, as they occur through fields and institutions, cannot be understood without the lens of spatial scales and geography. Curiously, space and geography have been ignored by field theory, cast as an historical artefact rendered irrelevant by time-space distanciation (Fligstein and McAdam, 2012, p. 60, building on Giddens, 1990) and time-space compression (Harvey, 1989). Space and distance is often deemed to “not really matter anymore” (personal communication with Fligstein, August 2017) to an understanding of fields and institutions. The new institutionalism, similarly ignores space and scale beyond the level of the nation-state: other scales, such as that of region, which is long and well established as a critical driver of economic differences between places (Storper, 1997; Krugman, 1995; Moretti, 2012), are largely ignored. The case of cooperatives calls these geographical oversights into question, a point I will return to in Chapter 7.

To examine the institutional or field development of the US cooperative, I start in the early nineteenth century, when significant interest in cooperatives, collectives, mutual aid/self-help and other similar formal organizational structures appears in the historical record. How did the cooperative movement develop in the US? Where did it come from, and how did it unfold in the American context? I trace its development, parsing cooperative history in the US into three distinct periods or “waves”, which I divide based on qualitative document analysis of the historical record of cooperative activity. Each of the first two waves culminated in what might arguably be cast as a “critical juncture”, or closing of a “policy window” for the cooperative movement, while the third’s peak and juncture has not yet been reached.

5.2 US Cooperative Emergence and Development: Utopian Socialism, Capitalist Industrialization, and Slavery (1830s to 1880s/1890s)

Cooperatively organized entities have existed since the beginning of human history (Roy, 1969; Ostrom, 1990; Bowles and Gintis, 2014). But the cooperative as a modern organizational form, as a recognizable and defined institution with a stable and

replicable set of rules, emerged out of the shift from an agrarian to industrial society. This has been well established, and is not in question. As economies of scale in capital-intensive industrial production displaced the work of independent artisans, craftspeople and farmers, they migrated to the city, transforming the physical and social landscape of entire nations (Potter Webb, 1891; Tilly, 1974, 1978; Tabb and Sawers, 1978; Katznelson, 1993), many of which were themselves then new or emergent as sovereign states (Tilly and Ardant, 1975; Gellner, 1983; Wimmer and Feinstein, 2010). As the UK industrialized first, the early archetypes of the industrializing city-regions were Manchester and London (Katznelson, 1993; Merrifield, 2002). These regions not only served as a laboratory for early urban thought (Engels, 1844), they also were among the first to experience the range of social and public health problems (Stedman Jones, 1971; Cullingworth, 1964) associated with the slum-like conditions of industrial urbanization, conditions reproduced in the US (Corburn, 2007).

Given their first-mover role, these regions not surprisingly also played host to several social movements, organizational innovations, and institutional developments in response to industrialization and urbanization. These responses included the modern cooperative business ownership model, which would become the anchor organizational form of the broader cooperative/mutual sector, and comprehensive urban planning and “new town” models (Fishman, 1977; Hall, 1988), the modern field of public health (Corburn, 2007), and trade unionism and in fact the modern labor movement (Foner, 1947-1994; Ware, 1929, Fink, 1983; Voss, 1993) among other institutional and field innovations.

Two key themes emerge from a historical field tracing of the early development of the cooperative in the US. The first is that the cooperative movement and urban planning did not emerge as separate and independent responses to capitalist industrialization, but rather they appeared together and intertwined. This is relevant to an understanding of why the two, which both are “incomplete” fields at the national scale today, continue to overlap in the US today. The second is that in the US, the cooperative faced an unusual combination of constraints not present in any other of today’s “rich democracies”. The most notable of these was the existence of another labor market institution and field, one which directly constrained cooperatives’ growth: the “peculiar domestic institution” (Calhoun, 1830, as per Stampp, 1956) of race-based slavery.

5.2.1 Cooperatives and Urban Planning: Twinned Fields Born of Utopian Socialism and Industrialization

The modern cooperative ownership model and urban/town planning emerged in US – as in the UK - *together and conjoined* as a proto-field, advanced by a network of “skilled social actors”, who were associated with the utopian socialist movement, which, “from 1824 to 1848 produced up to that time what was the most rapid proliferation of

communes in the United States (Schehr, 1997, p. 27), which were “largely viewed as a response to the inhumanity of industrialization” (ibid).

This group of utopian socialist practitioners was led and inspired by Robert Owen in the UK and the US, George Holyoake in the UK, Horace Greeley in US, and Henri de Saint-Simon and Charles Fourier in France. Their ideas, both in theory and in practice, remained closely intertwined for much of the 19th century, with development

Figure 5.2.1 East London (Whitechapel) Former Cooperative Wholesale Society Operations. Dating from the late 19th/early 20th century, many urban commercial buildings were constructed as part of cooperatives’ urban footprint. UK cooperative motto “Labor and Wait” is engraved in the façade, with American spelling in solidarity with anti-slavery US abolitionists (Berk and Kolsky, 2016). Photos: Spicer, 2017.



projects exhibiting a conjoined focus on building cooperative enterprise models for labor and capital, alongside cooperative development of land, sometimes owned and run communally, into housing, commercial property and new towns.

Early experiments culminated in a rapid wave of development of nearly 500 cooperative retailers in the UK, which collapsed in spectacular fashion in the early 1830s (Wilson et al., 2013), due to both cyclical forces and instability in their business model. One noted cause, for example, was that they “held onto the savings with the intention of buying land and building houses for their members. These Owenite cooperatives out of necessity limited their membership, and so doing, limited the amount of money they could access as membership fees. This made them vulnerable to financial reversals.” (Senter, 2015, emphasis added, cf. Holyoake, 1893). A similar such wave of stores, led by the Protective Union Store Movement (Rozwenc, 1941) were constructed and declined in the same era in the US.

Also during this time period, Horace Greeley’s worker cooperatives in the US also included land and housing elements (Curl, 2009). So too did models like Fourier’s phalanstere in France and their US “phalanx” equivalents, and communal utopian towns in the UK and the US like Owen’s “villages of cooperation” (Vidler, 2011), which would dot the industrializing Northeast and Midwest of the US (Fogarty, 1990).

The product of utopian socialists’ “cooperative colonizers”, these developments presaged many of the modern efforts that would shortly thereafter be championed by both urban planning and the cooperative movement. They reflected their developers’ belief that “secular salvation could be attained by establishing groups in new settlements...by collectively assuming responsibility for the financial future of their communities, the colonists would improve both their moral and their economic conditions. The leaders and sponsors of such societies saw them as ordered environments in which predator habits developed in cities would be eliminated. Such settlements emphasized economic cooperation...” (Fogarty, 1990, p.16)

The modern cooperative movement as a stable field of action, however, traces its birth to the UK and the Rochdale Pioneers. Established in 1844, they used organizational innovations for dividends and reinvestment to produce a stable business model, and became the template for the modern cooperative business movement. Though now primarily viewed as a consumer cooperative, the Rochdale model was no such thing. It was a comprehensive model. Using the consumer activity as a base, the Rochdale model in theory and practice involved development manufacturing and productive societies, shipping and logistics, wholesale, and insurance and banking, as well as housing. Attempts to reproduce this interlocking set of consumer and producer cooperatives and create a “Cooperative Commonwealth” (Wilson et al., 2013; Gourevitch, 2015) diffused to the US and elsewhere.

Notably, the Rochdalian efforts also included housing and property development divisions for their consumer cooperative members (Birchall, 1994, Wilson et al, 2013).

They also owned warehouses and offices for their various cooperative business endeavors, with a sizeable commercial footprint in East London and Central Manchester. These urban land and housing related initiatives were not afterthoughts. The founding charter of the Rochdaliens, in the opening paragraphs of its first law and principle, states that the goals were, as follows:

“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....As a further benefit and security to the members of this Society, the Society shall purchase or rent an 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.” (Holyoake, 1893, emphasis added)

The account by Fairbairns (1994) regarding the cooperative movement is indicative:

“the founders did not intend that the Pioneers would operate stores only. And there was a sequence to these economic activities... 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...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...to the degree that has become common in the twentieth century.*” (emphasis added)

Consistent with this, and as noted above, Greeley’s early worker cooperatives in the Northeastern US in the 1830s and later also included efforts to build homes for workers (Curl, 2009). Reflecting the overlap of these various fields, Greeley, a successful New York newspaper founder, Congressman, and also the losing candidate in the 1872 U.S. Presidential Election for the new Liberal Republican party against incumbent and Radical Republican Ulysses Grant, had also previously played a visible role in the Radical Republican movement to abolish slavery (Montgomery, 1984; Foner, 1947-1994). Later in the century, Midwestern industrialist Nelson O. Nelson (McQuaid, 1975, 1986) also championed industrial cooperatives, consumer cooperatives, and “Garden City” style development, introducing employee ownership and profit-sharing to his firm while founding a cooperative “company town” for his firm’s shareholder-employees. These efforts reveal how the business enterprises at the heart of the early cooperative movement included urban housing and land development initiatives in their operations.

Meanwhile, the historical field link from utopian socialism, to the cooperative movement and modern urban planning, is also clear. Though settler towns had since colonial times deployed some principles of “planning” in the US (Fogelson, 1986) the modern comprehensive urban plan had not yet emerged in “stable” form. It would ultimately directly develop out of utopian socialist housing and new town/land development projects in the US and Europe, like the Fourierian “phalansteres”, or

“phalanxes” in the US (Foner, 1947-1994) context, and Owen’s “villages of cooperation”, referenced earlier. These land-based projects also included plans for economic and business interests, which were also to be organized cooperatively.

Indeed, early utopian socialist comprehensive cooperative community-construction efforts directly and explicitly inspired (Keulartz, 2003) James Buckingham, who would create arguably the first modern plan for a model city, “Victoria” (1849). Often noted as a key forerunner to the modern comprehensive plan (Hall, 1988, 1992), this was one of the first new town master plans produced in response to the early urban industrialization in the UK. Buckingham’s work was equally concerned with physical planning and design as with the political economy (Morrison, 2016), and the plan spent over 150 pages articulating a cooperative economic system of “associated community”, a term then interchangeable with Fourier and the phalanx. His efforts would be directly drawn upon (Mumford, 1965) by Ebenezer Howard in the 1890s, who would provide what remains “almost without question the single most important work in the history of modern town planning” (Hall et al., 2003), *Garden Cities of Tomorrow* (Howard, 1898).

Though the cooperative aspect is often relegated to a footnote in analyses of its urban planning legacy, (Fishman, 1977), cooperative ownership of both land and enterprises were central components of the Garden City plan. Howard, who had traveled extensively in the US and visited utopian socialist communities, had besides building on Buckingham, drawn inspiration from Edward Bellamy’s approach in “Looking Backward” (Fogarty, 1990), and built on the work of Alfred Marshall, who not only transformed the field of economics and introduced the idea of urban knowledge spillovers, but was also an active proponent and participant in the cooperative movement (Pigou, 1925). Thus, Howard’s plan prominently featured cooperation as a key component of its Utopian vision, with freedom and cooperation to reign in the new “Town-Country” utopia of the Garden City. Over time, however, the cooperative aspects of the Garden City, which Howard had failed to implement during his lifetime, were muted or removed.

Just as urban planning originally incorporated elements of broader economic cooperation, so too did the emerging labor movement include a conjoined focus on land. Indeed, the labor movement, which similarly sprang out of utopian socialist thought (Foner, 1947-1994), was occupied by both cooperative businesses and “the land question”. The National Industrial Congresses of the 1840s and the 1850s, which included the development of cooperative businesses alongside other labor initiatives, continued to take up “the land question”, as had been advanced by Henry George Evans (1844). Indeed, “almost from the beginning the National Industrial Congresses were absorbed in the land question” (Andrews and Bliss, 1911, p. 57). The “land question” was whether the ills being experienced by labor could be addressed without underlying land ownership reform, a debate which would lead to the Homestead Acts. It would not be until Henry George’s work, *Progress and Poverty* in 1877, that the land

question would finally be treated as a “stand alone” issue, as a distinct and separate matter (Foner, 1947-1994; O’Donnell, 2015).

The nature of the early, twinned relationship between the cooperative movement and urban planning can be summarized by two key points. First, the cooperative movement, which initially achieved stability and scale in the UK through the Rochdale model, also formally encompassed what would today be classified as urban and town planning-related housing and land development concerns and initiatives. These included a focus on developing affordable workforce housing, as well as systematically organized commercial property development to host the employment activities of worker-owners. These efforts spread to the US, through the work of Horace Greeley, Nelson O. Nelson, and others. Second, as comprehensive urban planning models like Victoria and the Garden City emerged, they gave significant consideration of cooperative businesses, which was by then well-established as a social movement seeking to respond to some of the same problems of industrial urbanization. The efforts of these skilled social actors, which focused on both cooperative and communal land/development and cooperative businesses, thus remained intertwined even after developing “stable”, replicable, and separable organizational forms, i.e. the Rochdale cooperative model and the model plan for Victoria. But by century’s end, this would no longer be the case, with distinct and largely separate fields of actions for cooperative business and comprehensive urban planning.

5.2.2 The Cooperative Movement, “Wage Slavery”, and the Knights of Labor

In the historical record of the cooperative movement’s early development in the antebellum US, activity largely appears concentrated in the Northern and Midwestern states, as noted earlier (Fogarty, 1990, Jennings, 2016). This is to be expected: these states, like Manchester and London in the UK, were geographically home to the “first industrialization” in the US. If cooperatives were a crisis response to this industrialization, it is unsurprising they would appear in these regions. These Northern communities notably included freed African-Americans, such as Sojourner Truth (Laurie, 2015), who belonged to a utopian socialist cooperative community in Northampton, MA, which included as equal participants, both men and women, African Americans and “whites” alike.

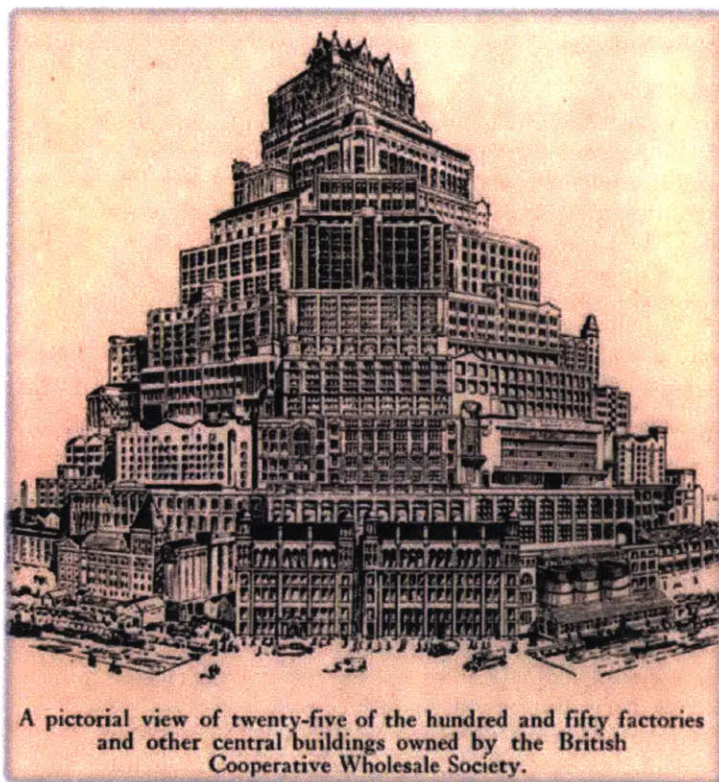
This was unusual because there were virtually no such racially integrated communities, cooperative or otherwise, in the American South. Utopian socialism, and with it, early cooperative development, thus originally appear to be a regionally concentrated phenomenon in the US. This regionalism stands in stark contrast to the UK, where the Rochdale movement, founded by displaced textile weavers, quickly spread from these regions around the country. Not only did the idea of the cooperative store spread across the country, but the Rochdalian uses the store as a starting point to move up and down the entire supply chain, which further added to its geographic breadth (Wilson et al., 2013). Agricultural cooperatives and productive societies provided

goods and materials to the stores, constructing what would become known as the “Cooperative Commonwealth”, an interlocking system of cooperative societies.

By 1862, the UK had a national law which legally recognized and codified the

Figure 5.2.1 Britain's Cooperative Commonwealth.

By the early twentieth century, the CWS had become a major global business, as its physical footprint of buildings well showed (From Warbasse, 1936 per Nathan Schneider)



cooperative in an updated Industrial and Provident Societies Act. By 1863, the cooperative movement had formed the Cooperative Wholesale Society, or CWS, which would coordinate and arrange the purchasing for the cooperative stores across a cooperatively-owned supply chain. By 1870, the UK had a national cooperative apex organization, the Cooperative Central Board/Cooperative Union, which would become Cooperatives UK. By 1872, the Cooperative Bank was in operation, with overseas shipping lines, logistics, insurance, property development, and other operations constructing an entirely cooperative supply chain. By century's end, it was one of the

world's first and leading vertically integrated enterprises (Chandler, 1990).

Meanwhile, in the US, this rapid-fire, national spread of cooperatives did not occur as in Great Britain. In fact, it could not. First, at the time of the cooperative movement's early development, many workers were not free to use their purchasing power, much less direct their own industrial labor, towards participating in the domestic cooperative movement. This is because many US workers were owned as slaves: they had no free purchasing power to spend in a cooperative, nor could they choose to freely cooperativize their own productive labor. Second, even after the end of slavery, cooperatives' position as antithetical to the emerging “wage slavery” system would

map onto post-bellum racial cleavages in a way which would inhibit the cooperative form's successful development. I review each point, separately, below.

1. The Geography of Slavery and Cooperation

To be sure, the wealth generated by chattel slavery also helped finance the industrial revolution in the UK (Williams, 1944), indirectly fueling the birth of the modern cooperative movement there. But it did so from beyond the shores of Great Britain. In fact, the slave labor fueling the UK's industrial revolution came in part from the US, specifically from the American South. This is sometimes depicted in elementary, schoolbook history in oversimplified fashion, as part of a "Triangle Trade," but such treatments often gloss over how industrialization completely relied on slavery. As put in direct language:

"On the eve of the American Civil War, Britain, the most powerful nation in the world, relied on slave-produced American cotton for over 80 percent of its essential industrial raw material. English textile mills accounted for 40 percent of Britain's exports. One-fifth of Britain's twenty-two million people were directly or indirectly involved with cotton textiles. The British textile industry was concentrated in one region, Lancashire [Manchester], and Britain was thoroughly vulnerable to a disruption in the supply of cotton." (Dattel, 2009/2010)

Slave-produced cotton, according to 1993 Nobel Laureate in Economics and new institutionalist Douglass North, "was the major independent variable in the interdependent structure of internal and international trade," (North, 1966, p. 67) a point which echoes similar views on the primacy of cotton to the first industrial revolution by a key historian, Eric Hobsbawm, of the industrial revolution ("whoever says industrial revolution says cotton", Hobsbawm, 1968, p. 34). As Marx (1847) also well noted:

"Direct slavery is just as much the pivot of bourgeois industry as machinery, credits, etc. Without slavery you have no cotton; without cotton you have no modern industry. It is slavery that gave the colonies their value; it is the colonies that created world trade, and it is world trade that is the precondition of large-scale industry. Thus slavery is an economic category of the greatest importance. Without slavery North America, the most progressive of countries, would be transformed into a patriarchal country. Wipe North America off the map of the world, and you will have anarchy – the complete decay of modern commerce and civilization. Cause slavery to disappear and you will have wiped America off the map of nations. Thus slavery, because it is an economic category, has always existed among the institutions of the peoples. Modern nations have been able only to disguise slavery in their own countries, but they have imposed it without disguise upon the New World." (Marx, 1847, Ch. 2)

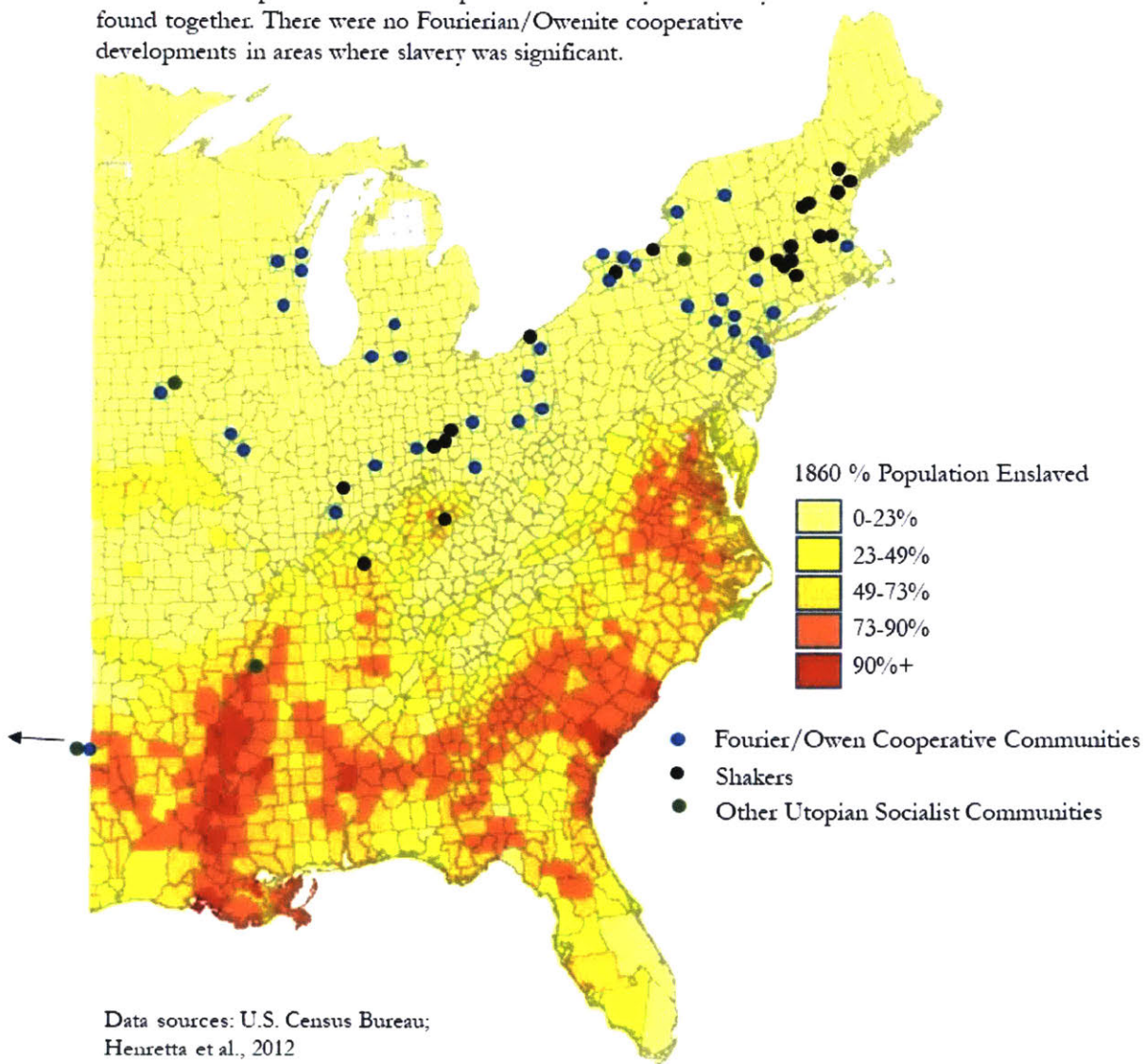
The textile and industrialization boom of Great Britain, which birthed the modern cooperative as an institution and field of action, was directly reliant on American slavery, connected through one of the world's earliest, modern industrial "global value chains", as Gereffi (1999) might call it today.

In the US, race-based chattel slavery explicitly dominated the cotton and tobacco-based economies of the Southern states, which not only supplied much of the region's economic output, but also supplied the labor required for Northern industrialization. The cotton processed in New England's mills was picked and produced by slaves. Though less prominently featured in historical accounts, a significant number of Southern slaves also worked directly in industry in the South (Starobin, 1970).

Figure 5.2.2

Cooperative Communities and Slavery

Antebellum utopian socialist developments and slavery were rarely found together. There were no Fourierian/Owenite cooperative developments in areas where slavery was significant.



It is thus difficult to overstate the centrality and importance of slavery to the US and global economy at the time of the modern cooperative movement's birth. On the eve of the outbreak of the Civil War, the 1860 Census showed that nearly 40% of the US population lived in the slave-holding states. In these states, approximately one-third of the entire population was enslaved, according to my calculations from Census records. In some states, notably South Carolina and Mississippi, slaves were an outright majority of the population. Totalling nearly 4 million, the US slave population in 1860 equaled the combined populations of Greater London and Manchester, whose inhabitants turned the slaves' cotton into globally traded textiles.

When counted as property or assets, which is how slaves were treated under the law of the period, slaves had an economic value of \$3.5 billion, making them the most valuable asset in the US, exceeding that of manufacturing or railroads (Coates, 2014). The value of the slaves:

“...was roughly three times greater than the total amount of all capital, North and South combined, invested in manufacturing, almost three times the amount invested in railroads, and seven times the amount invested in banks. It was also equal to about seven times the total value of all currency in circulation in the country, three times the value of the entire livestock population, twelve times the value of American farm implements and machinery, twelve times the value of the entire U.S. cotton crop, and forty-eight times the expenditures of the U.S. federal government that year. Needless to say, the domestic slave trade had made human property one of the most prominent forms of investment in the country, second only to land. In fact, by 1860, slave property had even surpassed the assessed value of real estate within the slaveholding states.” (Deyle, 2005, page 60)

This was not an obscure or unknown fact at the time: “most Americans at the time were aware of the immense value of the slave property.” (Deyle, 2005, p. 60)

For the cooperative movement, slavery appears to have been a serious obstacle to implementing the “Cooperative Commonwealth” strategy of developing “interlocking producing and consumer cooperatives” (Gourevitch, 2015), i.e. to construct the cooperative as a strategic action field. This was a problem during the period of *de jure* slavery, up to the Civil War: slavery inherently and directly reduced potential participation by workers in cooperatives: the agricultural, plantation-based economy of the South, which offered no free movement for much of its laboring class, could not support significant numbers of utopian socialist communities or cooperatives. But this would continue to be problematic after slavery had legally ended. In fact, the post-bellum legacy of race-based slavery, as an institution, would directly figure into the decline of the first national labor organization seeking to advance the Cooperative Commonwealth strategy: the Knights of Labor (Voss, 1993).

2. The Knights of Labor, “Wage Slavery”, and Race

The role of race-based slavery in explaining the historical weakness and “American exceptionalism” of the US' limited labor movement (Foner, 1947-1994; Fink, 1983),

socialist party (Sombart, 1906; Lipset and Marks, 2000), welfare state (Alesina et al, 2001; Williams, 2003), and unions (Katznelson, 2013) have all been variously examined and explored.

Less considered, until recently, has been how race-based slavery, which was *present through industrialization in the US uniquely among today's rich democracies*, affected institutional development of the cooperative, producing a story of “American exceptionalism” regarding cooperation, as well. Building from the utopian socialist experiments of Owen and Fourier as well as the Rochdale success, cooperatives were one of four key planks of the US labor movement. As Ware’s (1929) seminal, comprehensive work on American labor states:

“Four main strands are discoverable in the American labor movement: fraternalism, collective bargaining, cooperation, and politics. While it is assumed today that collective bargaining is the major function of a labor union, it took nearly half a century of agitation and experiment to reach this assumption, and even now it is accepted in some quarters with reservations and in a few, not at all.

The reluctance of the labor movement to accept collective bargaining as its major function was due largely to the fact that this involved an acceptance of the wage system. Before the Civil War the wage system was a fact, but not necessarily an irrevocable one, and attempts to escape from it or replace it by something else were not so obviously hopeless as they later became. Thus the communities of Owen and the Associationists were less fantastic in their time than they may seem today, and the cooperative tradition which derived from them, seemed to make sense in an industrial community of small shops and stores.” (Ware, 1929 p. 320)

While the historical weakness of the American labor movement and the strength of the wage labor system itself both now seem a *fait accompli*, this was not the case at the post-bellum dawn of the Second Industrialization and the Gilded Age. Marx, in the passage quote earlier, called America “progressive”, a view shared by other Europeans, including French workers’ organizations as well as Engels, who were variably impressed by how comparatively *advanced* the US labor movement was (see. Fink, pp. 5-6). Engels himself, writing at the peak of US labor tensions in the late 1880s, observed that the US labor movement had advanced far more rapidly as compared to the slow, gradual development of organized labor in stages in Europe: “the working class passed through these two stage in its development in ten months” (Engels, Preface to 1887 edition of 1844). This view, as Fink well notes, was not just held by those sympathetic, but also by forces hostile to the labor movement. Such perceptions did not shift until after the demise of the Knights (Voss, 1993).

This strong, early American labor movement was led by the Knights of Labor (Voss, 1993), the first universalistic, and national US labor organization focused on organizing the “industrial masses”, without regards for race, gender, religion or national origin. Their wide-sweeping, inclusive approach would not be successfully replicated in the US for nearly a century (Gourevitch, 2015). Unlike the American Federation of Labor (AFL) which would supplant and replace them as the leading US labor organization,

the Knights adopted a pluralistic approach, engaging in multiple if not all four of Ware's "main strands" of the labor movement, quoted above. This included a significant, explicit focus on cooperatives, which the Knights had carried forward from the predecessor National Industrial Congresses of the 1840s and 1850s (Ware, 1929), referenced earlier. Other contemporaneous decentralized labor organizations with national ambitions, such as the Grange (see next section), also included cooperative development among their aims.

Building from local, city-based assemblies (Foner, 1947-1994), starting with the first in Philadelphia in 1869, the Knights were the first truly "national" comprehensive labor organization in the US. Philadelphia, which had birthed the first mutual insurer in the US, founded by Benjamin Franklin (Curl, 2009), had also welcomed one of the first "official" Rochdale cooperatives in the US, in 1864 (Leikin, 2004). Building from Philadelphia and the Industrializing Northeast, the Knights attempted to establish interlocking production/worker cooperatives and consumer cooperatives, as a Jeffersonian and labor republicanist "Cooperative Commonwealth" alternative to a union-based collective bargaining approach, which engaged directly with the wage labor system (Gourevitch, 2015).

Running headlong into racial divisions and violence when they attempted to organize workers on "the cooperative plan" in the American South (DeSantis, 2016, Gourevitch, 2015), culminating in the massacre at Thibodaux, LA in 1887, this effort ultimately failed, and likely hastened the decline of the Knights of Labor. It may constitute a critical moment of "lock-in" on cooperation's "path" in the US: with the death of the Knights, the national standing of the cooperative strategy declined. The Knight's successor, the AFL, was weakly supportive of cooperatives, and focused on trade unionism instead. Cooperatives accordingly lacked a comprehensive national advocate for much of the subsequent period.

Due to the apparent centrality of this moment to the US cooperative as a field, it is worth reviewing it in slightly greater depth. Much historically is often made of the Chicago Haymarket riots of 1886 as a polarizing moment and watershed year for the US labor movement, leading to the decline of the Knights of Labor and the rise of the more conservative, narrowly-focused America Federation of Labor. The demise of the Knights is the moment, according to Voss (1993), where "American exceptionalism" in the labor movement takes hold. If one deploys the framework of institutionalism, Voss effectively casts the moment as a "critical juncture", even if she did not use this language.³²

While compelling, her explanation as to *why* the Knights failed in this moment has shortcomings, and these shortcomings are relevant to my purpose. She rejects arguments that the failure reflected US labor's unique structural weakness, and instead

³² In personal communication with Voss in March 2018, she concurred that such characterization using the institutionalist notion of a "critical juncture" seems appropriate.

isolates the strength of employers as the key issue. Specifically, her explanation is that US employers' capacity to counterorganize was greater than in France or England. This was in part due to the earlier development of "employers" in the US: as Sylla and Wright (2013) have shown, the corporation developed earlier in the US than elsewhere.

In rejecting labor-related explanations and in testing her hypothesis, however, she uses data from the *New Jersey Knights* to analyze the US labor movement. She assumes that the Knights' activity in New Jersey was representative of their national efforts (Voss, p. 202), an assumption she acknowledges to be potentially imperfect.

In making this assumption, *Voss overlooks the potential role played by race-based slavery, and with it, the role played by cooperatives as a polarizing, anti-slavery institution, in the juncture.* Other than a consideration of ethnicity as a possible contributing factor in New Jersey, she ignores racial difference within the US as playing a possible causal role. Race and slavery do not appear in her book, one of two shortcomings relevant to this study (the second relates to her explanation of the strength of US employers vs. France, which I will address in the next chapter, as it directly bears on the cooperative question).

Voss is not alone in ignoring race and the cooperative question. The racial rioting and declaration of martial law in the wake of the Knights' cooperative organizing and strike in Thibodaux, LA in 1887 is largely ignored in the mainstream historical accounts of the Knights I have cited, an oversight that likely reflects that historical documentation of this event was, until recently, quite limited. Only in the last few years has it been substantively documented via historical re-examination (DeSantis, 2016; Gourevitch, 2015).

The Knights had been attempting, moving deeper into the South, to organize freed slaves into cooperatives, through which they might own and operate former plantations. This strategy, which echoed the Reconstruction era's "labor companies" approach, was met with extreme hostility in the South. Though the standard historical accounts sometimes note the difficulties the Knights faced in organizing in the South due to race and slavery, they do not examine why this was so, especially regarding cooperation. First, the Knights, unlike most other labor organizations of the time, were open in membership to all, including women and former slaves/African Americans. This explicit acceptance of, and inclusion, of African Americans caused tensions, nowhere more so than in the South (Fink, 1983, viz. chapter 6). Second, the Knights' Republican notion of political and economic liberty, which was built on the idea of "free labor", explicitly invoked the language and notion of "wage slavery" in its rejection of the emerging industrial employer system.

Indeed, the Knights did not just include black workers: at their peak moment, they explicitly began a campaign which *focused* on them. In 1886, the year of the Chicago Haymarket riots, the Knights commenced a new organizing campaign in the South, announced at their Richmond, VA general assembly meeting that year. Auguring the tragic events to come, the event was surrounded in controversy: a "colored" Knight

was set to introduce the Governor of Virginia as a speaker to the assembly. This nearly ended in bloodshed, as accounted by one of the leading Knights, Terence Powderly (1889). They nonetheless continued with having a black member introduce Powderly, and the announced Southern expansion proceeded:

The Knights' expansion into the American South began in 1886 at their general assembly meeting in Richmond, Virginia. In a conspicuous show of racial solidarity, a black Knight named Frank Ferrell took the stage to introduce the Knights' leader, Terence V. Powderly, before Powderly's opening address. In defense of his controversial decision to have a black Knight introduce him, Powderly wrote "in the field of labor and American citizenship we recognize no line of race, creed, politics or color." (Powderly, 1889) After the assembly, a number of Knights met with local contacts in Southern states such as South Carolina, Virginia, and Louisiana to organize workers and set up local assemblies. Their plan in southern Louisiana was to organize the sugar workers and to present plantation owners with a choice: raise wages or face a crop-threatening strike. After the summer growing season, sugar had to be cut relatively quickly or be lost to frost, so a threat to withhold labor carried real weight. The Knights' organizing drive in Louisiana quickly turned into one of the boldest, and most catastrophic, challenges to the plantocracy since the end of Reconstruction ten years earlier (Scott, 2009). Initial letters from local organizers in the sugar parishes showed little awareness of the looming danger. (Gourevitch, 2015, p. 2)

The campaign proceeded, and the Knights initially succeeded in organizing black-owned, cooperative plantations in the South (Gourevitch, 2015), as recorded the Knights' official record, the *Journal of United Labor*. Using records from this paper and other sources, Gourevitch traces how the campaigns specifically used the notion of "wage slavery", explicitly building on notions of "labor republicanist" liberty, to link the condition of the former slaves to that of workers around the country.

The hope and optimism over initial Southern successes would quickly turn by the following year. The governor and militia of Louisiana threatened to crush any sugar cane strike by thousands of Knights-organized black farm workers. When 10,000 workers struck in November 1887, the governor acted, and a state of martial law was declared. Military action was supplemented by white "paramilitary" (mobs or gangs) groups, which included at least one leader who later became a US Congressman (DeSantis, 2016). Black movement in cities and towns was restricted. The total death count is unknown: though the state government played a direct role in the event, the deaths were not well recorded, perhaps unsurprising given that martial law had been declared and the racial nature of massacre.

The only reason there is any official record of the massacre, formally recorded as eight deaths, only survive because an African-American civil war veteran was injured in the attack, forcing the US federal government to make record in his pension claim. Though estimates as high as 300 have been produced, the baseline estimate is that at least sixty were murdered and buried in shallow, often unmarked graves (Rodrigue in Arnesen, 2007; DeSantis, 2016) during the period of martial law. Black workers

eventually returned on plantation owners' terms, and Southern sugar workers would not engage in any such organizing efforts again for sixty years, when the CIO's "Operation Dixie" would also fail (Griffith, 1988). This failure of the Southern cooperative campaign further undermined the Knights' central leadership, robbed it of badly needed resources and legitimacy, and likely hastened their decline and cooperatives' overall standing in the labor movement (Gourevitch, 2015).

Gourevitch (2015) has also explained *why* the cooperative element of the Knights' Southern plan was so problematic, not just as a Southern "race question", but from a *national* perspective. As Marx's quote earlier in this Chapter clarifies, while systems of "wage slavery" had been in place in other times and places, it was only in the New World, in places such as the US, where this system was in place "without disguise". In the US, such a system was also based on race. When the Knights of Labor promoted the cooperative strategy to end "wage slavery", in the South such notions inherently overlapped and collided with the race-based, non-wage slavery system, which had just been upended by the Civil War. It also therefore clashed directly with emerging new systems of race-based white supremacy, i.e. the "Jim Crow" set of institutional arrangements in the South. Given this, it is unsurprising that the Knights' cooperative strategy met headlong with racial animus and hostility in the South, culminating in the tragic events of Thibodaux.

Through the Knights, a national organization, this rhetoric and labor republicanism philosophy did not just threaten Southern plantation owners: it also was a threat to Northern Industrialists and Western railroad owners:

The Knights wrote the cooperative program into their official constitution, the Declaration of Principles of the Knights of Labor, and, at their peak, organized thousands of cooperatives across the country. 23 The cooperative ideal threatened Southern planters, Northern industrialists and Western railroad owners alike because it struck at the dominant industrial relations between employer and employee. Affording all workers shared ownership and management of an enterprise, whether a sugar plantation, newspaper press, or garment factory, was – according to the Knights – the only way to secure to everyone their social and economic independence. The abolition of slavery two decades earlier was but the first step in a broader project of eliminating all relations of mastery and subjection in economic life. Although these ideas had been around well before the Civil War, it was only the abolition of chattel slavery and the rise of industrial capitalism that allowed the republican critique of wage-labor to come forward as a unifying, national cause. (Gourevitch, p. 7)

This is how cooperatives and slavery, as fields or institutions, came into direct conflict nationally in US. This field conflict is not found in the other rich democracies.

Critically, this also bears on the development of the US' particular notion of "liberalism", which as I have shown in preceding chapters, affects cooperatives. Gourevitch argues that the notion of freedom and liberty embedded in pro-cooperative, anti-"wage slave" Republican philosophy, *was also subsequently largely ignored*

in the standard political theories of liberty, particularly in the two dominant notions of negative and positive liberty (Berlin, 1958), which undergird liberal and communitarian frameworks today. Building on the works of political philosophers Skinner (2003) and Pettit (1997, 2008, 2012), he argues that labor republican notions against “wage slavery” embeds a “lost” alternative conception of negative liberty, not as freedom from interference, but rather, freedom from non-domination or potential interference. This conceptual strand effectively died with the Knights of Labor in the US, due to how these notions of liberty mapped onto the existing racial cleavage and legacy of slavery. Gourevitch focuses his work on the US. By arguing that this is relevant to understanding cooperatives’ comparatively weak standing in the US, I effectively seek to extend his theorization. Elsewhere, this philosophical strand and notion of liberty was not “stamped out” in the same way, but persisted institutionally through the continued development of the cooperative. This developed alongside other notions of liberty, perhaps yielding the greater pluralism of organizational forms (and fields) in the economy in other rich democracies today.

Beyond the cooperative question, this also exposes race as a potentially under-considered source of the US’ extreme variety of liberalism, as the archetypal “liberal market economy” and “residual welfare regime”. **The notions of liberty in American liberalism, maintained and reproduced through the set of institutional relations most effectively advanced by the investor owned corporation, were not mitigated or countered by the full institutional/field development of a form which carries the logic of this alternative notion of liberty: the cooperative.** This alternative notion of liberty was not viable in the presence of either race-based slavery or its successor arrangements. Instead, the “wage slavery” system, which takes organizational form through the investor-owned corporation, in which the worker is distinct and separate from arms’ length investor-owner, developed with comparatively greater strength.

Within a decade of Haymarket and Thibodaux, the Knights of Labor’s membership had fallen as quickly as it had risen in the prior decade, dropping 90 percent by the turn of the century (Ware, 1929). The Supreme Court case *Santa Clara County vs. the Standard Pacific Railroad* (1886) which had established that the post-bellum constitutional amendments also protected corporations as people, only further cemented the dominance of the “wage slavery” system in the law, while *Plessy vs. Ferguson* (1896) also enshrined the “separate but equal” institutional arrangements of Jim Crow, which succeeded slavery in maintaining a racialized labor market regime.

The death of the Knights of Labor did not, however, mean that cooperatives failed as a strategy for self-help and economic development among freed slaves in the US. Gordon-Nembhard (2014) has traced the long history of using cooperative structures in the African-American community, from the post-bellum period through Du Bois (1907), who documented the role of African-American cooperatives, through to the current time. But the broader US labor movement’s successor consolidated national

organization, the AFL, which was attempting to engage with the working population as a whole, did not aggressively pursue the cooperative strategy, and instead focused primarily on trade unionism.

The AFL would ultimately, in subsequent periods, succeed in passage of a national legal framework, albeit a comparatively weaker one than in other nations, for trade unionism. Lacking a national advocate like the AFL, the cooperative movement would continue to operate without such a comprehensive legal framework, in contrast to other rich democracies. With the death of the Knights, the idea of the broader “Cooperative Commonwealth”, of the interlocking producer and consumer cooperatives which had been included alongside other strategies in the early labor movement by the first comprehensive, national labor organization, would fade. An overarching, national approach to cooperative development was replaced with a much more targeted, splintered set of initiatives, which would characterize the subsequent wave of activity.

5.3 US Cooperative Development: Separation and Specialization (1880s/1890s to 1950s)

After the decline of the Knights in the late 1880s and early 1890s, and in the wake of their cooperative failures in the South, the cooperative movement lacked a national coordinating body to advocate for its development, both economically and politically. As noted above, the AFL, though sometimes sympathetic to cooperation as labor’s “twin sister”, as stated in their 1896 convention (Parker, 1956), would primarily promote trade unionism as the focus of their organizing and, ultimately, their legislative and policy goals. While it supported consumer cooperation as a way to supply workers with needed goods at a fair price, it rejected workers’ or production cooperatives in favor of unions, leaving the “Cooperative Commonwealth” idea to the increasingly marginal American Socialist Party and International Workers of the World (IWW).

US cooperative development would thus advance via targeted sectoral and local/regional efforts from the end of the US Populist era, through the Progressive Era, Great Depression, and early Postwar period. Development of distinct cooperative sub-fields is evident in the historical record: farmers’ cooperation in the Populist era; credit unions and consumers’ cooperatives in the Progressive era; and last, New Deal programs across an array of fronts, including credit, utilities, and housing.

National progress, when it was achieved, was largely advanced by sectorally-specific and specialized organizations, focused on one sub-field of cooperation, be it agriculture, credit, or retail. A concerted wave of advocacy by disparate, specialist organizations, from the late 19th century Populist movement through the early 20th century Progressive Era, helped to establish state-level enabling legislation for select types of cooperatives. This directly led to successful federal campaigns, ultimately

culminating in the development of several new national programs during the Great Depression.

This sectoral, fragmented momentum would ultimately be arrested in the 1950s by the Second Red Scare and the period's emergent liberalism, which would yield setbacks and attacks across an array of fronts. By the end of this period, the US would finally have, at least in nominal terms, a comprehensive national apex organization for cooperatives (NCBA-CLUSA). But the hodge-podge of specialist organizations which had developed in the interim remained in existence, with CLUSA only voluntarily playing a weak central role.

The result was a “coordinating problem” (Voorhis, 1961) amongst these groups: “The problem is not the number of national organizations. Rather it is the lack of coordination among them, the absence of a keen sense of common purpose...” (Voorhis, 1961, p. 188). The cooperative would still also lack comprehensive national legislation as this era closed, with worker and consumer cooperatives lacking any specific national legislation. Viewed from the perspective of field theory or institutionalism, the cooperative “movement”, as it so often is called, had failed to build a coherent, comprehensive field or institutional framework in the US. The complete field elements of the “Cooperative Commonwealth” were not enabled in law and policy, as occurred elsewhere.

I analyze both the rise of specific cooperative sub-types through the 1940s, and their subsequent decline and limitations by the 1950s and 1960s, in two subsections below.

5.3.1 Specialized Success in Cooperative Sub-Fields: From Populist Farmers and Progressive Consumers, to the New Deal

From the 1880s and 1890s forward, distinct cooperative submovements, coordinated and organized by various organizations, would attempt to advance specific types of cooperation in the US, achieving varying degrees of political and economic success. These various targeted efforts were supported by both economic homogeneity of interest, and often relied on social homogeneity among participants, in achieving their organizational success. Arguably the most successful effort, regarding its legislative achievement and lasting influence, was in agriculture, which remains the strongest front of American cooperation today.

1. Agricultural Cooperation: From the Grange and Farmers Alliances to the Farmers Union

At the same time as the Knights' efforts, the Grange and the Farmers Alliance had also focused on organizing farmers, both economically and politically, and the cooperative strategy was a central component of their efforts. As described in one of the seminal accounts of their work in building the Populist movement:

“To describe the origins of Populism in one sentence...the cooperative movement recruited American farmers, and their subsequent experience within the cooperatives

radically altered their political consciousness. The agrarian revolt cannot be understood outside the framework of the economic crusade that not only was its source but also created the culture of the movement itself.” (Goodwyn, 1976)

Unlike the Knights, however, their efforts, which specifically targeted farmers, would yield more lasting results regarding cooperatives. Notably, the Grange, which was set up as a post-bellum organization intended to work across the entire country, effectively operated in a highly decentralized manner and at a *local* scale, with areas “Granges” organizing local farmers for a range of purposes, including both agricultural and consumer cooperation (Goodwyn, 1976). Particularly regarding their cooperative efforts, “there was no uniformity to their plan of operations” (Cowling, 1935, p. 86), with successes like Minnesota’s state-wide cooperative exchange not necessarily well-replicated by Grangers elsewhere, in part due to a lack of centralized organization: this was not a nationally cohesive organization, like the Knights had been.

By the 1870s, the Grange was in decline, but it had spawned three distinct Farmers’ Alliances, *separated by regional and racial lines*: one Northern (white and black, integrated), and two Southern organizations, one white and one black, a sharp contrast to the Knights’ multiracial and national organizing strategy. After the collapse of the Knights, the three organizations ultimately merged, though not without debates about a range of issues including the inclusion of black members, further evidence of the looming role of race in inhibiting a unified cooperative movements in the US context (Goodwyn, 1976).

In the 1890s, the farmers gave their combined support to the Populist “People’s Party”, which would quickly fail and decline after the 1896 election. In the wake of these failures, however, farmers from the Populist movement developed several new organizations, which, like the Knights, grew from local to national scale. Filling the institutional void left in the wake of the Populist unravelling, they advanced cooperative development by passing state and federal cooperative legislation to for agricultural/agrarian purposes. These organizations include both the National Farmers’ Union and American Society for Equity, both founded in 1902, the Farmers’ Equity Union, founded in 1910, and the American Farm Bureau, which began in New York State in 1911. Both the National Farmers’ Union and the Farm Bureau remain leading lobbying and advocacy organizations for farmers (and agricultural cooperation) today, joined by the National Council of Farmers Cooperatives, founded in 1929 and still prominent today.

During the early 1900s, Aaron Sapiro, a California-based lawyer and cooperative promoter, would on behalf of the Farmers’ Union produce uniform state agricultural cooperative market model legislation, which 23 states ultimately adopted. He also crafted the language in the 1922 Capper-Volstead act, often called the “magna carta” of agricultural cooperatives in the US, which exempted them from anti-trust prosecution. Farmers also succeeded in advocating for both the farm credit system and the farm land bank system at national scale (Roy, 1969), which would be further

reinforced through various New Deal programs. Reflecting the legacy of these successful efforts, agriculture today remains the strongest industry sector for large-scale cooperatives in the US today, as reviewed in Chapter 3.

Of note, however, is the fact that the initial national legislative success, Capper-Volstead, which commenced a generation of national agricultural cooperative acts, was a defensive response to anti-trust legislation, the Sherman Act of 1890 (Hanna, 1948). It merely affirmed that agricultural cooperatives had a right to exist, and was intended to secure the status of these cooperatives, which were, along with labor unions, being sued by corporations and rival entities (ibid), as violating anti-trust and restraint of trade laws in state courts (Varney, 2010). The Clayton Act of 1914, which had attempted to provide some relief to agricultural cooperatives from such suits and associated uncertainty, had failed to do so (ibid), thus requiring the Capper-Volstead legislation.

Notably, the original Sherman anti-trust law, which these subsequent acts were a response to, was directly connected to the United States' corporate economic development:

“...the United States for very specific reasons...was the first country to understand the potential of the large corporation and developed its organizational characteristics between 1860 and the First World War...The economic system that forms in the presence of these large stand-alone corporations (those that do not coordinate with others) is a mix of markets (typically oligopolistic, with strategic moves best studied by game theory) and corporate planning. Their enormous size encourage these companies to disregard all limits for the purpose of continuing their growth...the tendency towards monopoly quickly becomes clear. To avoid this outcome, which is held not to be acceptable for either consumers or democracy, the United States quickly enacted anti-trust laws...Europe was much slower to adopt antitrust legislation and indeed allowed cartels (because its companies were smaller) and frequently its natural monopolies...were placed under public control.” (Zamagni, 2017 (2015), p. 104-106)

Anti-trust laws thus had developed earlier in the US than elsewhere, in part because corporations had developed earlier, as part the “the corporate reconstruction of American capitalism” (Sklar, 1988) in the late 1800s. Perversely, however, these laws, which were intended to limit the power and actions of rising investor-owned joint stock corporations, would be used to either sue or threaten the legal status of cooperatives in the US (Hanna, 1948), thus requiring the Capper-Volstead act to affirm their exemption.

2. Credit Unions: From Massachusetts to the Nation

In the Progressive era, actors in the “credit union movement” (Moody and Fite, 1971) would use a similar strategy to that of the agricultural cooperative sector: leveraging both economic and social homogeneity of interests, they focused their efforts on ever-larger spatial scales, moving from local action, to state enabling legislation, to federal policy goals.

The credit union model came to the US in New England by way of Canada, where it had been imported from France and Germany, which had developed related cooperative banking models in response to financial crisis in years immediately after the Rochdale success in England (Moody and Fite, 1971). Mr. and Mrs. Alphonse and Doriméne Desjardins³³ of Quebec co-founded Desjardins, a network of cooperative banks and credit unions which remains the largest financial institution in Quebec today. They spread the approach, which was run on the cooperative democratic ownership model, to New England, which boasted a strong population of French-speaking Catholic and Québécois migrants, who were the early adopters of the credit union model.

The same year as the founding of the first such US credit union in New Hampshire in 1909, Massachusetts became the first state to provide an enabling legislation and regulatory framework for the chartering of credit unions in 1909, which was pushed forward by a state government actor (John Jay's descendant, Pierre Jay) who had studied the Desjardins' work. Edward Filene, a wealthy New England German-American and Jewish department store founder and businessman, and a key agent of credit union development there (Moody and Fite, 1971), would become a champion of their development nationwide. A key "skilled social actor", he founded a state and then national credit union organization, promoted the passage of state by state legislation based on the MA law, and worked with multiple Presidents to secure the passage of a federal chartering system and regulatory framework for credit unions. Harding sent letters to every governor urging them to enact credit union laws, and Roosevelt worked with Filene to pass a credit union law in New York and then, as President, nationwide. Filene used his personal wealth and foundation, while also leveraging the funds of other interested foundations (e.g. Russell Sage) to fund the construction of these advocacy organizations, because he recognized the model would not take off without such organizations to coordinate their efforts (ibid).

With their stable performance through the Great Depression, credit unions continued to grow rapidly, despite legal limits on their ability to offer the full range of banking services or to expand and achieve institutional economies of scale: typically, by law, individual credit union members were limited to a shared town or county, or a shared employer.

Notably, this success was a delayed one: again reflecting the slowness of the American cooperative model, MA had proposed legislation to enact a German-style people's bank in 1870, but it failed (Moody and Fite, 1971), because existing mutual and

³³ Students or scholars of credit union may be surprised to see both Mr. and Mrs. Desjardins referenced, as many historic works only reference Mr. Desjardins. During fieldwork for this project, I visited the Desjardins' original operation in Quebec, and was informed by one Interviewee that this omission is one of historical sexism in research coverage of the credit union, which is only now being rectified in the record. Mrs. Desjardins was very much an equal partner in their efforts, and is now accordingly credited as such.

associational banks were already permitted under the law. Indeed, the mutual savings bank, had developed a strong presence in the Northeastern US in the nineteenth century. Dating to Philadelphia in 1816 and Boston shortly thereafter, mutual banks were typically started by a wealthy philanthropist to offer banking services to the working poor not served by commercial banks, and pooled their savings which would then be lent to them. Though technically owned by the depositors, they lacked control, which was held by the trustees – typically, the wealthy philanthropist who founded them – and by the early 1990s the model had not significantly spread beyond the Northeast.³⁴

But these banks still could not meet the demand of the working classes, as Filene and other wealthy industrialists learned from their own employees, who were frequently targeted by predatory lenders (Moody and Fite, 1971).

Nonetheless, despite these successes, credit unions were heavily restricted under these laws regarding what they were allowed to do. More critically, to this day, credit unions have no central bank to coordinate efforts and facilitate cross-lending, which was long a dream of Filene.

3. A Temporary and Partial Success? Consumers' Cooperatives

Though advocates for consumers' cooperatives have never achieved the same national legislative or organizing success as did agriculture or credit, their national advocacy organization, CLUSA, ultimately became the central cooperative “apex” organization in the US today, the NCBA-CLUSA. Though NCBA-CLUSA resisted this comprehensive role until the end of Post-War era (Carreiro, 2015), it nonetheless was originally founded to serve consumer cooperatives. As such, consumer cooperatives' partial and temporary success in achieving national scale in the US is germane to my analysis.

Just as the Knights, agricultural cooperatives, and credit unions moved from local to regional and national scale in organizing their efforts, so too did consumers' cooperatives. After repeated failures in the 19th century in New England and around the country, consumers' cooperatives would finally build a lasting, central and national organ in the Progressive Era. Their efforts appeared to achieve a peak in the Great Depression and in immediate Post-War era before experiencing significant decline, which will be reviewed later in this chapter.

Though consumer cooperation is most typically associated with the Rochdale model of England, Rochdale-affiliated stores were one of several social movement/labor-affiliated organizations which attempted to develop such stores in the US in the late 1800s. We have good record of these efforts thanks to three detailed accounts by Ely (1886), Bemis (1888/1896), and Cross (1905-1906). This latter study, building on the prior two, was conducted by the Berkeley labor economist, Professor Ira B. Cross,

³⁴ https://www.fdic.gov/bank/historical/history/211_234.pdf

while he was still a student at Wisconsin, on behalf of the U.S. Bureau of Labor and Industrial Statistics. It catalogued US consumers' cooperatives. It documented the existence of nearly 350 cooperative stores throughout the US. Approximately half of these stores offered detailed reports of their activity, with sales which totaled \$10M. The number of stores represented a sharp increase from two studies conducted in 1886 (Ely) and 1896 (Bemis), which found roughly eighty and seventy cooperative stores, respectively.

Such cooperatives were common in California, the Upper Midwestern states, and the Northeastern states, which each contained nearly 70 cooperative stores each in 1905-1906. There were other significant clusters in Kansas and Texas, and Utah. Reflecting the importance of scale, in the 1905-6 study, Utah housed just five cooperative stores, but they accounted for 40% of the total reported national revenue. Further reflecting the history of cooperatives among those with a shared bond and those excluded or marginalized, the Mormons, having been unable to acquire goods at a fair price from

Figure 5.3.1 Zion's Cooperative Mercantile Institution (ZCMI), Salt Lake City, 1910. The Mormons responded to economic discrimination by founding their own cooperative, which would serve their needs for more than a century. (Public Domain Photograph)



non-Mormons, founded the Zion's Cooperative Mercantile Institution (Gardner, 1917), arguably the first modern department store in the United States, in the 1860s, which, following the Rochdale cooperative commonwealth model, would grow to manufacture its own goods. (Cross, 1906, see Figure above)

Notably, there were virtually no such stores documented by Cross in the old "cotton belt" and core Southern Slave states: there was one store in North Carolina, one in Tennessee, and none in Maryland, Virginia, Georgia, South Carolina, Alabama, Mississippi, Florida. Cross glosses over these data, and does not, in his rich, purportedly national account of consumer cooperatives, ever discuss the black cooperative movement. In fact, the following year, Du Bois (1907, p. 165-170; full list p. 157-158) would make one of the only comprehensive studies of black cooperation, and he documented the existence of 103 cooperative stores. Based on my analysis of his records, an outright majority of the stores in Du Bois' study were in the Southern states. Du Bois' and Cross' contemporaneous studies demonstrate the continued role of race in the early twentieth century in structuring cooperation not only into distinct, fragmented segments, but segregated scholarly efforts, as well.

Nonetheless, despite his ignorance of black cooperatives, Cross' study also details the repeated waves of efforts – and failures – by the various national labor, farmer, union, religious, and fraternal organizations to construct stable wholesale societies for their respective network of stores, which would later be attributed (Parker, 1954) to the lack of statutes under which they could conduct these activities. Despite repeated failures to construct such operations, there were still a significant number of stores operating in the early 1900s with affiliations with the Grange/Farmers' Alliances, as well as with Rochdalian, the Sovereigns of Industry, the Patrons of Industry, the United Mine Workers, the Butchers' Union, the Cooperative Association of America, and the Right Relationship League.

Splintered among all these affiliations, these stores lacked any central or unifying advocacy group or infrastructure until the 1910s, when Dr. Warbasse, a wealthy New York medical doctor who had become a zealous promoter of cooperatives, financially invested in the struggling New York Consumers' Cooperative Union (CCU), and built it into a nationwide organization for consumers' cooperation, called the Cooperative League of the USA (CLUSA), which he founded in 1916. Consumers' cooperation would grow significantly during the Great Depression and New Deal era: by 1920, as documented by BLS Cooperative Economist Florence Parker, there were nearly 1,000 consumer cooperative societies in the US. By 1946, the number had trebled, to 3000.

The 1920 study by Parker, however, is telling in regard to the weakness of the central cooperative organization in the US. She begins the study by noting that the BLS conducted the study because no comprehensive statistics were tracked by a central cooperative organization, as was custom in most other countries where the model had developed. (Parker, 1920, p. 6).

CLUSA adopted the cooperative movement's official stance of being "politically neutral": during the First Red Scare, Warbasse ejected and banned Communist Party members who wished to use the association to advance political goals. Curiously, however, CLUSA under Warbasse's leadership further interpreted political neutrality to also mean they should not interact with the state at all, with Warbasse resisting and rebuking official support from President Harding:

In a June 28th, 1923 speech in Idaho, President Harding spoke in favor of cooperation (Warbasse 1923b). Harding encouraged "government [to] give the largest encouragement, consistent with sound economic and sound government functions, to every effort of the people to help themselves in dealing with the high cost of living and the relationship of incomes to our household budgets." CLUSA, rather than celebrate the President's support, took the opportunity to criticize government involvement in the consumers' cooperative movement and reaffirm its anti-state position: "The government or the state cannot promote the Cooperative Movement. Politically promoted Cooperation is built on sand. The only sort of Cooperation that will endure is that which the people themselves build independent of politics or government" (Warbasse 1923:2). (Carreiro, 2015 p. 71)

This is a sharp contrast to both agricultural cooperatives and credit unions, which aggressively lobbied the state for enabling legislation and other policies to improve formation and development. It also stands as a contrast to the Rochdalian in the UK or consumer cooperative actors in other countries. Though often also supportive of being "neutral", they often spawned Cooperative political parties in these countries (in Canada, the CCF or the "Cooperative Commonwealth Federation" merged to become one of the three major parties in the country today, the NDP). Even without such parties, cooperative advocacy organizations would work to advance legislation and policy treatment of cooperatives. In the US, consumer cooperatives did not achieve national enabling legislation or a coherent, 50-state policy framework under which to organize their efforts.

CLUSA also explicitly resisted including others types of cooperatives in their organizing efforts, notably farmers' cooperatives, until the 1930s, when the founder, Warbasse, was replaced by a new leader, Bowen, who pushed to include them (Carreiro, 2015). This was controversial because they did not necessarily run according to Rochdale principles, nor did they subscribe to the "Cooperative Commonwealth" goal. With this decision, CLUSA would become, effectively by default, the central apex organization for the cooperative sector in the US. And by 1921, CLUSA had become the official US member of the global apex body for cooperatives, the International Cooperative Alliance. Founded in 1895 and one of the first such worldwide organizations of its kind, formal US participation had come rather late as compared to similar nations.

By the Post-War era, under the tenure of Bowen's successor Congressman Voorhis of California, and perhaps reflecting the influence of the more conservative farmer

members, the “Cooperative Commonwealth” language of CLUSA was systematically removed:

One of the more striking examples of the changes to CLUSA was the creation of a “terminology manual” in 1946 to regulate Consumers’ Cooperation articles and any other League publications. Of note, the manual recommended that authors refrain from “indiscriminate criticism of capitalism,” which contributed to misunderstanding and hostility toward the League. The manual also advised authors to refrain from “indiscriminate attacks on capitalism,” which “may cause the speaker to be classified as a communist or fascist” (quoted in Chambers 1962:77). Instead of criticizing capitalism, authors were encouraged to criticize monopolies, something the general public was more likely to oppose. Also of significance, the manual urged authors to cease writing about a cooperative commonwealth, which might lead people to believe that the League advocated replacing all enterprises with cooperatives (which the League did advocate until the late-1930s). (Carreiro, 2015, p. 78-79)

Black consumer cooperatives would continue to largely operate separate and apart from the rest of the consumer cooperative movement, as “two separate movements” (Carreiro, 2015, p. 13). From Du Bois’ Negro Cooperative Guild, founded in 1918 (just two years after CLUSA), to Schuyler’s Young Negro Cooperative League in the 1930s, through which civil rights leader Ella Baker would organize food cooperatives, (Gordon Nembhard, 2014), formal integration between the black and white consumer cooperative movements was not forthcoming in this era, as Jim Crow arrangements meant that African-Americans continued to have to economically cooperate, separately, to meet their economic needs. Indeed, “Du Bois’s proposed economic foundation for a “negro nation within the nation” was rooted in his belief in the liberating and practical potential of black consumers’ cooperation - what Du Bois emphatically referred to in 1917 as black Americans’ “economic way out” (Du Bois 1917:9). (Carreiro, 2015, p. 86)

Meanwhile, one of consumer cooperatives’ chief draws, the patronage dividend refund (colloquially known in the UK under the original Rochdale model as the “divi”) would become increasingly less appealing in the US over the course of this cycle, as modern retailers would adopt a similar approach through corporate loyalty programs, beginning with the Sperry and Hutcheson S&H “green stamps” program, which began in the 1890s. This effectively created a viable competitor to the co-operative “divi” model of rebates for purchases. Interestingly, the program was originally legally called the Sperry and Hutcheson S&H Co-operative Cash Discount Plan, likely reflecting where this idea came from: the cooperative movement. Though I could not find historical records affirming this connection, a clearer tie can be documented in the French case (see Chapter 6).

Due to these various and collective constraints and limitations, the consumer cooperative remained an unfinished field at the national scale at the close of this era: though a weak national apex body had been formed, a national wholesale society to

coordinate efforts, and a national consumers' cooperative enterprise, had never been established.

4. The Great Depression and New Deal Programs

During the Great Depression, the specific cooperative successes reviewed above would be supplemented and enhanced by a host of federal and state programs which sought to alleviate unemployment, improve economic conditions, and support growth. Beyond enhancing agricultural cooperation by further developing the national farm credit system, bolstering credit unions through federal enabling legislation, and providing funding for technical support and development of agricultural and consumers' cooperatives through the United States Department of Agriculture (USDA) and housing cooperatives through the Department of Housing and Urban Development (HUD), the federal government would also create a national cooperative program for rural electric and utility cooperatives, which persists to this day (Spinak, 2014). They also invested in worker cooperatives through the self-help cooperative movement (SHCM), which had emerged out of Southern California and received support from the state government there, before spreading to other states and being briefly incorporated into New Deal programs (Piven and Cloward, 1972; Pasha, 2014).

The SHCM was detailed in a 1200-page study of by Clark Kerr (1939), who would become the first Chancellor of U.C. Berkeley, in his economics doctoral dissertation, supervised in part by Ira B. Cross. He documented how, working with both local and state agencies and partners, and with funding and support from both the Federal Emergency Relief Administration (FERA) and then the Works Progress Administration (WPA), more than half a million people in 600 local self-help cooperatives and associations, in 37 states, had been put to work over the course of the 1930s. As economic conditions improved, however, these programs were terminated.

Again reflecting how cooperatives emerge as a response to crisis, the New Deal era, whose unique economic conditions reflected both a Great Depression and World War II, became one of the only eras where cooperatives appeared to enjoy broad federal government agency support in the US. Despite this, the era would end without any national, comprehensive legislation for either consumer or workers' cooperatives.

5.3.2 US Cooperative Failures and Limitations: Failed Sub-Fields and Liberal Attacks

By the 1940s, credit unions, agricultural cooperatives, and rural electric cooperatives had secured national enabling legislation, and/or federally-developed model legislation for states, and had well established access to various federal government programs for lending and development (Voorhis, 1961). Notably, these legislative treatments and programs, as stated in Chapter 3 and 4, are characterized by their exclusions and

restrictions on the cooperative fields of action: credit unions and electric cooperatives are explicitly defined in law by restricting their fields of membership, geographic scope, and range of allowed activities. Agricultural cooperatives were initially included in federal law not to enable them, but to exempt them from anti-trust law, as to stop their legal persecution.

In this section, I briefly review three notable shortcomings and challenges for the cooperative movement from this era, which, again as with the prior wave of activity, would set the stage for the subsequent cycle. First, worker cooperatives had failed to achieve any type of national enabling framework, and by the early 1960s, there were just 12 known worker cooperatives in the US (Voorhis, 1961; Roy, 1969). Similarly, consumer cooperatives, largely limited to regional success, had failed to fully create a national framework, and were in steep decline by the 1950s. Second, cooperative business elements, once central in modern urban planning, had disappeared as the field matured and attempted to develop a national framework, while cooperative housing had also receded as a marginal element in planning. Last, and perhaps most important, by the 1950s and the McCarthy era, cooperatives were again under direct policy and legislative attack in the “Second Red Scare”.

1. Worker and Consumer Cooperatives: “Failed” US Cooperative Sub-Fields?

Despite the limited successes of the consumer cooperatives, as well as New Deal self-help worker cooperatives, noted above, there was no significant headway in reviving the Cooperative Commonwealth strategy by establishing worker cooperatives or industrial “production cooperatives”, which would coordinate with an interlocking consumer-producer/worker cooperative system. CLUSA would explicitly shift away from using the “Cooperative Commonwealth” idea, which it had embraced under its founder Warbasse, to instead reference the “cooperative business sector”, as noted above, and they had resisted including the other types of cooperatives which had distinctly emerged in the US.

As the AFL focused on trade unionism, the fledging Socialist party of Eugene Debs, along with the International Workers of the World, advanced the idea of a Cooperative Commonwealth as a means through which to achieve ownership of the means of production. Reflecting Gourevitch’s thesis regarding liberty, race continued to play a limiting role. In the famous 1914 Congressional testimony and “great debate” between Gompers, head of the AFL, and Hilquit, head of the Socialists, Hilquit would analogize the establishment of a Cooperative Commonwealth to that of the ending of race-based slavery, reflecting the wage-slavery link discussed earlier. I have reproduced this section of the debate verbatim as a figure, below, and I let the text speak for itself. After the arrest of Debs and subsequent decline of socialism in the “First Red Scare” in the late 1910s these ideas again receded, however.

The consumer and worker cooperative sectors thus never achieved the success they had in France, the UK or the Nordics (Voorhis, 1961). Certain national groups, such

as the IWW (Wobblies), had supported worker cooperatives in the US, as a means by which to overthrow the employer-based system to achieve a "Cooperative

Figure 5.3.2 Gompers vs. Hillquit, Congressional Testimony on Cooperatives, Labor, and Socialism, 1916. (Walsh and Manly, 1916)

A. F. OF L., SOCIALISTS, AND INDUSTRIAL WORKERS. 1489

Mr. GOMPERS. What do you mean by legislation—the enactment of law?

Mr. HILLQUIT. The enactment of a law, a decree, an ordinance, or any other mandate which can be executed.

Mr. GOMPERS. Expropriating property of all who may hold it to the Government or the cooperative commonwealth.

Mr. HILLQUIT. I have not said, "Expropriate." It may be a question of purchase.

Mr. GOMPERS. Well, say—take hold—

Mr. HILLQUIT (interrupting). Take hold—take control and possession of.

Mr. GOMPERS. Well, by revolution?

Mr. HILLQUIT. Oh, I suppose it would probably be called a revolution anyhow, but it may be a very peaceful one, I don't know.

Mr. GOMPERS. By confiscation?

Mr. HILLQUIT. Not as we are inclined at present. At present we are in the market for buying out the capitalists.

Mr. GOMPERS. By compensation?

Mr. HILLQUIT. By compensation. However, again, Mr. Gompers, I do not guarantee the acts of the next generation. The capitalists may become very naughty and the people may become very displeased with them, and may take things, just as we took the negro slaves from the owners.

Mr. GOMPERS. You have an idea that the taking might be for compensation?

Mr. HILLQUIT. Might be; yes.

Mr. GOMPERS. Have you an idea how such a proposition could be financed?

Mr. HILLQUIT. How it could be financed? We haven't reached that point yet. **Mr. Gompers—**

Mr. GOMPERS (interrupting). No.

Mr. HILLQUIT (continuing). I suppose that if paid, it will be paid by some Government securities.

Mr. GOMPERS. I think—I take it that you are not in favor of what is generally known by the capitalists as State socialism—State socialism?

Mr. HILLQUIT. Yes; I am not.

Mr. GOMPERS. Not even as a step toward a democratic socialism?

Mr. HILLQUIT. Why, if it were State socialism, it would not be a step toward democratic socialism?

Mr. GOMPERS. Under socialism, are not the present differences within the socialist parties in the United States significant of fatal differences in the management of a revolutionized society?

Mr. HILLQUIT. No; not fatal differences, Mr. Gompers. We have some differences of opinion within the Socialist Party, sometimes lively ones. I hope you have them in the American Federation of Labor. But we, nevertheless, manage to keep our organization to work for a common purpose. I presume there will be strong differences of opinion, and some fights, even under socialism. There have been in the American Federation of Labor. I should not want it to be otherwise.

Mr. GOMPERS. I mean as to liberty. Under socialism will there be liberty of individual action, and liberty of choice of occupation and liberty of refusal to work?

Mr. HILLQUIT. Plenty of it, Mr. Gompers.

Mr. GOMPERS. I take it that you have no apprehension that under the democratic management of socialism, the administrators could or would attempt to exploit the workers under them, and one set of laborers would exploit another set; the lazy office holders, the industrious artisans; the strong and bolder, the weaker and more modest ones; and the failures, the economically successful.

Mr. HILLQUIT. Why, I think there will be some abuses of some kind appear. Even under socialism men will still remain human, no doubt. But I think, Mr. Gompers, we have every reason to believe that they will be very small and slight, as compared to present abuses, for the system is based on a greater democracy and self-government, and provides for means of remedy; and furthermore, there is no great incentive to corruption such as we have under capitalism and private gain.

Mr. GOMPERS. In the event that the cooperative commonwealth should be established, taking it for granted for the sake of the question, that it is possible, it would mean or have for its present purpose, the highest material and social and moral improvement of the condition of the workers attainable at that time, would it not?

Mr. HILLQUIT. I think so.

Commonwealth” (Brissenden, 1920, see p. 352), but to little long-lasting significance or avail, with the AFL and CIO instead largely focusing on the trade/craft unionism vs. broader industrial unionism debate, and whether or not to “cooperate” with employers through employer-sponsored unions to achieve workplace representation and “industrial democracy” through works councils, as they had in Europe (Rogers and Streeck in Freeman, 1994).

Certain regions, however, persisted in attempts to construct all or parts of such Cooperative Commonwealth systems after the First Red Scare, with varying degrees of success, with notable efforts in California, the Upper Midwest, and the Northeast.

Upton Sinclair, in his unsuccessful bid for California governor on the Democratic ticket and as part of the End Poverty in California (EPIC) movement, included plans for the state to support widespread workers’ and consumer’ cooperatives (Rothschild, 2008). The state had a long history of attracting utopians (Fogarty, 1990) and developing such cooperatives (Horner, 1978), leading Cross (1911) to conclude that “In no place is the cooperative movement so strong or so successful as in California”. Sinclair, though then achieving the strongest performance by a Democratic candidate for state governor, however, lost the 1932 election after failing to gain Roosevelt’s support, with conservative business elements alarmed by the implications of EPIC, and the self-help cooperative movement (Pasha, 2014).

In the Upper Midwest, Nordic immigrants, notably from Finland, created arguably the nation’s strongest consumer cooperative retailer and wholesale society for the “North Central” states, with additional supply chain operations. A leading retailer in Minnesota and Wisconsin through the 1950s (Fowler, 1936, Alanen, 1975), it ultimately faded in the wake of increased competition and tax changes (reviewed in the subsection below) in the 1950s and 1960s.

Despite these experiences with regional strength, neither consumer nor worker cooperatives would successfully organize to procure national enabling legislation or federally-endorsed model legislation in this wave of action, from the late 1800s to the mid-twentieth century. They continue to operate without such a legal framework in the US today.

2. Cooperation and Urban Planning: Divergent Fields

Cooperative models would also only achieve modest success in housing, property development, and urban planning in the US in this era. Consistent with the other types of cooperation reviewed above, outside of agriculture (where land issues remained somewhat intertwined in the cooperative movement) cooperative housing and land programs would develop separately and distinct from other forms of cooperation. Meanwhile, as modern urban planning itself emerged as distinct field or institution, it would give decreasing consideration to either cooperative housing and land, or to cooperative business enterprise.

As noted earlier, in the wake of Ebenezer Howard's failed efforts to incorporate cooperatives into the Garden City in actual practice (Fishman, 1977), cooperative ownership of land and housing receded in comprehensive urban planning models. The issues of cooperative business or economic ownership did not appear Burnham's seminal plan for Chicago in 1909, which would offer an alternative to the Garden City as another archetypal model in the field of comprehensive planning. Early drafts of Burnham's plan included consideration of social service functions such as hospitals, but no mention is made of cooperative business ownership, or in fact, of tools or models for economic development at all (Burnham and Bennett, 1909).

What developed, however, were some specific state-level and subsequently federal provisions to enable cooperatively-owned homes. Starting in 1916, Finnish immigrants constructed the US' first housing cooperative, and quickly created over 30 cooperative housing complexes, and dozens of interlocking cooperative businesses, in the Sunset Park neighborhood in Brooklyn. Finns imported cooperative models from their homeland to wherever they settled in the US, including to the Upper Midwest and California (Curl, 2009, Chambers, 1962). Cooperative homes were so new and novel, that who should regulate them was unclear. As noted in a recent historical review of the Finn's Brooklyn housing cooperatives, "at the time, the concept was so new that the state classified the buildings under the Department of Agriculture, which regulated cooperative farms, rather than as housing". New York State's Housing and Regional Planning commissioner, Clarence Stein, urban planner and champion of the Garden City movement, was directly inspired by these efforts, to develop a state cooperative housing plan, and lobby New York State's Governor to include cooperatives in state tax programs to encourage affordable housing development in the 1920s. Stein also focused largely on cooperative housing, ignoring the cooperative businesses the Finns had also developed. Unions, notably those affiliated with the CIO (U.S. BLS, 1952), would continue to construct cooperative housing through the early twentieth for their members, leaving a rich legacy concentrated in New York. (Herod, 2001).

As publicly-owned and managed housing programs developed to address demand for affordable housing when and where the private, investor-oriented market could not, cooperative housing receded in importance within US urban planning and land development. The Second Red Scare dampened support for cooperative housing in public programs was limited: in well-documented cases such as Radburn, NJ, the federally-funded and backed "Green Belt Cities" of the New Deal urban development programs ultimately faced a political backlash due to fears of a "socialist takeover" (Hall, 1988). Their cooperative land/housing content, as well as provisions for cooperative financing, disappeared.

Federal housing and urban development programs would subsequently, in the Post-War era, increasingly focus on subsidizing highway construction to suburbs and home loan guarantees for the city dwellers who moved to these new suburban developments, which were federally insured, rarely cooperative, and often financed using explicitly

racially discriminatory policies. (Jackson, 1985; Katznelson, 1993; Goetz, 2013). These policies left central cities in decline, with the government responding with the creation of Urban Renewal programs. These programs bulldozed existing neighborhoods and uprooted lower and middle-income residents, rehousing them in federally funded high-rise low-income housing projects, while also making physical room for the aforementioned and federally-funded highways which connected city commercial districts to the federally-subsidized suburban housing developments. The failures of these national programs would directly set the stage for the rise of the locally-scaled, community economic development movement in the 1960s and 1970s, through which the worker and consumer cooperative strategies would re-emerge in the US.

3. The Second Red Scare and the Cooperative Tax War: Field Rupture and Critical Juncture?

By the McCarthy era and the Second Red Scare, cooperative businesses had been stripped of much of their remaining political content (Curl, 2009, Voorhis, 1961) and had faced serious legislative attacks, specifically regarding their tax status. At this time, non-profit and for-profit distinctions in the US tax code were still emergent (Hall, 2000); comparable to today's tax treatment of limited liability companies (LLCs), many cooperative enterprises effectively operated as "pass through" entities: they would typically pass through tax obligations to their underlying owner-members, who would pay taxes on dividends as ordinary income.

The National Tax Equality Association, funded by agribusiness and trades (Lauck, 2000) launched an aggressive post-war campaign to require cooperatives to pay federal income taxes on all income not distributed to members (McCabe, 1945). Cooperative enterprise had grown significantly during the Depression and war (Ford, 1946), and traditional corporations were threatened by their success. Their action would result in changes to cooperatives' tax status, beginning in 1951, and continuing through to 1962, adding double taxation through entity-level tax obligation requirements (Frederick, 2005). Cooperative and mutual banks were also removed from tax exempt status, leaving only credit unions as tax-exempt organizations.

Meanwhile, the ultimate successor to the Knights' broad approach to labor organizing, and rival to the AFL, was the CIO. As part of the CIO "purge" of socialists and communists associated with its internal strife of the late 1940s, and subsequent merger with the more conservative, craft/trade-union based AFL in 1955, also removed pursuit of ownership of the means of production (interpreted as cooperatives) as a goal. In a curious echo of the Knights' failed Southern strategy in 1886-1887, the CIO's final campaign before merging would be its "Operation Dixie" to organize Southern workers, including African Americans (Katznelson, 2013; Griffith, 1988)

With this anti-communist purge and shift in the CIO beginning in 1949-1950, union support of cooperative business, which had been significant (Parker, 1949, 1950) subsequently declined (Curl, 2009). By the 1960s, US consumers' cooperatives had

also declined dramatically (Hilson, 2017). Last, many cooperatives subtypes operating under recently enacted national enabling laws or model legislation, such as rural electricity cooperatives and credit unions, faced explicit restrictions in the law on their geographic range of operation, reducing the ability of individual cooperatives to achieve scale nationwide. Meanwhile, the trade unionists had achieved their goal of building a national framework for collective bargaining, through the Wagner and National Labor Relations Acts. Though this came later and was a less comprehensive system than in European countries, and would be quickly weakened by other laws (e.g. Taft-Hartley), the trade unionists had nonetheless constructed a national framework.

At the same time, in the wake of the height of McCarthyism in the mid-1950s, a politically “conservative” (i.e. liberal, in a theoretical sense) model to promote worker inclusion in business would also emerge as an alternative to the Cooperative Commonwealth strategy: the employee stock ownership plan (ESOP). Developed by an attorney and businessman, Louis Kelso, in 1956 as a means by which a retiring owner could sell a business to employees, he explicitly positioned the ESOP as the linchpin of a broader “Capitalist Manifesto” (with Adler, 1958) a book he co-authored as he spread and developed the ESOP model. This book, intentionally titled as a foil to Marx’s Communist Manifesto (1848), was explicitly ideological. It positioned the ESOP as a means by which to “save” late-stage capitalism from its flaws, and as an alternative to the replacement of capitalism with “socialism, a co-operative system, a corporative order, or something else,” (p. 6), and as a way to “make capitalists of their employees” (p. 210).

5.4 Cooperatives as Community Economic Development vs. The Rise of Neoliberalism, 1960s – Present.

In the 1960s and the 1970s, urban unrest and a new wave of social movements, coupled with the beginnings of post-industrial economic dislocation, would create a new institutional opening for the cooperative movement, notably with respect to the “failed fields” of consumers and workers’ cooperation. By reconnecting with urban planning, which also experienced significant setbacks and failures in efforts to construct itself as a nationally-scaled field in the US during this time, the cooperative movement would experience renewed interest through its incorporation with models of “community economic development”.

These efforts, which sought national legislative action in various fronts in the 1970s and 1980s, would be punctuated by a break in momentum from the 1980s to the early 2000s, peak years for neoliberalism and globalization. In the wake of the Great Recession, advocates would continue where they had left off in the 1970s-1980s. Given that I significantly reviewed the contours of the current wave of post-2009 activity in Chapter 1, here I focus on the first half of this period, from the 1960s to the 1980s.

As noted in the preceding section, there was a devolutionary backlash against the federal government's top-down Urban Renewal programs of the 1950s, which bulldozed many poor and/or African-American neighborhoods, from the Bronx in New York to Overtown in Miami. Against this backdrop, Johnson's various Great Society and War on Poverty programs, specifically the Office of Economic Opportunity's (OEO) Community Action Agencies (CAA) (1964) and "Model Cities" program (1966), were creating the institutional field space for the emergence of "community economic development". These programs built on the approaches pioneered by the Ford Foundation's experimental Gray Areas initiative (1961) in five cities. Rising urban unrest would culminate in riots in 125 US cities (Risen, 2009) in 1968, as part of a broader global wave of urban protest (e.g. Prague Spring, French May).

In response to the problems of top-down Urban Renewal, the federal strategy would shift to one of passive block grant funding to localities, enabling greater assertion of local autonomy in both urban housing and urban and regional economic development. Even though the national scale of action was still advancing on some fronts – major environmental acts addressing clean air and water were passed, for example, in 1970 and 1972 – it was receding in the field of urban and regional policy and planning. Contemporaneous efforts to pass a national land use act failed (Bosselman, 2011), with the lack of such a national law in the US still unique among rich democracies (Hirt, 2014). By 1974, the community development block grant program was law.

Prior to this era, "interest in community economic development had not emerged as a focal point in urban rhetoric, nor had the usefulness of the development concept been given any kind of careful examination." (Olken, 1971, p. 207) Model Cities required both a comprehensive planning process to address urban neighborhoods' economic challenges, while also requiring citizen participation and input, thereby creating an institutional framework in which locally-scaled, comprehensive community economic development could emerge.

By 1971, Model Cities funds were "now being used on a regular basis to support virtually all functions involved in community economic development, including economic planning, feasibility and market studies, venture capital on both equity and loan (including subordinated and low-interest) bases, land purchases and options, staff costs for business packaging and management assistance, management training, industrial promotion, direct loans, revolving loan and loan-guarantee pools, and bonding pools for minority contractors." (Olken, 1971, p. 205)

Under these conditions, and alongside ongoing community-based Alinksyite (O'Connor, 1999) organizing and resistance, advocacy planning (Davidoff, 1965), and its subvariant equity planning (Krumholz, 1972) had also emerged as a practice by which urban planners might influence these emerging local processes, bottom-up, to reflect the will and interests of the poor and the excluded, alongside more powerful

groups, in the urban and regional development process. Through these approaches, cooperative and other community ownership models, such as the then-new community land trust and democratic ESOP model, were incorporated into the toolkit of urban activists and city officials in the 1970s and early 1980s, most often in places associated with what were retroactively termed the “Progressive Cities” (Clavel, 1986); Cleveland, Chicago, Burlington, and Berkeley, were among the most prominent members of the “Progressive Cities” movement. These cities, led by equity planning approaches, often included city-level economic plans that expressed a desire to promote cooperatives and community ownership, often as part of the broader theme of local ownership and community control.

These models were perhaps most pronounced in the efforts in Berkeley, CA and Burlington, VT (Clavel, 1986, Krumholz and Clavel, 1994). In Berkeley, Eve Bach was directly inspired by Ebenezer Howard’s use of cooperatives in the Garden City model to promote community ownership in the city’s economic plan, with “The Cities’ Wealth: Programs for Community Economic Control in Berkeley, CA” (Bach et al, 1975). The Bay Area had a long history of cooperative activity across all types of cooperatives (Curl, 1982), but ultimately, the plans for municipal and community ownership in Berkeley were rarely implementable, and outside of a limited amount of progress in housing, were not enacted in economic development (Krumholz and Clavel, 1994). Though Burlington’s Mayor (now Senator Bernie Sanders) had more success, contracting with the ICA group to stimulate employee ownership and commencing study on a community land trust, implementable efforts here, too, were limited.

Meanwhile, drawing momentum from the same social movements driving the growth of community economic development, the broader cooperative business movement benefited from a revival of local interest in worker and consumer cooperatives. The broader counterculture and communalist movements of the 1960s and 1970s stoked interest in “food conspiracies”, food cooperatives, and artisanal production cooperatives, all as a way to exit the capitalist system (Curl, 2009). As noted by Jackall and Levin (1984):

“One of the striking results of the tumultuous social upheavals of the 1960s and early 1970s was the development of the small worker co-operative or collective movement. In urban areas all across the country, but particularly in the San Francisco Bay Area, the Boston/Cambridge area, The Washington D.C. area, Minneapolis, Austin, Ann Arbor, Seattle and Eugene, hundreds of small, democratically organized businesses grew up. In the early days of the movement, many of the young men and women who staffed collectives were self-termed “refugees” from the 1960s movements. Even those who had not been deeply involved were aware that their lives had been significantly touched by one or another of the great issues from that period” (p. 87)

Ultimately, this “selection effect” would prove to be the downfall of many organizations. As noted by Mansbridge (1979, p. 194-195), “Anarchists, adolescents,

and other “idealists” have insisted that complete equality was possible if only enough effort were made to achieve it. Leninists, adults, and other “realists” have usually abandoned the idea entirely. The collectives of the last ten years have generally fallen into the former camp” with a “general collapse of similar organizations in the mid-1970s.” Indeed, the well-documented “coop wars” over ideology in Twin Cities (Cox, 1994) and the Bay Area would destroy many of the organic food cooperatives in particular (these stores were largely unrelated to prior waves of general consumer grocery cooperatives). Despite this, several historical food cooperatives from this era remain active in both regions today.

Beyond these urban social movement-related cooperative efforts, various individual states attempted to use worker cooperative and employee ownership business structures to save jobs in struggling enterprises in struggling deindustrializing regions (Zwerdling, 1978). These were often brokered with the help of the federal government, states, and the labor movement (Dickstein, 1991). These efforts sometimes also involved the then-fairly new employee stock ownership plan (ESOP) trust. Having been granted favorable federal tax treatment in the 1970s, it allowed employees a way to participate in profits and ownership of their firm, though not necessarily with the democratic governance and workplace participation rights as a cooperative. The tax break also created a tax-advantaged, favorable way for small businesses to sell ownership to their employees, through the ESOP trust.

Efforts to pass a national act – the 1978 Voluntary Job Preservation and Community Stabilization Act – to provide technical assistance and loans to financially support employee ownership conversions and worker cooperatives (as had been done with agricultural and rural electric cooperatives at the century’s dawn) in the late 1970s ultimately failed and was not revisited in the wake of Reagan’s 1980 victory. This election, which also saw significant shifts in Congressional representation, also eliminated long-time Congressional staff with institutional knowledge of these issues from Capitol Hill (Whyte, 1978). This loss of institutional knowledge and capability was affirmed by two such former Congressional staff from this era, who were interviewed for this study.

There were some victories: a National Cooperative Bank was started, seeded with an initial federal investment and a handful of states set up employee ownership centers to assist in conversion. The National Consumer Cooperative Bank Act of 1978 authorized the creation of a bank to, with an initial loan from Congress to lend to consumer cooperative sector, ostensibly to reduce inflation’s impact on households, as the act’s text notes. Initially capitalized and owned by the federal government, it was fully cooperatized by the early 1980s, with the government’s role removed. By this point, however, many consumer cooperatives, such as the famed Berkeley consumer’s coop, had disappeared, and food coops were in decline (see below).

That these various efforts faded under Reagan and the growth of neoliberalism is not surprising. Due to such associations with the idealism of the then “New Left”, worker and consumer cooperatives specifically had become less politically tenable than the options of “local ownership”, “employee ownership” and “small business”.

As noted by Hall in his examination of the failures of urban planning in economic development in the Anglo-American world, “Similarly, the “local ownership” model also creates indigenous local enterprise. The names of such schemes, and the general language in which they are expressed, reflect the political symbolism of whichever party happens to be in control, either in the city hall, or in Westminster, or in Washington: for small business read cooperatives, or vice-versa.”” (Hall, 1983).

By the late 1980s, with the rise of neoliberalism and the Washington Consensus, interest in cooperatives as an economic development strategy had largely waned (Dickstein, 1991). Banks and insurers had, as noted in Chapter 4, demutualized in a wave of deregulatory activity during this period. Medical practices were similarly encouraged to become investor-owned: the AMA had attempted to restrict medical practices to physician-ownership, effectively a guild-imposed form of worker/employee ownership (which persists in the US legal profession today, Hansmann, 1990). But the AMA was pre-empted by federal action on behalf of the burgeoning non-profit and investor-led HMO sector in 1973. By 2017, physician ownership of practices had, for the first time on record, fallen below 50%³⁵ and today, private equity and venture capital firms are now buying US doctors’ practices³⁶.

Natural food cooperatives also declined rapidly starting in the 1980s, replaced by competition from traditional investor-owned corporations (St. Peter, 2008). Most notably, the founder of Whole Foods, John Mackey, came out of the natural foods cooperative sector and founded Whole Foods with the express intent to “destroy them (the food coops)”, as one Interviewee noted, only to then lose control of his investor-owned firm to Amazon, much to the bemusement of several food cooperatives interviewed for this project. Most of the era’s worker cooperatives and collectives disappeared (Jackall and Levin, 1984; Mansbridge, 1979; Dickstein, 1991), though a number have survived to the current era, as documented by the recent census of such firms by the U.S. Federation of Worker Cooperatives.

As noted to begin Chapter 1, however, much of this activity has been renewed in the wake of the Great Recession, along with social movements such as Occupy and Black Lives Matters, and the subsequent populist electoral surprises of 2016. Many efforts of the 1970s are being revisited: in 2018, as noted in Chapter 1, the first non-tax related

³⁵ <https://www.ama-assn.org/study-reveals-practice-owners-no-longer-physician-majority>

³⁶ <https://www.marketwatch.com/story/doctors-are-being-bought-up-by-private-equity-and-its-your-health-on-the-line-2018-06-08>

piece of federal legislation for employee ownership and worker cooperatives since the 1970s was proposed in 2017-8.

5.5 Conclusions: The US Cooperative As A Fragmented, Incomplete Field

This chapter has traced how – and why – the US cooperative ecosystem is comparatively weak today. From its beginnings, the cooperative faced unique obstacles on US soil, rooted in its experience with slavery and in the broader “critical juncture” that the post-bellum labor movement faced, which shaped economic institutions’ construction of liberty in ways dissonant to the cooperative logic. The corporate organizational form, meanwhile, had also taken hold earlier (Sylla and Wright, 2013), spurring the early growth of investor-owned corporations, which would become an antagonist to the cooperative movement.

Lacking a comprehensive labor movement organization to advance its cause, the cooperative subsequently developed in piecemeal fashion, achieving specific, and often restrictive, legislative advances at the expense of developing the necessary components for an overarching ecosystem, a “Cooperative Commonwealth”, to achieve scale. The US’ peculiar institutionalization of a conception of liberty, rooted in its history with slavery, would, over subsequent cycles, continue to constrain the cooperative, as other institutions and fields developed to occupy the “field space” that the cooperative had failed to claim, from the growth of the investor-owned corporation as the dominant employment model, to the development of trade unionism, non-profits, and ESOPs, as well. In these various cases, the nature of the legislative or policy developments demonstrated a hostility to, or exclusion of, cooperatives.

Compounding these field construction issues were challenges relating to physical space and territorial scale: the US’ distinct federal structure meant that cooperative actors had to navigate multiple spatial scales, most notably the state and the nation, as well as the emerging city and regional scales, to obtain enabling policy and legal action. This issue of “scaling up” appears repeatedly and consistently as a challenge for cooperative advocates. Only in places where social solidarity could be leveraged, in lieu of the profit motive, to build such systems, was this challenge well met: from white farmers in the Midwest; to French Catholic credit union participants in new England; to Finnish immigrants in California, the Upper Midwest, and New York, Jewish immigrants in New York (Chambers, 1962); Mormons in Utah (Moore, 1940), and post-bellum African Americans in the South and elsewhere. And yet, these notions of solidarity, being narrowly constructed on social similarity in a diverse nation, also imply limits to scale. Could “whites”, an identity which continuously evolved throughout this period, cooperate with African Americans? Could Finns with Mormons?

The combined results of these challenges supports a characterization of the cooperative as a strategic action field and institution which has been only ever been partially constructed at the national scale in the US. Today’s cooperative actors, like

their predecessors, are attempting to finish this field construction project, by both leveraging and building local opportunities, while working to achieve national scale in policy and law across the incomplete dimensions. These dynamics contrast sharply with those of the case countries, however, to which I now turn in Chapter 6.

CHAPTER 6

FIELD SUCCESS AND RETRENCHMENT: COOPERATIVES IN FINLAND, FRANCE AND NZ

The exceptional aspects of today's US cooperative ecosystem, which were identified through international comparison in Chapter 4 and historically traced in Chapter 5, are not new features. Nor did they emerge whole-cloth at a single moment in time or in response to a single event, also as demonstrated through the field tracing conducted in Chapter 5. Though the US cooperative ecosystem's features can in part be traced to the initial US institutional context into which cooperatives were introduced in the nineteenth century, the field's development trajectory continued to evolve, over time, again as shown in Chapter 5. By examining the cooperative's process of field emergence, one marked by the development of incomplete "field elements", one can understand how and why "American exceptionalism" regarding the cooperative developed, and why cooperatives have such difficulty in achieving scale in the US today.

France, Finland and New Zealand, the three case countries examined in Chapter 4, all possess more large-scale cooperative enterprises than the US today, supported by comparatively more robust cooperative ecosystems. How did the cooperative successfully develop, as a strategic action field and institution, in these countries? How did the cooperative and its advocates in these places secure the field elements lacking in the US? In this chapter, I conduct a comparative-historical analysis ("CHA", Mahoney and Thelen, 2015), as to contrast the field construction and institutional development process of the US, as to reveal and affirm distinguishing characteristics.

I confirm that in these "success" cases, the cooperative was introduced and developed in a very different field or institutional environment than in the US, in ways that have mattered to its success. In the comparative cases, the initial institutional context yielded opportunities for the cooperative to gain a stronger initial foothold. These footholds were gained at key moments, arguably those of broader "critical juncture" (Collier and Collier, 1991) or "field rupture" (Fligstein and McAdam, 2012) during each country's respective political and economic development paths. This yielded strategic gaps in the field environment, which the cooperative field's "skilled social actors" (Fligstein, 2001) leveraged to develop and advance their cause.

In France, the cooperative took root when traditional trade corporations had been *abolished*, as part of the undoing of the *ancien régime*. Though the series of post-revolutionary governments exhibited conflicted behavior towards the cooperative and most other forms of economic organizations, the state ultimately leveraged and encouraged emerging mutual and cooperative institutions to fill various post-revolutionary institutional voids, bestowing it with legitimacy in exchange for control. By the time of the stability of the Second Republic, cooperatives had become a key

part of the broader labor movement, a “third pillar” of French socialism, which it remains today. In Finland, in the wake of the Russian Revolution, the cooperative became a critical and central component in the Duchy’s nationalist movement to achieve political and economic independence from Russia. The cooperative also became a tool by which Finland could internally connect and develop its geographically isolated economy, while also enhancing its connectivity to physically and linguistically remote international trading partners. And in New Zealand, lacking proximity to capital and trading markets, the cooperative became an important institutional tool through which an isolated and capital-constrained could become a successful “small state in a world market” (Katzenstein, 1985), coordinating its exports for trade with the distant rest of the world.

The cooperative achieved national prominence and supportive legislative and policy treatment at critical stages in each country’s respective political and economic development. In all three cases, cooperative advocates appear to have been able to achieve these policy gains in part because of the structure of the field environment: cooperatives benefited from stronger relationships with complementing fields, and were aided by the weakness in competing fields or institutions which might have blocked cooperatives’ growth. Unencumbered by a hodge-podge of local government rules, by a highly developed investor-ownership corporate sector, or by the socioeconomic legacy of race-based slavery, cooperatives were more effectively integrated into the labor movement and subsequently the “social and solidarity economy” sector in France, and readily became key to establishing national political and economic independence in both Finland and New Zealand.

All three international cases, however, also show signs of the ineluctable march of liberalization in the late twentieth century. Despite cooperatives’ initial successes, liberal ideology and liberal institutional arrangements, as directly embodied through investor-owned corporations, as well as in anti-trust and competition law, has not been an escapable phenomenon in any of the case countries. Though comprehensive time series data is not available, in all three countries, cooperatives appear to have played a comparatively declining role over time in their respective national economies. In particular, consumer cooperatives, though still remarkably strong in Finland, have faced serious and dramatic declines and restructuring in all three countries, especially so in New Zealand and France. This trend has been also evident in other rich democracies in recent decades (Brazda and Schediwy, 1989, Hilson, 2017).

Overall, it is difficult to determine whether cooperative enterprises have declined in absolute terms in the case countries. But relatively, they appear not to have grown as quickly as other institutional ownership forms. Investor-owned firms have likely come to account for an increasing share of economic activity in these countries, as enterprises seek to compete in a world economy characterized by neoliberal globalization. Nonetheless, given cooperatives’ relationship with the development of

the “social and solidarity economy” in France, and co-existence and previous co-development alongside the robust community/consumer trust ownership sector of New Zealand, it suggests a larger story, in which variations in the mix of economic ownership is significant across places. And as the cases of Finland and New Zealand both show, geography has been – and remains – a powerful force in explaining how and why ownership specifically, and political economies in general, may vary around the globe. The cooperative was adopted in both Finland and New Zealand as part of a “solution” to economic remoteness and isolation. In Finland, its distance and isolation was also political in nature. Though technology, through time-space “compression” (Harvey, 1990) has indubitably reduced the impact of such distances, they remain significant forces in the world today: proximity and “the importance of being there” (Gertler, 1995) still matter in economic life, in part explaining the enduring persistence of cooperatives in certain places today.

I develop historical case studies of the cooperative as a field in each country, informed by both document analysis of primary and secondary source materials in archives and libraries in all three countries, and as supplemented by interviews and ethnographic data. As with the US, these cases are not meant to be exhaustive reviews of cooperative development in each country. Rather, through this comparative process tracing or “field tracing” (Spicer et al., forthcoming 2019), I seek to highlight the emergence and development of key cooperative ecosystem features, over time, as to develop a set of “contextualized comparisons” (Locke and Thelen, 1995) to the US, and show how the posited causal dimensions have – or have not – operated in these various contexts.

6.1 France: Cooperatives At The Institutional Heart of The Social and Solidarity Economy

“There are two worlds. One world is about using money in business to make more money. That world is the “classic enterprise” model. Another world is about using money in business to serve people’s needs. In that world, you still want to make money, enough to cover your costs with some reserves for security and reinvestment, but it’s not about money for more money. That’s not the primary goal. It’s about turning money into something else. This second world is the world of the social and solidarity economy, with cooperatives at its heart.” – Interviewee, Paris, FR, May 2017 (Translated)

If the modern cooperative developed in the UK and the US as a response to the economic Industrial Revolution, in France, as in Finland, it developed in response to a *political* revolution.

The cooperative and its forerunners first developed in France in the long shadow of the French Revolution, and the subsequent seventy year period of institutional instability. The Revolution (1789-1792) swept away key economic institutions, most

notably the corporation, which had governed the economic life of many trades for centuries; its abolition left an institutional void. The “long nineteenth century” (Hobsbawm, 1962) in France which followed was marked by repeated political regime changes. It included two empires (1804-1815, 1852-1870), two republics (1792-1804, 1848-1852), two monarchy restorations (1815-1830, 1830-1848) and two further revolutions (1830 and 1848), before the lengthy Third Republic, from 1870 to 1940, provided the basis for a period of prolonged institutional stability in the realm of politics and the state. Meanwhile, the industrial economy experienced no such series of revolutions, but evolved and developed more gradually and via the persistence of smaller-scaled and family firms (Sewell, 1980; Braudel, 1982; Price, 2006), in part limited by the legal framework for joint stock corporations.

In this context, markedly different from the US, the cooperative developed on a very different path. During the Third Republic, cooperatives would cement their position as a “third pillar” of French socialism, and became increasingly well-integrated legally as part of France’s “associational life” and “territorial” mode of economic development and social protection. They would develop the seeds of what would become, during the late twentieth century, today’s “social and solidarity economy”. This is now a legally defined sector of the economy in France, which encompasses cooperatives, mutuals, foundations, non-profit associations, social enterprises, and solidarity enterprises. Nonetheless, after the end of “*Les Trente Glorieuses*”, as France’s socialists paradoxically liberalized the economy in the 1980s, the French consumer cooperative federation experienced an extraordinary collapse, its remnants privatized and acquired by investor-owned firms, a spectre of today’s tense relationship between European liberalization, and the health of France’s cooperatives and its social and solidarity economy sector. Nonetheless, the cooperative has since continued to evolve to shifting conditions, as has its extensive legislative and policy framework, giving some cause for optimism and sense of revival in the twenty first century.

6.1.1 The Revolutionary Abolition of Economic Organizations and The Rise of Cooperatives: 1780s – 1860s

From an American perspective, the term “revolution” has weighty and specific connotations, associated with the birth of a nation and its institutions. The American Revolution was fought by a physically expanding settler territory against a distant colonial power. It established the first nationally sovereign government to exist in that territory, if one excludes the governance institutions of the displaced Native American nations before it. Though obviously social and economic in nature, on its face the American Revolution was a political one, a revolution foregrounding democratic representation, while also establishing *new* national institutions where none had previously existed.

The French Revolution was different, a far-reaching sociopolitical revolution (Skocpol, 1979). The Revolution upended an *existing* national political system and its

institutions, including a sovereign national government and monarchy, as well as regional governments. All were swept away and replaced by a new Republic. Many of the major existing social and economic institutions of daily life in the nation, from the Church to industrial structures, were abolished, dramatically restructured or regulated, through the power of the state (Sewell, 1980; Tilly, 1974). In contrast, besides the period of the US Civil War, it would be difficult to identify any singular event in the US with such a lasting and institutionally transformative effect as had the Revolution in France, “the most astonishing thing to have hitherto happened in the world” (Burke, 1790, p. 7).

1. The French Economy: From Feudal Corporations to Revolutionary Abolishment

The first documented French cooperative appears to have emerged earlier than in the other case countries. In the Historical Dictionary of the Co-operative Movement (Schaffer, 1999), the first entry in the global chronology is in France: “1750s: Cheesemakers’ cooperatives established in Franche-Comte in France; they were the world’s first producer cooperatives and the first cooperatives in France.” (Schaffer, p. 1) Yet these early efforts did not initially spread. Instead, cooperatives would not take root in France until after the French Revolution. The Revolution would both create the institutional or field opening for cooperatives, while also stimulating the conditions for its broader usage and development.

In the Revolution, the entire set of institutional arrangements which had ordered economic life in the *ancien regime* were upended. Before the Revolution, the royal court had chartered corporations of many and various kind, including those in the trades (*métiers*), which mostly consisted of artisans and *commerçants/marchands* (merchants). Such corporations were typically granted to operate regionally, by town or city. French society was entirely organized around corporatism, and was often articulated at the local, city-level scale. Though France was primarily an agricultural society at the time of the revolution (Skocpol, 1979), the cities had emerged as centers not only of agricultural administration and trade (Tilly, 1974), but of burgeoning craft and industry, as part of an industrial “evolution” (Sewell, 1980; Price, 2006). Industrial activity was also organized under corporate charters, which, though centrally administered and of royal issue, were again largely enforced and applied on a city by city (*communauté*) basis.

The *corps métier*, or trade corporations, had oversight over most of trade and commercial activity in each city (Sewell, 1980; Tilly, 1974). A master’s corporation might consist of one master (*maîtres*), a journeyman (*compagnon*), and apprentices (*apprentis*), some with over seventy workers controlled by a master (Sewell, 1980). The masters had legal right to control the trade through the corporations, which were organized into *jurandes* or guilds, another corporate form consisting of many master’s corporations. As France grew, masters’ privileges became increasingly harder to obtain

from the state (Sewell, 1980). Lifetime journeymen, who had no legal personhood in the corporation (only the master did), were subject to increasingly limited opportunities, and they bettered their condition through the formation and joining of *confréries*, mutual aid societies which provided health and sickness benefits and assurance, a French equivalent of the English “friendly society”. The *compagnonnages*, similar to a *confrérie*, typically included a greater focus on worker training, development, and placement.

During the French Revolution, the monarchy was abolished, as were the borders and powers of old regional provinces (effectively a destruction of the sub-national structure of the feudal order) replaced by *départements* with new, nationally-determined, regional borders. But as part of the abolition of feudal remnants, ***the corporations themselves, along with the guilds and workers’ societies, were also formally abolished.*** The corporation had come under attack during the Enlightenment, as against the laws of nature and free labor, with philosophers and radicals arguing that no corporate body or organizational form should come between a citizen and the state, and that individuals should be free to make their own living without requiring a corporate privilege.

The existing system, in which individuals had no right to freely incorporate, but rather required explicit government permission and approval to form an enterprise, restrained both workers’ and merchants’ freedoms. As part of an effort to reform the pre-revolutionary set of institutional arrangements, a temporary abolishment of corporations had been enacted in 1776 by Turgot, who had also eliminated government control over grain production and trade as part of the then-new “laissez-faire” thinking of physiocrat economists. (Bairoch, 1989). These reform efforts were short-lived, however, and Turgot’s attempts to reform if not eliminate the corporation failed, and was reversed.

Finally, during the Revolution itself, the 1789 Declaration of the Rights of Man called for the:

“right of every citizen to acquire, possess, manufacture and sell’ in their chosen trade, *all trade corporations and guilds were abolished in 1791*, through the imposition of le décret d’Allarde (Allarde Decree) and la loi Le Chapelier (The Chapelier Law). This “revolutionary legislation enshrined social and economic individualism. First, the d’Allarde Law (2-17 March) abolished guilds and allowed anyone who paid a trade licence (patente) to keep a shop, exercise a craft, or practice a profession. Then, the Le Chapelier Law (14-17 June) forbade people in the same trade to form associations or even to meet together to discuss their ‘alleged common interests’.” (Sibalis, 1988, p. 719)

In analyzing the significance and effect of these laws, Fitzsimmons (1996) notes:

“The adoption of d’Allarde’s project fulfilled the original promise of 4 August and produced a major redefinition in the structure of work, as labour in France became

more unfettered than it had been in centuries. Indeed, within a few years nearly all distinctions between journeymen and masters had been blurred, beginning the formation of what would later be known as the 'working class'. In political terms, the abolition of guilds settled one of the last remaining irregularities in the abolition of the corporate paradigm by the national assembly. The law establishing municipal governments in France had specified that municipal assemblies could not be held by trade, profession or corporations, but only by neighbourhoods or arrondissements. This provision undercut a traditional function of guilds, which had played a central role in the political process right up to the opening of the estates-general itself, but they had continued to exist. With the passage of the d'Allarde law, the anomaly of guilds - an integral part of the world of privileged corporatism - in a nation of citizens equal in rights was now resolved." (p. 149-150)

Included in this abolition were new Revolutionary "workers corporations" (Sewell, 1980), which had briefly flourished between 1789 and 1791-2, in which workers freely associated in mutual interest and gain to self-regulate, train, and advance their trade, effectively a temporary substitute for the corporations. *The legacy of these efforts, in subsequent generations, would combine with remnants of the abolished feudal system to seed a long period of organizational and field experimentation, including that of the modern French co-operative movement.*

Similar abolitions occurred elsewhere: France was not unique in this regard. In the UK, for example, the Combination Acts of 1799 effectively forbade union organization and others workers' coalitions or associations, as an effort to quell labor unrest (Thompson, 1963). But such acts in the UK were short lived, repealed by the 1820s, by which time other English government restrictions on for-profit incorporation were also lifted (through repeal of the Bubble Act, in 1825; cf. Thompson, 1963). *In contrast, in France, Le Chapelier and Allarde would not be fully repealed for a century, effectively making the formation of organizations between employers or employees illegal for several generations.* The French Revolution had – at least temporarily – destroyed much of the existing, organizational/field environment in the economic sphere.

2. Post-Revolutionary Institutional Experimentation and the Emergence of Mutual Societies, Producers' Associations, and Cooperatives

As various economic disruptions and labor unrest ensued, France quickly learned it could not do without such intermediate and coordinating organizations entirely.

"Indeed, much of the subsequent history of the French labour movement had this tension as a central theme. Although the form of the old regime monarchy was restored in 1814-15, its substance was not. Civil rights remained universal rather than particular or exceptional, and many from the old regime world of labour continued to have difficulty adjusting to the changes wrought by the revolution." (Fitzsimmons, 1996, p. 154)

A host of organizational forms would develop over the nineteenth century to fill the void, incubated both by interregnum institutional evolutions, as well as by the repeated political revolutions such as those in 1830-33, and 1848, as well, which would both

produce institutional experiments alongside government repression and, sometimes, government acceptance, of these new and emerging forms.

Though the Allarde and Chapelier laws stood, broadly eliminating many organizations in the domain of industrial and labor relations from forming, France would repeatedly grant exceptions for certain individual organizations, and sometimes certain classes of organizations, case by case. For example, substitute organizations for the corporations and guilds, such as the Paris butchers and bakers' employers' associations or *syndicats*, were readily and quickly exempted from the Revolutionary corporate bans by Napoleon's administration, in the name of securing food supplies and public order (Sibalis, 1988). Many other employment-related associations across the trades quickly sprang up, alongside those such as the Paris' butchers' and bakers' organizations, and were tolerated and allowed, (ibid; Sewell, 1980). "Trade union" functions of such associations, however, were not technically fully enabled and legalized until 1884, when the French parliament also enabled trade unions, having previously allowed the right to strike in 1864 under the Loi Olivier, which partially abolished the prohibitions on coalitions (e.g. strikes).

Liberty did not mean France could go without economic associations and organizations, but given the nature of the revolution, entities named or structured as corporations, with their *ancien regime* connotation, were not tolerated. Nor could they structure as voluntary "associations", a then-new and emergent "idiom" (Sewell, 1980), which would sometimes be interpreted as conflicting with the supreme dual authority of the individual and the state in post-revolutionary France. Coalitions of workers for striking or other purposes were also not authorized, as clarified under Napoleon. As Archambault (2001) notes: "The 1810 Napoleonic penal code stated that no association of over 20 persons, whatever its purpose, could be created without the government's agreement and must respect the conditions imposed by public authorities. This restrictive legislation, reinforced in 1834, lasted throughout the 19th century. A new Act of 1901, which still shapes French legislation, finally gave a legal status to nonprofit organizations." (Archambault, p. 208)

From Corporation to Society in Post-Revolutionary France

In the long nineteenth century, France's economic actors thus experimented with different replacement forms for the corporations, which again had included not only the master's corporations, but the guilds, *confréries* and *compagnonnages*. In general, what replaced corporations, after fits and starts and as formalized and consolidated in the Napoleonic Code beginning in 1807, were various forms of the *société* or society, which would be used both to develop the modern investor-owned ownership form, and to organize cooperatives and mutuals. These latter forms appear to have emerged through an experimental process of using the society form to express and implement controversial, new ideas about free association, sometimes in ways of questionable legality, which then led variably to state acceptance or repression.

In the post-revolutionary world, France was a society, with nothing between the state and the individual. The state could, however, authorize “societies” to operate in the public interest, with its express permission and on its behalf. Thus the “society” today remains the parent form of all ostensibly “corporate” economic ownership forms in France, encompassing not only cooperative sub-types, but the investor-owned, limited liability enterprise forms most commonly associated with traditional capitalism, led by the *société anonyme*, or SA, effectively equivalent to the modern investor-owned corporation in the English speaking world, introduced in France in 1807.

To be sure, the society form of ownership was not entirely new, nor was the SA a complete break with the *ancien regime*: other types of capital-raising and economic societies had existed in the *ancien regime*, entities of a specific form, granted for specific purposes by the state (Braudel, 1982; Price, 2006). The *société en comandite (par actions)*, a partnership form, for example, had been used to raise capital, as had other similar, limited partnership forms (*société en nom collectif*), granted carefully as a privilege by the state in the 17th and 18th centuries (Cameron, 1961). But large-scale incorporations using the SA, however, even after 1807, remained comparatively rare and typically smaller-scale (Rochat, 2009; Cameron, 1961; Braudel, 1978) in France. Government administrators sometimes denied incorporations and would suggest other forms as more appropriate (Rochat, 2009). Even then, businesses, which were typically owned by families, often would place voluntary restrictions on the shares of a SA, as not to allow the free trading of shares, reflecting their wish to retain control over who possessed ownership (Rochat, 2009). Free incorporation of profit-seeking businesses was not fully allowed in France until 1867, decades after such restrictions had been lifted in the UK (Thompson, 1963). This same 1867 law also legally enabled the cooperative.

Thus, while a replacement juridical form to the abolished corporation was allowed for profit-oriented purposes, permission was still not freely granted, and not all types of activities were tolerated. In practice, traditional investor-owned corporations, as a successor to the masters’ corporations, *remained comparatively rare in France*, in part reflecting the contentious politics of the era. France was marked by a tension between the conservative remnants of the old regime, the revolutionary ideals which resisted issuance of both special privileges and corporations, and emerging “free market” thinking which sought reduced state intervention in enterprise, to allow free incorporation (Rochat, 2009; Braudel, 1978; Price, 2006). This is one reason the modern “corporation” remained comparatively rare in France’s late industrializing and evolving economy, as compared to the US and UK. Sylla and Wright (2013) document this comparative lateness of frequent incorporations in France, noting the role of explicit state restriction on capitalism’s emerging institutional form in explaining why.

The Slow Acceptance of Cooperatives and Mutual Societies

The new SA form was largely a way to pool capital among many investors, and it did not serve all needs. Other society forms sprang up to fill the corporate void in coordinating other economic activity, including several less profit-oriented forms of questionable legality (with respect to the Allarde/Chapelier laws).

These other forms included the predecessors of the modern French cooperative and “social and solidarity economy”, which flowered in this legal twilight. In this prolonged period of instability and change in the first half of the nineteenth century, France was accordingly home to rich utopian socialist thinking and organizational experiments, most notably among them, those variably advanced by Saint-Simon, Fourier, and Proudhon, as noted in Chapter 5. These various thinkers each advanced slightly different utopian socialist schemes, often short on implementable detail, which all typically led, in theory, to a complete transformation of society to be run on some type of cooperative basis. But their work also birthed targeted and specific forms of institutional experiments in France.

Specifically, alongside the pre-revolutionary tradition of agricultural cooperation, four other cooperative and mutual forms begin to take shape and evolve in this era. Out of the ashes of the *confréries* and *compagnonnages*, as well as the temporary revolutionary “workers’ corporations”, other interim forms of “workers’ corporations” emerged. These would develop into several of the distinct, modern types of French cooperatives. Various emerging forms of these enterprise families, located in what Sewell (1980) might have termed “the margins of the law”, appear in the historical record with frequency during the first half of the nineteenth century.

First, some workers’ corporations appear to have evolved by transforming into mutual workers aid societies, often with direct encouragement of the state; modern mutual insurance and mutual social security would emerge from their legacy. Second were the “producers’ associations”, from which the worker cooperative, as well as modern trade unions and the French tradition of federated socialism, also emerged. Alongside them were fledgling consumer cooperatives, which, though they would not reach maturity until later, also emerged from these interim experiments. Last, mutual and cooperative credit institutions, which today play a leading role in financing France’s social and solidarity economy, were also birthed in this time, sparked by the efforts of Proudhon, among others.

I begin by reviewing these last two sub-types first. Though consumer cooperatives could trace their lineage as far back as 1793 to brief Revolutionary era efforts (Gaumont, 1924, Gide, 1904), the first sustained effort seems to have appeared in 1830s Lyon, a key center of early French artisanal silk production. Lyon had been a center of both revolt after the July Revolution (the Second French Revolution of 1830), with labor radicalism and mutualism effort sparked by the revolts of silk spinners or *canuts* in 1831 and 1834. The first of these, in 1831, Engels described as “the first working-class rising” to occur under capitalism (Engels, 1880, ch. 2). Here,

an early consumer cooperative inspired by Fourier's writings and his utopian *phalanstere* communities, was founded in 1835, called *le commerce veridique et social* (truly equitable and social business). After several years, this enterprise faded, and as Schediwy and Brazda (1989) note, "From the point of view of the law, Commerce veridique et social was not a company; there were no articles of incorporations and the public prosecutor regarded the founding as an unlawful speculation." (Schediwy and Brazda, 1989, p. 678). Consumer cooperation of the Rochdale variety, though it would not fully bloom in France until the Third Republic, was thus present in fits and starts in this era, with several cities similarly hosting such short-lived efforts as in Lyon (Gaumont, 1924). Often, these mid-nineteenth century cooperatives were appendages to the workers' corporations and producers' associations (Gaumont, 1924; Lambersens et al., 2017; Brazda and Schediwy, 1989).

Meanwhile, cooperative banking would similarly have "false starts" in this era, as well: until the Second Empire of the 1850s and 1860s, French banking was dominated by the state and state-related banks as well as the "*Haute Banque*", a loosely defined term used to refer to roughly twenty private family-led banking houses (Plessis, 2003), which dominated financial activity. These houses were generally incorporated as a partnership (*société en nom collectif*) or limited partnership (*société en commandite simple*), which again, were of the "society" parent family of organizational forms, still only granted by special permission of the state. In the aftermath of the 1848 revolution, however, banking was somewhat liberalized in the Second Empire, leading to an institutional opening in which mutual banks emerged.

In fact (see below), the idea of mutual banks would be at the core of the 1848 Revolution in France, with Proudhon's idea for a People's Bank included in the Revolutionaries' plans and actual efforts. Though Proudhon's *Banque du Peuple* was ultimately stillborn, the idea lived on, and by the 1860s, the first mutual and cooperative banks were in operation: in 1863, Jean-Pierre Beluze, a follower of French and American utopian socialist and cooperative developer Etienne Cabet, created the *Société du Crédit au Travail*, designed to serve Paris' worker cooperatives (Karafolas, 2016). In 1864-1865, classical political economists Leon Walras and Leon Say, as noted in Chapter 2, helped create and work in the *Caisse d'escompte des associations populaires*, also designed to serve the producers associations and workers cooperatives (Ros, 2001), which was followed by an emperor-approved version, *Caisse d'escompte des Associations cooperatives* (Hubert-Valleroux, 1884). These banks only lasted a few years, and would act as the forerunners to the modern cooperative banking system in France.

The two most well-developed strands of cooperatives to emerge in this early period, however, were the mutual aid societies and the workers' cooperatives. Though most were shuttered after the 1790s, a few of the journeymens' *confréries*, the fraternal mutual aid entities that had prevailed under the corporate and guild system, survived the original French Revolution in altered form, re-organized as societies of mutual aid

(Sibalis, 1989). They also took on the charitable functions that some of the *compagnonnages* had provided, as well as those provided by the Catholic Church, which would be seen as some of its privileges restored, if tentatively guarded, by various nineteenth century French government regimes.

Various French governments of the early nineteenth century – including under Napoleon, and in the subsequent Restoration period - were generally tolerant of these mutual aid efforts (Sibalis, 1989), granting them allowances to operate, albeit not technically or legally recognized as mutual aid societies per se. The state occasionally even offered financial support (Sibalis, 1989). Philanthropists of the era also supported their growth, particularly in Paris. Some employers were also supportive and encouraged workers to join mutual aid societies (*ibid*), which were often organized by trade. Over the first half of the nineteenth century, the number of mutual aid societies in Paris would grow from virtually none to nearly 300, counting tens of thousands of workers among their members, who claimed death benefits for funeral expenses, a sick benefit, and pensions, as well (*ibid*). These societies were a direct outgrowth of their predecessors: “The mutual aid societies of Paris thus continued to evolve, but their quantitative explosion in the first half of the nineteenth century was built on models elaborated, piece by piece, across the preceding hundred years.” (Garrioch, 2011, p. 29) After the July Revolution, a law in 1835 formally allowed these entities to make deposits into the savings and loan banks (*caisse d'épargne*) (Gibaud, 1986; 1998), offering them some partial legal recognition and increased financial stability. During the Second Empire, in 1852 Louis Napoleon would remove from the penal code the legal ban on forming mutual aid societies, giving rise to an “imperial mutual” system.

These mutual societies would develop into today's employer-centric and mutual/cooperative-intensive insurance, social security and retirement systems in France (Dreyfus; 2016; Dreyfus in van der Linden, 1996; Bennet, 1975). Unlike in the US, UK and many other rich democracies which have a “single-payer” Beveridge-style public Social Security scheme complemented by supplemental private retirement and old age social security, France's publicly-mandated, primary social security system is more Bismarckian, with private and employer-based systems. A significant portion is administered by mutually-owned insurers and related organizations, which descend directly from the surviving, if adapted, feudal logic of the *confréries* and *compagnonnages* by way of these early mutual aid societies.

Worker Cooperatives, Producer Associations, and the Heart of French Socialism

In parallel to the mutual aid societies, the old *compagnonnages'* training and coordination activities within trades, often organized by region (Sewell, 1980) also persisted in the early nineteenth century, and would evolve to become the worker cooperative at the heart of French socialism. Some entities operated clandestinely, others in groups of less than 20 as to be in accordance with the laws which restricted associations of more

than 20. These organizations evolved into “producers’ associations”, which would emerge through the efforts of a generation working from the ideas of Saint-Simon (1828-1829). Led by Philippe Buchez and Louis Blanc, a group of French intellectuals, journalists and workers would conduct the first worker cooperative experiments, while also educating and disseminating news of their efforts as part of an emergent “associationism”, which flowered as part of the July Revolution of 1830. As noted by Moss (1976a),

Associationism was born during the wave of strikes and protests unleashed by the Revolution of 1830. Launching *L'Artisan: Journal de la classe ouvriere*, a group of Parisian printers asserted that demands for higher wages and restrictions on machines could never change the basic condition of the worker, which was to be exploited by a master. Rather than allow masters to increase their exploitation with machinery, the group suggested that skilled workers pool their meager resources and become their own masters of machines in cooperative associations. Begun by several Parisian trade societies (notably tailors, shoemakers, and printers) during the strikes of 1833, associations came to be seen as a method of trade emancipation from the wage system. Incorporating associations into their political program, republicans like Philippe Buchez and the leaders of the Rights of Man promised their working-class clientele that they would provide the credit needed to emancipate all trades from the wage system. (Moss, p. 73)

During and after the July Revolution of 1830, Buchez, with input from the workers, evolved from the mutual aid society concept to the producer association, developing the basis for the modern worker cooperative (Sewell, 1980, esp. pp. 203-205).

As Sewell well notes, “By the fall of 1831 his (Buchez) schemes for workers associations had been radically transformed – from an initial plan for mutual insurance societies to a plan for producers’ cooperatives” (Sewell, 1980, p. 203). Buchez put forward a plan for the workers cooperative based on indivisible capital reserves, in which the net profits of the cooperative cannot be divided for distribution to individuals, and calling for initial financial aid from the state. Workers in various trades in Paris sought to enact these associational and cooperative plans, as “beginning around 1831, workers in various trades began to recast their corporations as associations.” (Sewell, p. 204)

This included not only cooperative production efforts, but also strikes and calls for organizing across industries collectively. Efforts in the early 1830s would again be short-lived as they would be suppressed by the state after the 1834 Lyon uprisings, tightening the restrictions on even smaller “associations” in 1834, effectively making these experiments illegal.

Nonetheless, the institutional effects of this brief period were significant and long-lasting. The remnants of feudal corporations had been transformed into workers associations, and informed the emergence of a French class consciousness. As Sewell states: “...it was in this confluence of corporate and republican agitation in the fall of 1833 that the Parisian workers

developed the idiom of association into a coherent framework of collective action,” (Sewell, p. 209), which did not “designate workers cooperatives as a separate kind of association but as one aspect of the generation association or corps for each trade.” (Sewell, p. 211) This led to ideas for association and solidarity across trades as a united working class.

Bucheze and Louis Blanc, both of whom would come to occupy prominent government positions in the 1848 Revolution, continued to experiment with other workers' associations deploying their plans, helping to develop worker cooperatives throughout the 1830 and 1840s (Hubert-Valleroux, 1884), setting the stage for their reappearance in grand fashion in the next Revolution in 1848. The 1848 Revolution was one of a wave of such revolts across Europe, which would cause Marx and Engels to ominously pen that a “spectre was haunting Europe”. Indeed, it is in the 1848 Revolution that the producers' associations-cum-worker cooperatives came to take center stage in France's labor and socialist movements. Led by Louis Blanc, who was appointed by the Provisional French Government after 1848 to examine the “labor question”, his Luxembourg Commission, in conjunction with Parisian workers, called for the creation of an entire economic system centered on national, cooperatively-owned workshops across the trades.

Articulating a French variant of the “Cooperative Commonwealth” idea, the Luxembourg Commission yielded proposals, briefly implemented, for interlocking institutions based on the workers corporations, including both the cooperatively-owned National Workshops, and Proudhon's the Bank of the People, backed with initial government funds to be sourced from railway profits. Ultimately, these efforts were only partially implemented before failing due to political infighting, argued to have been set up to fail by a conflicted government (LaMartine et al., 1849).

Thus, by the end of the Second Empire and the famed Paris Commune of 1871, worker cooperatives were established as central to the labor movement. Indeed, the famed 16 April 1871 decree of the Communards called for the handing over of abandoned factories to cooperatives, an idea which has continued to inspire cooperative efforts to “recover businesses” in recent years around the world, from Chicago's window-producing worker cooperative, to well-known efforts in Argentina (Klein, 2007). These efforts all ultimately trace their lineage to France and this long nineteenth century evolution, which Tombs (1984) succinctly traces:

“Workers' cooperatives in 1871 had already a long history in France; they were the essence of French socialist aspirations for most of the nineteenth century. The idea of cooperation as a means of escaping the undesirable consequences of capitalism and industrialization had been widely propagated in the 1830s, and indeed it inherited something of a much older corporate tradition. Elaborated in a variety of ways by Bucheze, Fourier, Proudhon and Blanc, by the 1840s ideas of 'association' as a solution to social problems had become commonplace even among moderate republicans. Consequently, the 1848 Revolution saw attempts to put them into

practice, including the ill-fated National Workshops. Their closure, and the June insurrection, were by no means the end of cooperatives. Nearly 300 were set up in Paris during the Second Republic, from 120 trades, and they had perhaps 50,000 members; there were still about 200 in existence in the harsh climate of 1851.

During the Second Empire, and especially during the 1860s, the establishment of cooperatives, both of consumers and of producers, became a central part of the organized activity of workers. *Chambres syndicales*, which were tolerated by the regime from the middle 1860s, commonly devoted part of their funds to establishing producers' cooperatives, which were regarded both as a way of employing members during strikes and as a long-term solution to the problem of wage slavery. By 1865, about 50 Parisian *chambres syndicales* were accumulating funds for this purpose; by 1868, there were over 50 producers' cooperatives in Paris and a similar number in the provinces. Their appeal was not limited to socialists and trade unionists. Prominent radicals and liberals also favoured them. Victor Hugo and Georges Clemenceau, for example, were supporters, and the leading liberal economist Leon Say was chairman of the *Caisse d'Escompte des Associations Populaires*. Naturally, therefore, the republican Government of National Defence encouraged the establishment of several important producers' cooperatives during the Prussian siege of Paris in the winter of 1870-1, and gave them large contracts for the making of uniforms. The tailors' cooperative gave work to some 35,000 people, mostly women working at home. A newspaper, *L'Ouvrier de l'Avenir*, 'Organe des Chambres Syndicales et des Associations Ouvrieres', set up in March 1871, listed 50 producers' cooperatives that existed in Paris in the weeks before the outbreak of the insurrection which established the Commune. They were mainly small enterprises in the traditional skilled trades of the city, such as jewellery, tailoring and hat making. In short, by the time the Commune was set up, the idea of producers' cooperatives was familiar and widely approved, though there were diverse interpretations of their significance - a minor element in a mixed economy or a practical step towards the eventual emancipation of labour." (Tombs, 1984, p. 970-71)

These ideas persisted well beyond the Second Republic and the 1871 Paris Commune: "As Bernard Moss has shown, a vision of the future socialist society as a federation of democratic self-governing trades that collectively owned the means of production dominated the French socialist and labor movement right down to World War I." (Sewell, 1980; p. 275) Moss' (1976a, b) seminal accounts of this aspect of France's particular labor history, and its central role in 1848 and beyond in shaping French socialism, labor, and unionism is worth reviewing:

"The original form of trade socialism revolved around the producers' association or cooperative, a social workshop owned and controlled by members of a trade. Arising along with the trade union in many industrializing nations, the producers' association became the main project and ultimate goal of the French labor movement. From the beginning, it was part of a larger socialist strategy for the collectivization of industrial capital and emancipation of trades from the wage system. Mechanisms were developed to prevent the formation of an emancipated elite in one trade or among the collective trades. Associations were originally designed with expanding funds of collective capital to ensure the continual admission of new members without capital and emancipate the entire trade. To give associations an advantage in competition with larger capitalist enterprise, workers looked to the establishment of a democratic

and social republic, which would provide leverage in the form of public credit and contracts. Representing the interests of the industrious classes-workers, peasants, and tradesmen-against the privileged bourgeoisie, the republic was expected to supply the credit that was restricted under a regime of privilege. Even without the help of the state, workers could begin to finance themselves by organizing mutual credit and exchange in a federation of trades or universal association. With the help of a social republic and universal association, workers could accumulate capital, outcompete capitalist enterprise, and lay the foundations of a socialist economy administered by a federation of trades.” (Moss, 1976a, pp. 72-73)

By the end of the Second Empire and the establishment of the Third Republic in 1870-1871, the main institutional sub-types which would come to form the back-bone of the French cooperative system were visible. Alongside other competing, capitalist economic forms, they were emerging out of the lengthy period of institutional and field experimentation, in the legal twilight cast by the French Revolution. The Second Empire, which introduced a range of liberalization measures into the economy, thus saw the first significant number of cooperative and mutual legislative enabling acts, giving them official sanction under the law. In 1852, the prohibition on mutual aid societies was removed from the penal code, and mutuals could register without seeking state approval: by the Second Empire’s end in 1870, the overwhelming majority of mutual aid societies had registered, and numbered in the thousands (Gibaud, 1998). In 1867, the *société de capitaux variable* was introduced, which allowed the *société cooperative* for workers and consumers to be legally formed. This latter act in particular would establish the beginnings of a national legal framework for the consumer cooperative, which would come to play a leading role in the cooperative sector in the Belle Epoque era of the Third Republic.

The original French Revolution’s attempt to wipe the field environment in the economy clean had, in the long run, been a failure: old forms had returned.³⁷ But new substitutes, including the cooperative, had been incubated in the long and temporary institutional void, and ultimately achieved slow recognition by the state. Though it was sometimes hostile to the cooperative in this era, the strong French state had also limited the development of cooperatives’ competitors. Most notably, traditional “corporations” in the English and American sense, could not develop as strong a “first mover” advantage as had occurred in the US and the UK, as noted earlier, based on the incorporation data of the period (Sylla and Wright, 2012). By the dawn of the second industrial revolution and the first globalization in the 1870s and 1880s, France’s cooperatives were thus paradoxically both limited in their reach, while also being comparatively well positioned with respect to other institutional forms in the French economy.

³⁷ This is consistent with Thelen’s (2004) findings in the German case of education/training institutions, regarding the persistence of institutional forms and logics to survive highly disruptive “critical juncture” events.

6.1.2 From “The Cooperative Republic” to *Les Trente Glorieuses*: French Cooperatives in the Third and Fourth Republics 1870s - 1960s

The Third Republic remains the longest uninterrupted political regime in modern France. Its political rules and institutions persisted from the end of the Second Empire (and the collapse of the Paris Communes of 1871) until Vichy France, the Nazi-occupied government of World War II. During the Third and Fourth Republic³⁸ the nascent policy and operating infrastructure of the cooperative ecosystem would evolve to reach its height and full development in France.

Despite ongoing wars and revolutions in the nation and the world, the French cooperative field evolved slowly and continuously in this era: there is no singular “big bang” moment. Reflecting France’ post-revolutionary history, in which organizations and associations coming between the individual and the state required particular and evolving permissions, the cooperative continued to develop as an organizational field in stages.

There were three major policy developments, however, which eased the cooperative’s continuous development in this era. These are: the complete legalization of labor unions and strikes, which occurred by 1884; the charter of mutuality in 1898, which moved from tolerance to encouragement of mutual societies in providing primary social protection; and, last, the explicit 1901 recognition by the government of a right of two or more people to form an association for any social purpose. This last development finally clarified that the Revolutionary-era Chapelier/Allarde restrictions on free association were dead.

Leveraging these three developments, cooperative ecosystems were constructed by four distinct subgroups during the Third Republic: the peasant/agricultural, workers/labor movement, educators/public employees/intellectuals, and merchants/industrialists. Borrowing from various emergent cooperative and mutual models in England and Germany (Jeantet (with Hollande), 2016; Laville, 2010) each developed their own commercial, banking, and social protection/insurance infrastructures.

The French Revolution Ends? State and Civil Society In the Third Republic

As these various cooperative actors developed strong networks of enterprises in the economy, their advocates were aided by simultaneous success, in round after round of policy action. The government repeatedly passed enabling legislation and offered supportive policy treatment, as well as sometimes offering financial support, in what Seeberger calls “an effervescence of special provision” (2014, p. 68). They did this with

³⁸ The Fourth Republic followed the World War Two Vichy Government, and witnessed the beginning of the “Trente Glorieuses”, the thirty years of rapid, post-war French reconstruction and economic growth.

respect to individual and specific sub-types of cooperatives, as well as for the cooperative as a movement and field overall. Ultimately, the state worked with the cooperative sector to develop a formal policy structure and governing body, through which the sector and the state could mutually communicate, a structure which has evolved but remains in place to this day. The High Council for Mutuality, developed after the Charter of Mutuality in 1898, and the High Council of Cooperation, created in 1918 after World War I, remain important bodies for such communication.

These dynamics took root during the long Third Republic of Belle Epoque France. Ultimately, as Seeberger (2014) notes in his history of the evolution of French cooperative policy and law:

“Two important markers shape its evolution: the law of 24 July 1867 which recognised, although only indirectly, the existence of cooperative societies, and the legislative framework of the law of 10 September 1947, which defined the legal form and gave it its full legal identity. The slow genesis of a law specific to cooperatives began with the first attempts at forming cooperatives and culminated with the lasting consolidation of cooperative legislation... Cooperative law required patient and rigorous efforts for almost one century, until it found its place in the French legislative structure.” (Seeberger, p. 63-64)

As noted by Duverger (with Hamon, 2016a), this legal structuring allowed a great compromise: it allowed the state to end its Revolutionary prohibition on civil society organizations, by defining their activity, providing them with loans as needed, and conditioning how they could raise and spend their funds.

“This effort of structuring the cooperative and mutualist movements was made during their progressive institutionalization during the Third Republic, which gave them specific statutes. The Chart of Mutuality was adopted in 1898, while special laws multiplied to recognize the different families of cooperatives: agricultural credit and agriculture by 1899, low-cost housing cooperatives in 1908, maritime mutual credit in 1910, worker cooperatives in 1915, consumer cooperatives in 1917, popular banks and surety/safety mutual societies in 1917, and artisan’s cooperatives in 1923...this adds to the end of the a priori suspicion with regards to the associations that had come with the 1901 law ending the prohibition on association...the negotiation of these statutes is the culmination of an institutional compromise between the State and these movements...The State accords advances (loans) to the cooperatives, obliges the mutual to invest their funds and reserves in the public funds, and gives grants to the associations. ***The social economy is therefore tied to the State, which organizes its funding circuits, and subjects them to regulation in exchange for their legitimation.***” (Duverger, 2016a, p. 26-7, translated by Spicer, emphasis added)

By 1947, a thorough cooperative infrastructure was thus in place, with the laws of 1947 and 1949 enabling cooperatives to participate in the reconstruction of France (Seeberger, 2014). These laws continued to be expanded and amended, both in policy and action, in minor ways through Les Trente Glorieuses and the 1970s.

Four Strands of French Cooperation: Agricultural, Worker/Consumer, Educators/Public Employees, and Merchants/Industrialists

The legislative flowering under the Third and Fourth Republics of France was not the result of a particularly unified cooperative movement per se, but reflected growth in cooperative advocacy and usage across four major substantive groups – peasants/agricultural interests, workers/consumers, educators/public employees/intellectuals, and merchants/industrialists.

Agriculture, technically the oldest cooperative type in France, had also been among the slowest and latest to emerge. This was largely because agriculture itself had been late to modernize and develop. As Desigauz notes,

French agriculture, slower in its development than either commerce or industry, had to wait until the close of the last (nineteenth) century before being equipped with any credit organisation corresponding to its requirements and capable of providing it, by means of a rational employment of scientific progress, with the resources necessary to its expansion and to the betterment of its production. (Desigauz, 1940, p. 31)

Previous efforts, including those of the state-backed Credit Foncier as a land and mortgage lender in the nineteenth century, had failed due to institutions' physical remoteness from local, rural agricultural production, according to Desigauz (1940). The solution for both agricultural production and finance was to build a national infrastructure, but *locally*, built from societies initially restricted by department, which were ultimately allowed to federate, merge and expand. The model that agricultural cooperation ultimately adapted - one of local and regional networks federated into a national network – represents the general approach to how various types of cooperatives achieved scale in France in this era.

Disagreements between the traditional agricultural cooperative societies in the mid-nineteenth century were evident in case law, which attempted to resolve their disputes despite their lack of enabling legislation, leading to failed attempts in the 1860s to explicitly enable them in France's rural code of law (Seeberger, 2014). Finally, in the 1880s, the recently legalized trade and labor unions (1884) would lead the way in advocating for agricultural producer and credit cooperatives. Specifically, politician Waldeck-Rousseau's 1884 act legalizing trade and labor unions would immediately and intentionally be used for this purpose by the most prominent farming organization, the *Société des Agriculteurs de France*. The group was dominated by conservative and Catholic interests and also backed by landowners, and in response to the law immediately developed local "agricultural syndicates", which ultimately rolled up into regional bodies into a national, federated structure (Cleary, 1989), securing an agricultural peace.

They were not clear on exactly what they were creating, however: "the precise shape and character of these new organizations was not immediately apparent to society

activists,” (Cleary, 1989, p. 34). Their efforts were matched by a rival Republican/socialist effort, led by the *Société nationale d'encouragement à l'agriculture*, created in 1880 with express government support, and sought to develop agricultural cooperatives, insurance, and credit institutions locally and nationally. The government had immediately followed on this effort by creating a formal Ministry of Agriculture, to further support the development of such institutions, and laws explicitly enabling agricultural credit and cooperation soon followed, enhanced by provision of public loans, in 1894 and 1906. The cooperative elements of the two rival syndicalist factions – one Catholic, one Socialist – would be joined together in the *Fédération nationale de la mutualité et de la coopération agricole* (FNMCA) in 1910, at which time France had more than 5,000 agricultural syndicates with nearly 800,000 members (Simpson, 2011, p. 64-65). Though the tensions between the Catholic and Socialist agricultural groups would persist into the 1940s and beyond, the FNMCA eventually incorporated other national coordinating groups for agricultural cooperatives. These too were also often birthed with direct and indirect state political and financial support, including those for agricultural credit and insurance. Today this umbrella group is the CNMCCA, *Confédération Nationale de la Mutualité, de la Coopération et du Crédit Agricoles*, which works alongside the High Council of Agricultural Cooperation, which mediates between the agricultural cooperative movement and the state, to advance agricultural cooperatives’ interests in policy/law.

Critically, agriculture would also develop its own social security, insurance and financial institutions: the law of 4 July 1901 exempted mutual agricultural insurance from restrictions that dated to 1867, and Catholic and socialist agricultural insurance groups were created. This was part of a broader expansion of mutual societies in providing primary social protection after passing the 1898 charter of mutuality, creating a Bismarckian system of employment-based, mutually owned, social security.

When France finally developed universal social security in the 1940s, though mutuals were demoted to a supplemental/secondary role in many industries, farmers refused to cede control via the agricultural mutual insurers, which continue to own and administer their primary system of publicly-mandated social security benefits in France today. These various agricultural cooperative insurance and retirement programs are now led by Credit Agricole’s assurances division, Ag2r La Mondiale, and Groupama (*Groupe des Assurances Mutuelles Agricoles*). (In parallel, a national network and federation of agricultural credit societies, enabled by multiple parliamentary acts, would also develop in this period, over time turning into Credit Agricole, France’s global agricultural banking cooperative and one of the five main banking groups in France.)

Meanwhile, the labor, workers’ and socialist movements would also develop their own cooperative infrastructure, which is the second strain of French cooperation which develops in this era. They would continue to develop production associations and workers’ cooperatives, while also giving rise to their own banking institutions: in 1893,

la Banque coopérative des associations ouvrières de production (Workers' Production Associations' Bank) would be founded. This would evolve into today's *Crédit Coopératif*, France's leading social economy business bank, for worker and consumer cooperatives, as well as for the social and solidarity economy. The bank is also a member of BPCE, one of France's top five banking groups and an umbrella cooperative banking group.

Critically, though workers' cooperatives would continue to form and develop in this era, the key front of development was the then-robust consumers' cooperative movement, which created a strong national operating footprint and framework during the Third Republic. The Law of 18 December 1915 would establish the specifics of worker cooperatives, which henceforth benefited from their own specific national legal statute, and was followed by the Law of 7 May 1917, to better enable consumer cooperatives to obtain credit and expand. As noted in the preceding section, consumer cooperative efforts had often been appended to the workers cooperatives and producers associations, but initially lacked full support of the labor movement and socialists. Though adopted as one of the "three pillars" of the French socialism and labor, many participants saw the consumer-related efforts as a transition model to a worker/producer cooperative economy, or at worst, as being at odds with worker and production cooperatives, given consumers' focus on lower prices, possibly at the expense of fair compensation of labor. This is, in some ways, similar to the early US' labor movements' experiments with consumer cooperation, as reviewed in Chapter 5. *But in France, unlike the US, the consumer cooperative movement established a national framework, and achieved explicit support of the labor movement.* After a decade of rapid growth, in 1885, nearly 90 consumer cooperatives would come together to form the Federation de Cooperatives de Consommation, or FCC (Lambersens et al., 2017), a national coalition for the sector, which had birthed France's first "chain store", with multiple branch locations (ibid).

As with French agriculture, and reflecting the consumer vs. worker tension noted above, two national consumer cooperative movements developed. There was a Socialist movement of "red cooperatives", *La Bourse coopérative des sociétés socialistes de consommation* ("La Bourse"), led by Marxist Julian Guesde, which would splinter from the main Federation in 1895. The main Federation, renamed *L'Union Cooperative* (UC), would take a more bourgeois-friendly, non-violent approach embodied by the so-called "yellow cooperatives", also associated with Protestantism and the then-emergent "Christian socialism." In fact, Charles Gide would be a leader in both the Christian Socialist movement and in the more bourgeois consumer cooperative societies in the south of France, which adopted Gide's "School of Nimes" approach. They sought emancipation from profit-maximizing, liberal capitalism without resorting to violence or statism, by adopting the distributive/consumer cooperative model at the heart of a solidarity-based, "social economy" (Gide, 1905a, b), to construct a "cooperative republic" (Furlough, 1991).

As to work together to advocate for themselves and avoid being taxed in the same way as explicitly profit-seeking enterprises, the two unions would merge in 1912 to form the FNCC, *Federation Nationale de Cooperatives de Consommation*. In three short decades, the number of consumer cooperatives had rapidly grown from approximately 300 in the 1880s, to over 3,000 in the early 1910s (Brazda, 1989; Lambersens et al, 2017), with roughly one million members. The FNCC in 1914 represented approximately two-thirds of consumers' cooperatives in France, placing it fourth in the International Cooperative Alliance's rankings of national consumer cooperative memberships at the time (ibid). As in the UK, they would develop a robust production capacity, creating their own goods in their own factories, and become a major force in French consumption through the middle-twentieth century, with a double-digit market share in groceries/home goods at their peak. They also enjoyed significant trade union support, particularly after 1920, when in a union charter was included in the national collective agreement of consumer cooperatives (Lambersens et al., 2017). Consumer cooperatives also became an institutional player in the rebuilding of France in the post-war era, sometime engaging directly with the state to secure cost-efficient food supplies (Parker and Cowen, 1944).

Educators, teachers, intellectuals and public sector workers also developed their own cooperative infrastructure, constituting a third branch of the cooperative/mutual movement: they not only developed their own consumer cooperatives in the early 1900s, they also developed their own insurance/social security and banking institutions. Today MAIF (*Mutuelle d'assurance des instituteurs de France*), which advertises itself as "l'assureur militant", or the militant/protest insurer of the social and solidarity economy, traces its history back to the 1930s, when teachers coordinated the development of their own automotive insurance mutual. This would expand and develop over the following decades, ultimately growing to administer their own supplemental social security and retirement systems, as delegated by the state. They would also develop their own bank, first as an association in 1951 called *Caisse de Prêts de l'Éducation Nationale de Seine et Oisein*, which would be redeveloped by the 1960s as a cooperative called CASDEN, *Caisse d'aide sociale de l'Éducation nationale*. Today CASDEN serves as a bank for all public employees and has become part of the larger BPCE, one of the five principal banking groups in France. The educators/public cooperative network also includes MGEN, *Mutuelle générale de l'Éducation nationale*, which offers not only health insurance for educators but also owns hospitals and medical facilities for its subscribers' and member-owners' use.

As part of the educators' movement, a students' cooperative movement also developed during this era: in 1928, *L'Office Central de la Coopération à l'École* (OCCE) was created, which works with students and teachers to develop cooperatives in classrooms to finance and run student projects. The OCCE operates in public schools with direct approval of the Ministry of Education, and sometimes receives grants from various levels of governments (e.g. city, region) on specific projects. Today, such cooperatives

have over 5 million members across 51,000 schools, grouped by region/department. In addition, Henri Desroches, who also developed the “action research” model for social economy experimentation, aided in developing a system of Collèges Coopératifs at the end of this period, founding the first in Paris in 1959 to promote higher education on cooperatives. By the 1970s, these various entities were coordinating their interests in activities through the newly created CCOMCEN, *Comité de coordination des œuvres mutualistes et coopératives de l'Éducation nationale*.

Finally, a fourth strain of cooperation emerged: that of merchants and industrialists “regrouping” to form purchasing cooperatives. In France, this developed in direct response to the consumers’ cooperatives of the 1880s. As Holler describes:

“In Reims on May 29, 1885, the first joint purchasing society in France is constituted: la Société rémoise de l'épicerie vins et spiritueux. This society, voluntarily born from the action of independent merchants and grocers, was a reaction to the appearance of a new form of distribution, the consumer cooperative, which newly threatened their activity through competition, and constitutes the first society of purchasing in common, in France. Although they had not yet used the term "cooperative" to qualify and refer to their activities, the "Rémoise" must nevertheless be considered the precursor to retail merchant cooperatives, which would not operate with a specific legal statute until 1949.” (Holler, 1992, p. 83, translation by J. Spicer)

Not all merchants and industrialists’ cooperatives were defensive reactions to consumer cooperatives, as Holler details, and the approach spread throughout France rapidly in the early twentieth century as merchants and manufacturers use cooperative structures to scale purchasing, advertising, and other aspects of their individual businesses. Beyond coordinating their business cooperatively, these merchants/industrialists also developed their own cooperative financial institutions: MACIF, *Mutuelle d'assurance des commerçants et industriels de France et des cadres et des salariés de l'industrie et du commerce*, was founded in 1960 for supplemental insurance, retirement, and other social protection for the sector. MACIF subsequently created SOCRAM, the mutual/cooperative bank for the sector.

This fourth strain, notably, emerges after the others, largely after the World Wars: three of today’s six leading French grocers, structured as cooperatives of individual stores, were founded in the 1920s (Systeme U, originally Unico), the 1940s (E. LeClerc), and the 1960s (Intermarché). Curiously, these cooperatives would provide competition to the consumer cooperatives, and may have played a role in their decline (Lambersens et al., 2017).

Throughout the Third and into the Fourth Republic, cooperative actors, in contrast to the US, experienced round after round of organizational and legislative success, procuring direct and indirect state support in providing an enabling legal framework and functional operating and financial environment for cooperatives. Their incremental approach appears to have reflected the legacy of the original French Revolution: until the twentieth century, any intermediary between the state and the

individual required exemption or special permission. Though cooperative actors sometimes proposed legislation which failed, they constantly bounced back. They repeatedly succeeded in obtaining legal sanction as they built local cooperative networks into national federations. They did so by explicitly leveraging solidarity and mutuality among different and diverse socioeconomic groups, based on worker class, religion, or politics. Thus by the late 1940s, a comprehensive enabling framework for all major types of cooperatives, which also accommodated different social strains of cooperation, had been achieved at the national scale.

6.1.3 From the *Trente Glorieuses* to Cooperative Decline and Rebirth: French Liberalization and the Social and Solidarity Economy, 1970s/80s – Present

By the 1970s, as the “thirty glorious years” of post-war reconstruction and redevelopment ended, France’s economy experienced the same difficulties as occurred throughout the “advanced industrialized” nations: inflation, low growth, and high unemployment. In the 1980s, socialist President Mitterand would engage in a partial program of liberalization in France. Though not as stark as the Reagan/Thatcher variety of liberalization, the period of restructuring nonetheless yielded two key developments in the cooperative and mutual field: the near-death of consumer cooperatives, and the revival of new, hybrid forms of cooperative and related ownership via the formal development of a “social and solidarity economy”.

1. The Near-Death of Consumer Cooperation, 1970s – 1980s

First, the consumer cooperative movement, which had achieved significant market share earlier in the twentieth century, collapsed in the 1980s in an extraordinary fashion, paving the way for the continued growth of investor-owned and merchant-cooperatives (what in other countries would be called producer cooperatives) in the retail/wholesale sector.

In the early 1980s, facing rapidly declining membership and serious financial losses, the consumer cooperative movement turned to Mitterand’s new socialist government seeking aid and support for recovery. None was given. By 1986, the main central consumer cooperative body, the FNCC, was in extreme financial difficulty, most of its major regional consumer cooperative federations were being sold or liquidated, as were many employer-based consumer cooperatives. As an example of the latter, the famed Consumer Cooperative of the Mining Workers, which had long been affiliated with France’s communist party and had supported communist organizations, was liquidated and closed by 1986.

What had happened? The consumer cooperatives had failed to evolve with changing conditions: as France suburbanized in the 1960s and 1970s, the new retail cooperatives (e.g. LeClerc) and investor-owned chains (like Carrefour) expanded by developing hypermarkets. Consumer cooperatives rapidly came to be seen as small, limited, and behind the times (Schediwy and Brazda, 1989; Lambersens et al, 2017). The merchant

cooperatives also outcompeted the consumer cooperatives by stealing consumer cooperatives' thunder, borrowing the dividend concept and transforming it into what today are recognized and standard corporate loyalty reward programs (Lambersens et al., 2017, p. 113). But the state also appears to have played a role: a legal change in the Law of 11 July 1972 allowed the merchants' cooperatives to further expand their joint operations, and then in 1973, the Jean Royer law limited the opening of large shops. Though this was intended to help small stores (and consumer cooperatives) survive, perversely it had the opposite effect:

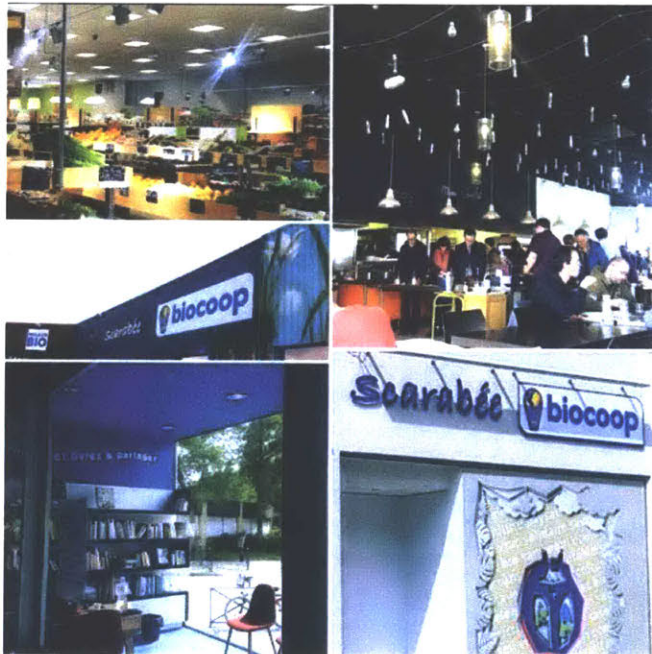
“...in fact what the law did was protect the larger retailers Carrefour and Leclerc from new competitors, as they already had the best business locations. These restrictions, on top of internal management mistakes such as extravagant investments to acquire materials and equipment at high interest rates, overhead costs that were too high and low rates of return per square meter, caused the downfall of many consumer cooperatives....Consumer cooperatives gradually declined to benefit of other types of cooperatives.” (Lambersens et al., p. 114, 116)

To be sure, some of the old-style consumer cooperatives survived for some time: of the 20 regional consumer cooperative federations active in 1980, 4 remained into the 2010s, in Alsace, Champagne, Normandie-Picardie, and Southwest France, as national consumer cooperative membership dropped from 3.5 million to 1.4 million between 1980 and 2010 (ibid). Coop Alsace, however, has effectively been acquired by competitors as of 2016, while the other three have joined other distribution societies. Two are operating as part of Systeme U and E. Leclerc, consumer-owned divisions of these central retailer-owned distribution companies, and are effectively what would, in Anglophone terminology, be called “hybrid” consumer/producer cooperatives. A few employer-based cooperatives, i.e. serving the employees and families of specific employers, most notably a few public utilities, have also survived: though the teachers' consumer cooperatives (e.g. CAMIF) ultimately failed, those for the French Post and French Telecom remain in operation (Lambersens, 2017).

Ultimately, this dynamic is wholly consistent with France's liberalization: the more “liberal” cooperative structures – those of the merchants, whose structure allows for a greater focus on profit-seeking investment – had outcompeted the traditional consumer cooperatives, and had also more successfully leveraged their position under the law in the 1970s, as well.

Some consumer cooperatives, however, have re-emerged subsequently, in a sign of regeneration, using the new multi-stakeholder cooperative form: the 400+ store Biocoop network, a French equivalent of Whole Foods, is owned by a mix of its food suppliers, cooperative investors/banks, consumers, and workers. One of its regional cooperatives in Brittany (Bretagne), has deployed holocracy, a flat, non-hierarchical management structure, and is touted as one of the largest European cooperatives of its kind (See Figure 6.1). Reflecting the importance of cooperation among

Figure 6.1 Consumer Coop Revival? Scarabée Biocoop. One regional coop member of the nationwide Biocoop grocery chain is Scarabée Biocoop in Bretagne. Scarabée started out of a basement thirty years ago to become the largest consumer coop in Western France and one of the largest in Europe. Their stores, which include cafes, sharing libraries, and high-tech, environmentally conscious refilling stations for a wide range of goods, are powered by Enercoop, a 100% renewable national cooperative of local energy coops. The stores have been financed in part through France's cooperative equity/investment banking house, Esfin Gestion (Photos: Spicer, May 2017).



cooperatives, Biocoop is partnering with Enercoop to obtain renewable, cooperative power. Enercoop, founded in 2004/2005, is a new national cooperative network of “militant energy” or “citizen energy”, i.e. 100% renewable energy, multi-stakeholder cooperatives. Owned by a mix of consumers, producers, and solidarity investors, it is a cooperative of 10 regional cooperatives. Such a structure, as discussed in Chapter 5, would not be enabled as a distinct legal form under US cooperative law.

2. The Rise of the Social and Solidarity Economy, 1970s - Present

The second key development in the cooperative/mutual sector in France since the 1980s has been the birth of the social and solidarity economy or *l'économie sociale et solidaire* (ESS), and the rise of new mixed forms of cooperation. The student movements of the 1960s and 1970s would bring life to old

ideas, which would become the new “social and solidarity economy”.

In the aftermath of the May 1968 riots, a generation of young people rediscovered worker cooperatives, producers associations, and other solidaristic forms of economic organization as an alternative to the mainstream (Duverger, 2016a, b). By the mid-2010s, after a long generation of institution building, cooperatives, non-profit associations, mutuals, foundations, and the newly-defined categories of “social enterprise” and “solidarity enterprise” had been formally created, and regrouped into a legally-defined category called “the social and solidarity economy” or ESS (*l'économie*

sociale et solidaire). Along with this development, new types of cooperatives, some of a hybrid nature in which different types of stakeholders participate in the governance and ownership, have also been created and given legal sanction and support, as reviewed in Chapter 4 (e.g. *coopérative d'activités d'emploi*, CAE, and the *société coopérative d'intérêt collectif*, SCIC, effectively a multi-stakeholder cooperative).

The idea of the “social economy”, was not entirely new: the phrase had existed in France even before the French Revolution (Duverger, 2016a, b), and over the nineteenth century would be developed as an economic philosophy and fledgling social science (e.g. Le Play, 1856), one sometimes contrasted with “political economy” (Gueslin, 1998). If political economy was primarily concerned with the role of the state in the economy and the economic development process, social economy was concerned with using solidarity and the bonds of civil society and community as a force and factor in the economic domain (Duverger, 2016a, b) to improve daily life. Accordingly, the idea of social economy was popular at the end of the nineteenth century. Charles Gide had noted, in attempting to explain its then-newfound popularity “Political Economy, that superb science of riches and wealth, has said nothing to the people of their pains, nor of the manners by which to cure them, while the Social Economy speaks of nothing else.” (Gide, 1905, p.2, as translated by Spicer).

But the idea of social economy, despite its association with Gide and cooperatives, had not been articulated as a comprehensive economic development strategy, as operationalized through specific politics or organizational forms. By the 1970s and 1980s, the thinking of the social economy had been rediscovered and began to be incorporated by the political left, which would begin to articulate the social and solidarity economy as a comprehensive, institutionalized “alternative” to the profit-maximizing economy. The French left had already begun to succeed in updating cooperative legal structures: in 1978, the 1915 worker cooperative statute was substantively superseded by a new, modernized law. But there was a growing awareness that France had a host of such structures, all operating under different rules and in different ways, but sharing a common purpose and common treatment under the law. As noted by Vienney (1986) during this period:

“The juridical statutes of cooperatives, mutuals, and associations as they had been formed at the end of the nineteenth century possess at least one common trait: these organizations were all prohibited from obtaining profit-seeking capital on the open financial markets, but were instead given access, as a counterparty, to the public institutional circuits for the collection of savings and distribution of credits (e.g. savings banks). If these institutions over the last fifteen years have tended to recognize one another and to be recognized in modifying some of their regulations, it is probably because the public authorities, since the end of the 1960s, have encouraged them to obtain for themselves the resources that they need, which leads them to defend their respective identities to become more in solidarity, while also using financing procedures analogous to those of other (traditional) enterprises.” (Vienney, 1986, p. 2, as translated by Spicer)

As had occurred with the original cooperative movements, ESS was subsequently and slowly developed, largely led by Rocard, a leading French socialist politician from the 1960 through the 1980s, who would become Mitterand's Prime Minister, and was also the chief architect and policy entrepreneur for France's social and solidarity economy. Rocard had articulated the idea of the "social economy" as rooted in self-managed enterprises such as cooperatives, mutual and associations, as a middle way between capitalism and statism in the late 1970s, and was considered a possible Presidential contender. He also rearticulated the view that cooperation was, alongside unions and the socialist party, one of the three pillars of socialism, and in 1977 stated that the social economy and decentralization were to be "two pillars of the revitalization of civil society in a Jacobin France" (Duverger 2016b, translated by Spicer).

Ultimately, he would become a senior minister in Mitterand's administration when he came to power in 1981, as Minister of Planning and also of Spatial Planning. As the social economy did not exist as a government mandate or legally recognized concept, it was created and given to him to manage. He undertook four critical actions (Duverger, 2016b). First, in 1981 he established a delegation to organize the social economy's key actors. Second, in 1983 he created the Institute for the Development of the Social Economy (IDES), which would have oversight of new debt and equity tools (e.g. 1983's new *titre participative*) for social economy enterprises, which has today become part of ESFIN Gestion, effectively a social economy/cooperative private equity/preferred debt investment house. Third, he spearheaded passage of the first formal social economy law of 20 July 1983, which updated various cooperative acts while creating a preliminary and interim social economy form, the *Union d'Économie Sociale* (UES). Fourth, he introduced the social economy as one of three pillars of the economy in the Ninth Plan of 1982-1983, alongside the public and private sectors, in Mitterand's vision for a "mixed economy".

The emerging ESS structure would continue to evolve, be codified and formalized, culminating in a new law in 2014, which formally defined the constituent forms of the social and solidarity economy, including the newly-defined social enterprise and solidarity enterprise, which must adhere to many cooperative-like governance, capital, and ownership restrictions. The sector now also has a national and regional federations, and a national High Council of the Social and Solidarity Economy through which it can liaise and communicate with the French Government. The law defines the legal sub-types of entities as those with a social utility to improve employment, social cohesion, and respect for the environment. It also assures and, in some cases, improves their access to various public and retirement investment funds, new financial structures, and favorable tax treatment. The act also imposes requirements to develop regional/territorial strategies, as affirmed in local congresses where local ESS actors leverage their local, face-to-face solidarity to work together to achieve their goals.

At the same time, the French government has encouraged various cooperative and social economy institutions to form umbrella groups, as to realize efficiencies, enhance financial operations, and improve their cohesion: in the wake of the Global Financial Crisis, for example, various cooperative banks and mutual assurers have been allowed to keep their divisional identity but have effectively been merged into larger banking and mutual groups. BPCE, for example, is the cooperative holding group which includes many of the formerly state-owned savings banks that were cooperativized in the 1990s (as noted in Chapter 4), along with Crédit Coopératif, CASDEN, Crédit Maritime, and several other divisions. The cooperative educational entities have also more broadly regrouped under the banner of L'ESPER (*L'Économie Sociale Partenaire de l'École de la République*), which seeks to more broadly educate and promote the concepts of the ESS sector in schools.

Despite this move to centralize some functions under the ESS banner, other functions have moved towards decentralization. Indeed, ESS' local or "territorial" orientation, as the French speak of it, has been critical in its development, with ESS becoming, as Rocard had originally envisioned it, to reiterate, as one of "two pillars – the other being decentralization - of the revitalization of civil society in a Jacobin France" (Duverger, 2016b, translated by Spicer). Indeed, the two are linked: the French government would come to delegate functional responsibility in three stages beginning in the 1980s, with departments and regions possessing primarily capability and responsibility for the execution and implementation of social protection, as well as economic development, with a central role for ESS. As noted by one regional actor in ESS in Rennes in the region of Bretagne (Brittany),

"Rennes is not Paris. We have a distinct and quite separate history, as you well know. We are also not Alsatians. We have particular difficulties and issues, and we have of our own local organizations with which to manage them. Some are cooperatives, yes. But some are not. Why should the government tell us we cannot have an association do something, that a mutual or cooperative must, or that the government must, when we have a local association of a non-profit, democratic nature, that is perfectly capable of solving a problem? Let us decide what are goals are, and who and how to meet those objectives. Do not tell us from Paris that it must be a cooperative or not. No, of course not. ESS gives us a framework with which to do that." (Interviewee #31, translated by Spicer)

The French had long been concerned with inter-regional inequality, and throughout the post-war era had an explicit regional development policy which sought to improve standards of living in lower-income regions throughout France. But they had implemented the policies through top-down regional economic development programs led by central government planners, not by granting local control to set priorities for development of local resources or to deal with local problems (Pasquier, 2004). But in the 1970s and 1980s, in the wake of the ongoing economic transition and crisis, as the French variant of liberalization developed, the state would move away

Figure 6.1.2 The Social and Solidarity Economy (ESS) In Regional Action: Paris. In the Paris region, ESS has strong support from Mayor Anne Hidalgo, who with Nobel Peace Prize winner Muhammed Yunus, is building a Conference Center/House for ESS, Les Canaux (upper left). The city also turned a closed hospital into a temporary utopian village for ESS (upper right), Les Grands Voisins, or The Great Neighbors. From 2016-2018, this modern “Paris commune” houses people and 100+ social, cultural and training organizations and cooperatives, complete with a cinema, farm, apiary, urban manufacturing, and restaurants. The jump start provided by this low cost space and network will enable some of these groups to be self-sustaining by the demonstration's end, when the campus is redeveloped into an affordable housing eco-district. In St. Denis, one of the city's economically disadvantaged banlieues, an empty 3 story garage building has become Coopérative Pointcarré (bottom right), a multistakeholder-owned cooperative boutique, cafe, fablab, digital co-working space, and artisan/entrepreneur professional development lab, part of the larger Coopaname cooperatively-owned network of “employment cooperatives”, a new legal form. Last, Solidarité Étudiante, which organizes student housing, food and services cooperatives and social economy entities at universities (bottom left), is working with the participatory budget program of the City and Mayor of Paris and a consortium of coop bank lenders, to build a Central Paris cooperatively-owned co-working space and cafe for students and coop companies, ESSPACE. Solidarité Étudiante, the organization itself, is in turn a 50-50 gender balanced, multistakeholder-owned cooperative, another newer legal form.



contrast to the privatization that had occurred in Britain, cf. Le Galés, 1993).

By the early 2000s, a second stage asserting fiscal autonomy for the departments and regions had begun, and the words decentralization and region were formally added into the French constitution, stating that France is now a “decentralized Republic” as of 2003. Since 2015, decentralization has entered a third stage, with the Law NOTRe (*Nouvelle Organisation Territoriale de la République*; the word NOTRE also means ours, in a play on words) of 7 August 2015, with far increased substantive autonomy for the local state, and a greater role for ESS, as well. Local and regional social and solidarity economy actors have been explicitly authorized to work with local governments to implement various social cohesion and economic development policies, and must frequently hold agenda-setting convenings. How and where they are involved is determined by each regional ESS chamber, which encompasses the local/regional cooperative infrastructure, as well.

Such rearticulation of the spatial scale of the state and of the ESS specifically has in part been enabled by the lack of territorial federal sovereignty: neither the state nor the cooperative sector must navigate the thorny issue of city or regional sovereignty, and a hodge-podge of regulatory differences across them. At the same time, however, federalism has emerged as a potential challenge on another front: the EU has continued develop both a regional social cohesion and economic development policy (Brenner, 2004), while also constructing an ESS policy framework of its own, which is still emergent. The potential harmonization of ESS rules across countries in the EU has caused concern, given the liberalization-related threats to the sector that EU rule standardization have sometimes involved (see Chapter 4). Nonetheless, the ESS unified framework, as realized in France, appears in the short-term to have given some hope at new life for the cooperative movement. The new ESS sector employs approximately 11% of the French workforce, according to data from the National Observatory of the ESS in France, and is a percentage that its proponents hope to expand in the cycle ahead (Interview #18).

Regardless of the ESS’ eventual success, what is striking is how these recent policy developments are consistent with the historical pattern in the French cooperative movement: in round after round of crisis and change, through revolution and evolution, cooperative proponents have invented and reinvented their business ecosystem as needed to survive under new conditions. They have achieved policy treatment which enables them to act at multiple territorial scales; respects and enables their operating logic; and which resists the call of the liberal market economy and the residual welfare state, by putting people and planet before profit. In exchange for privileges – such as access to public contracts and funds, and favorable tax treatment – cooperatives have submitted to control by the state, while also reducing the burden faced by the local and national state, by providing resources to the state to meet its responsibility for implementing programs of social and economic development.

6.2 Finland as the Cooperative Commonwealth

“We have no Rockefellers or Carnegies...but we have cooperatives.” – Finnish Nobel Laureate (1945) in Chemistry, A.I. Virtanen, 1939 (Kuisma et al., 1999, p. 10)

Given its comparatively late economic development and political independence, the Finnish case is briefer than the French one. It is also brief, however, because it is not a “mixed” case, like New Zealand or France. It does not present with both “positive” and “negative” attributes for co-operative development. Finland is nearly a “perfect” case, the US’ inverted mirror image. It possesses only pro-cooperative features across the dimensions examined in this study. It is a small, isolated country distant from world markets. Its factor endowment has supported strength in readily cooperativized industries, such as natural resources. It is socially homogeneous, populated by a people whose solidarity reflects historical marginalization and oppression over centuries, by different neighboring foreign powers. It has developed a coordinated market economy with a robust welfare state, setting a “high floor” to constrain enterprises and support labor. Territorially, it has a unitary state with a single, national set of business laws, not a federal one with nested geographies of sovereignty.

Given these traits, is it perhaps not surprising that if any country can lay claim to having successfully built a “Cooperative Commonwealth” and a robust cooperative ecosystem, disproving Naomi Klein’s claim that cooperatives have never been tried, it is Finland. Yet even here, the cooperative’s success cannot be fully understood through merely a static, mechanistic analysis of the pro-cooperative factors present, but requires a historical grounding, in space and time.

The cooperative in Finland took root and rapidly achieved prominent scale in a historical conjuncture at the end of the nineteenth century, one which was particularly ripe for cooperative success. Politically and economically underdeveloped, competing strategic actions fields like the joint stock corporation were limited in their strength in Finland. Their weakness was also compounded by political crises. The cooperative was able to continue to develop as a field even as underlying conditions shifted dramatically during the Cold War, as its logic and structure remained well suited to that era’s institutional context in Finland. Ultimately, the cooperative did not face a hostile environment until Finland’s European integration and liberalization in the 1990s, when changes in the market and in the policy framework threatened its survival.

In Finland, it is difficult to understate the role that the cooperative movement played in establishing the nation as a modern political and economic unit, and more broadly in stabilizing and developing its national economy during the twentieth century. Over the century, Finland went from having a GDP per capita that was less than half that of Britain or Sweden’s, to being nearly on par with them (Ojala et al., 2006), a process in which cooperatives played a major role. Between 1899, when Russia effectively

attempted to revoke The Grand Duchy of Finland's self-rule, and 1917, when Finland successfully declared independence from Russia in the wake of the Russian Revolution, Finland went from having almost no cooperatives, to having more than most any other country on earth. Cooperatives thus emerged rapidly in a "critical juncture" or "field rupture" moment, in an institutional or field environment which was weak and sparsely populated to begin with.

A poor, underdeveloped territory that had been colonially occupied and dominated for centuries by Sweden and Russia, Finland's fledgling cooperative movement occupied a central role in the Finnish nationalist "Fennomen" movement, and became a critical tool in the Grand Duchy's achievement of formal political and economic independence from Russia in 1917. The institutional context would shift after World War II with the onset of the Cold War. During this period, at the height of Finnish cooperatives' strength, Finland was often dominated by the Soviet Union in matters of foreign policy and trade, and had a partially closed economy. But it remained an independent democracy with economic and diplomatic ties to the West. Cooperatives, embodying a middle way between the LME-style capitalism of the US and UK, and the state collectivism of the Soviets. Cooperatives helped secure a domestically- and "locally"-controlled, financed and owned economic base to assure the nation's continued independence, delicately balancing on the edge of the Iron Curtain.

When the Cold War ended and Finland integrated into the EU and adopted the Euro, the cooperative movement in Finland, along with the overall

Figure 6.2.1 Helsinki's Consumer Cooperatives. North, East and West around Helsinki's main center and rail station, you find anchor businesses like the sleek Radisson Blu hotel (left), a branch and prominent signage of OP bank (right) which is Finland's largest financial institution, and SOK's Sokos Department store, restaurant and hotel complex, which includes the flagship Marks and Spencer's (top). All of these businesses are consumer-owned Finnish cooperatives, whose profits go to their user-owners. Only in Finland are Radisson and M&S held as coops.



economy, accordingly faced “modernization” and restructuring, in what was effectively another period of field rupture, or a “critical juncture”. The role of large cooperatives in recent years has accordingly declined, as some have been demutualized or sold in bankruptcy, or were surpassed in economic prominence by new entities in less-readily cooperativized industries (e.g. Nokia). Much of their explicitly political element has also been lost. Nonetheless, Finland remains, by the measures used in this study and as detailed in Chapter 3, the most cooperative high-income democratic nation on earth. Its producer, consumer, and worker cooperatives play a substantive role in the markets for banking, insurance, health care/hospitals, grocery/retail, hotels and hospitality, agriculture, natural resources, utilities, housing, student employment, and the arts.

As with the other country cases, the Finnish case affirms that institutions and fields are shaped by both critical-juncture revolutions, while also evolving in the inter-regnum periods. It also demonstrates that cooperative success cannot be understood without accounting for both (a) how geography shapes the institutions of the political economy, and (b) the structure of the field environment or institutional context, particularly at the moment in time in which a new field emerges. These two points are evident across the three broad periods of cooperative development in Finland, which I trace below: through Finnish Independence and World War II; during the Cold War and through the fall of the Soviet Union; and in the era since Finnish integration into the European Union.

6.2.1 Cooperatives as an Offensive Strategy in Finnish Nation Building, 1800s – 1945

Given that Scandinavian countries are often associated with democratic socialism and a more enlightened form of capitalism (Sanders, 2016; Lakey, 2016), it is perhaps not surprising that Finland has more large cooperatives per capita than any other country on earth, as shown in Chapter 3. But Finland is not “Scandinavian” (Kirby, 2006), a term first popularized with the pan-Scandinavian movement in the nineteenth century. Scandinavia encompasses the three Germanic-speaking kingdoms of Denmark, Sweden, and Norway, which share a common root language, and a tightly conjoined political history. Finland is Nordic, a broader term which encompasses the Scandinavian countries, as well as Finland, Iceland and the Faroe Islands.

Often mistakenly categorized as Scandinavian by outsiders, Finland has a distinct and separate socioeconomic, cultural and political heritage from the other Nordics. Unlike all other Nordic countries, its language is not descendent from Old Norse, which was Germanic. Finnish is not even Indo-European, a category which includes almost all other European languages, from Russian to the Romance Languages, and Hindi, Urdu, Bengali, and Farsi. Finnish is in the completely separate Uralic family alongside Hungarian, Estonian, and various lesser-spoken languages of ethnic minorities in Northern Russia. Finns are also not genetically European: a recent global study on

genetic populations published in *Nature* (Lek et al., 2016) divided world populations into genetic “families”, and it partitioned the European population into “Finns” and “Non-Finns.” This is because the Finns are not genetically related to rest of the modern European-descended populations.

This matters because if cooperatives rely on social solidarity as a generative substitute for the profit motive, the Finns possess a long-standing and deep social solidarity on which to base cooperation. Much like the Basque region of Spain, whose solidarity in face of historical oppression has undergirded the Mondragon cooperative system (Whyte and Whyte, 1991), as well the highly cooperative and similarly marginalized Québécois, the Finnish people have long stood alone and apart, in tension with their neighbors. For more than a millennium, the Finns have been surrounded to the East (Russia), South (Germanic), and West (Scandinavian nations), by peoples with a markedly different heritage, peoples who forcibly occupied and controlled Finland for much of its settled history.

1. Finland in the Age of Empire: Cooperatives as Response to Political Crisis (To 1917)

The Swedish occupied Southwest Finland (where most of the nation’s population and economic activity is still concentrated) from the Northern Crusades through the Middle Ages; a small, Swedish-speaking minority controlled the territory from the 1300s to the 1800s. Through both the Kalmar Union (Danish-Swedish crown) and Swedish Empire, though Finland was free from many traditional European feudal arrangements or Russian serfdom, with a significant minority of Finnish farmers owning homesteads, most land and resources were controlled by Swedish nobles and merchants (Skrubbeltrang, 1964). They imposed high taxes, with limited political control for the Finns, either locally through the Riksdag (Diet or Parliament) of Helsinki, held from 1616, or in Stockholm (Kirby, 2006). The Finnish population was decimated by ongoing wars between Finland and Russia in the eighteenth century, until Sweden ceded Finland to Russia in the Napoleonic Wars, in 1809.

Mindful of the ongoing revolutions throughout the Western World, Russia was careful to initially allow Finland much autonomy (Kirby, 2006) in its domestic affairs, through bureaucratic means: the Russians dismissed the Riksdag of Finland in 1809, not assembling a Diet or new legislative body until 1863, with an appointed Senate of Finns administering the nation. But as a fledgling Fennoman nationalist movement took hold and as Russia lost the Crimean War, Russia would shift its position. It eventually exerted more control of Finland, with a desire to increase its levels of economic development and political integration with Russia (Kirby, 2006). In 1864, the Diet was finally reinstated, and it passed legislation to empower joint-stock companies, which previously had not been allowed, with most enterprises held by individuals or families (Ojala et al., 2006), who led the small industrial enterprises or larger forestry-related businesses. Forestry was by then already a leading commodity, Finland’s “green gold”

(*ibid*). Finland was thus extremely late in enabling the investor-owned firm as a legal form, which accordingly was limited in its prevalence (Ojala et al., 2006). Regular Diets were assembled thereafter. By the late 1860s, the Fennoman movement was well formed, its nationalist stance embodied in an adage that achieved long-standing cultural recognition: “Swedes we are not no-longer, Russians we do not want to become, let us therefore be Finns”, attributed jointly to the Fennoman movement leaders of Arwidsson and Snellman (Tarkiainen in Klinge, 2003).

Though peasants had enjoyed mixed land access and ownership rights over time, control over the land and the economy was still largely concentrated in the hands of the crown, the church, and the Swedish-speaking noble and merchant classes (Kirby, 2006; Skrubbeltrang, 1964). Representation in the Diet was still based on the Swedish “four estates” system, which by then, had been largely abandoned in Sweden, as had corollary feudal systems in elsewhere in Europe. The Finnish “agrarian question” and “labor question”, as in the US, France, and New Zealand, had yielded a strong nascent farmers’ movement, and the landless laboring population which had migrated to cities also supported a burgeoning labor movement, also drawing on experiences in the rest of Europe (Kirby, 2006). Given the harsh conditions in Finland, emigration to the US was strong, and often had support of many in the Finnish labor movement (Jalkanen, 1969), which would continue through the early twentieth century.

Alongside these rising nationalist and labor movements was a fledgling interest in cooperatives. As early as 1860, a Rochdale-style cooperative store was planned in Helingsfors (now named Helsinki), but it was never founded. Gebhard (1916), in his exhaustive history of his and his wife’s work in founding the Finnish cooperative movement, also notes that a few rural cooperative stores were created in the 1870s, but did not last long. Several cooperative dairies were also founded in the 1880s and 1890s. There was not, however, any organized or systematic effort to develop cooperatives throughout Finland at this time, one of many ways Finland’s economy lagged behind those of its neighbors. By the end of the nineteenth century, though signs of urban development and industrialization were appearing, the nation remained far behind most others in Europe, with a largely agricultural and subsistence economy. Hjerpe and Pikhala (1977), in producing the first historical estimates of Finnish GDP by sector, found that Finland was effectively forty years behind neighboring Sweden in its development in this time period, and GDP per capita, as noted earlier, was far below that of most European countries and the US. Large, joint-stock company employers, which, as noted above, were comparatively new, were also rare, with limited industrial enterprises owned by families of merchants and nobles (Ojala et al, 2006). This is a sharp contrast to the US case, where, as noted in Chapter 5, joint-stock companies were well developed (Gomory and Sylla, 2013; Sylla and Wright, 2012) and organized (Voss, 1993), and factor which played a role in the demise of the Knights of Labors (*ibid*).

In response to rising agrarian, nationalist, and labor movements, as well as due to concerns over a possible German invasion of Russia via Finland, in 1899, Tsar Nicholas II issued the February Manifesto (Jussila, 1984), which began a series of “Russification” measures which dramatically reduced Finland’s political autonomy (Kirby, 2006). This single decree would set into motion events which would animate both the cooperative movement, as well as the movement to achieve national independence. The authority of the Finnish Senate was restricted vis a vis the Tsarist Governor, Russian became the official language, and mandatory military conscription measures were introduced. These policies directly activated the solidarity of the Finnish people, yielding a swift and united response: despite the existence of historically typical class cleavages between farmers, workers, and bourgeois, the Finns organized a comprehensive resistance movement, which included the first political parties, which were newly in formation, as well (Kirby, 2006).

Also in direct response to the February 1899 Manifesto (Gebhard, 1916), in that same year, the Pellervo-Seura (Pellervo Society) was created, as the central coordinating apex organization for the cooperative movement in Finland, as a means by which to advance the standard of living and economic independence for the Finnish people, as a *nation* (ibid). The name Pellervo itself reflects the nationalistic roots of the cooperative movement: Pellervo is the god of fertility, the forests, and agriculture in Finnish mythology and in the Kalevela, the national epic poem of Finland written in 1849, and a key work in the Fennoman nationalist movement. Pellervo sought to effect the national economic independence advocated by Snellman, one founder of the Fennoman movement in the mid-nineteenth century (Skurnik, 2002).

The ideas of various European cooperative movements, particularly the Irish agricultural cooperatives and its apex organization (Gebhard, 1916), and Raiffaisen banking cooperatives of Germany, had been imported to Finland from Europe in the late 1890s by the married couple of Hannes and Hedvig Gebhard, who were the intellectuals/politicians who founded Pellervo. They had traveled to Europe where they had learned of cooperatives (Hilson, 2017), and Hannes had produced a study on the model and its potential application to Finland in 1899, on the heels of an 1898 Finnish translation of a book on cooperatives by Axel Granstrom, then Secretary of the Board of Industry and Trade in Finland (Marshall, 1958).

Unlike the other case countries, where a cooperative apex organization eventually followed the creation and development of the cooperative movement, in Finland, it was the reverse. Pellervo was founded first, and pro-actively constructed the cooperative ecosystem. Gebhard, in providing an account of his work, noted that Finland’s population was predominantly either landless or a small-holding agrarian people, geographically spread out and isolated from one another. Coupled with the nationalist concerns regarding economic and political independence, the cooperative model seemed ideally suited in these conditions as a way for them to coordinate and

pool their economic activity for mutual gain (Gebhard, 1916). Their efforts were systematic from the start, with explicit plans for three pillars of cooperative development (Simonen, 1949; Skurnik, 2002): a federated model of organizing cooperatives into larger cooperatives, a comprehensive national legislative framework, and a central ideological/educational umbrella organization.

Led by Pellervo and the Gebhards, this systematic approach to building a cooperative ecosystem spread through Finland's economy, with a "Cooperative Commonwealth" developing at an unparalleled and breathtaking pace. After founding Pellervo in 1899, the Gebhards immediately worked with members of the Finnish Diet to pass a law in the newly restrictive, but also emboldened, political climate. Because of their efforts, a Finnish law enabling cooperative enterprises was implemented in 1901, alleviating fears by cooperative participants of Russian censure. As Juho Paasikivi, Pellervo's first legal secretary who later became the seventh President of Finland (1946-1956), noted in Pellervo's flagship periodical, when the legislation was passed:

"Finnish farmers! You now have a law that will fortify the weapon hitherto found the strongest and most rewarding from experience gained elsewhere, and which will secure your income and improve your occupation....But ultimately it is up to you as to whether this law, which in itself is but a framework, will remain still-born or receive that content, that spirit and inspire that activity, which the friends of this ideal expect of it, and *which could play its own role in pumping new, fresh blood into the recently petrified and strangled body of our people.*" (Paasikivi, 1901, as quoted in Skurnik, p. 108, 2002, emphasis added)

The link between the cooperative legislation and the budding nationalist sentiment in the face of Russian oppression was thus quite clear. It should be noted that the cooperative movement was also present in Russia at this time, though its success was mixed (Gebhard, 1916) there. Given the political climate, the presence of cooperatives in Russia (Lenin, 1910; Spence, 1993) perhaps made Finnish cooperatives less of a problematic development from the perspective of the occupying Russians.

Pellervo, which had also obtained state grants to subsidize its start-up and operating costs (Gebhard, 1916), held schools for cooperative training, and its early classes of 150+ national participants immediately diffused the cooperative model across the Duchy (Power, 1939). In Tampere, which was Finland's early industrializing equivalent of Manchester, the workers at the Finlaysons factory founded one of the first, stable Rochdale-style cooperatives in 1900-1901 (Power, 1939). By 1902, 15 such cooperatives had been founded, as had another 28 dairy cooperatives. The Gebhards had also spearheaded state funding and a law to help capitalize the creation of the OKO central cooperative bank (Osuuskassojen Keskuslainarahasto Osakeyhtiö, or Central Lending Fund of the Cooperative Credit Societies Limited Company) a cooperative lender to be owned by smaller, local cooperative banks. Today, OKO Bank is OP Group, a cooperative banking group that is the largest bank in Finland. By

1903, a total 189 cooperatives had been founded, including 24 cooperative banks (Power, 1939).

In 1904, Pellervo spearheaded a meeting in Tampere of 37 consumer cooperatives to coordinate the creation of a cooperative stores wholesale society, SOK, a cooperative of cooperatives (Power, 1939). SOK today is the largest grocery store and retailer in Finland by a wide margin, and is part of the S Group, a diversified consumer cooperative encompassing restaurants, pubs, hotels, gas/petrol stations, department stores, insurance and credit, owned by its customers. In 1905, the farmers' movement founded a cooperative (called Labor, this entity was actually a cooperative conversion of an organization founded in 1897), and Pellervo also spearheaded the creation of Hankkija, a wholesale society for 47 farmers' cooperatives (Power, 1939), to supplement the Labor cooperative (Gebhard, 1916). By 1906, the "Valio" central cooperative dairy/butter society, a cooperative of dairy cooperatives, had also been created, which would coordinate Finland's rapidly developing butter export industry: by the 1910s, Finland's Valio, like New Zealand's dairy cooperatives, had emerged as a major butter exporter to the UK (Gebhard, 1916).

By 1905-1906, in six short years, led by Pellervo, over 2,000 cooperative societies (Power, 1939; Gebhard, 1916) were operating and formally registered as such in Finland. Their efforts largely fed into these five critical "cooperatives of cooperatives" in retail/grocery, banking, agriculture, agricultural supply, and dairy, the development of which Pellervo had also coordinated: SOK, OKO Bank, Hankkija, Labor, and Valio. (Power, 1939). Hundreds of cooperatives were formed across every activity imaginable, from fishing to threshing to peat-moss societies (Gebhard, 1916).

Domestic unrest in Russia produced the October 1905 general strike, which also spread to Finland. The Tsar's October Manifesto introduced widespread reforms in response, temporarily ending Russification measures, and radically restructuring the Finnish Diet, which was then still based on the four estates, for which less than 5% of the population could vote (Goldstein, 1983). Even within that 5%, the three "upper estates" were heavily over-represented, and most Finns were not represented in the Diet. The Russian reform introduced a 200-seat proportional representation-based, universal suffrage, 200-seat unicameral parliamentary body, the Edususkunta. This reform included women, making Finland the second self-ruling territory, after New Zealand, to allow women the right to vote and stand for election.

In the subsequent 1907 elections under the new laws, both of the Gebhards were elected to the new Finnish Diet or Parliament, seemingly the first husband and wife to be freely elected to a modern parliamentary body for either a nation or autonomous region. A host of other cooperative supporters and members were elected as well through multiple political parties, assuring the continued support of the movement (Kuisma et al., 1999). Cooperative leaders would play prominent roles in government from the beginning, and they would continue to do so over much of the twentieth

Figure 6.2.2 OP Bank Headquarters, Helsinki. In the heart of Finland's Wall Street, at Gebhard Square, one finds the largest office of OP, the nation's largest, most financially sound, and innovative bank. It claims to have been the 1st European bank to have online services, and it is aggressively moving into open bank p2p platforms, runs a car sharing service and electric car leasing program, and is building large hospitals for its health insurance clients. A cooperative, it is owned by more than 25% of the Finnish people as customers, founded a century ago with help of Hedvig Gebhard (photo bottom left, in bank lobby) and her husband, Hannes. When Finland became the first place to allow women to run for parliamentary office, Hedvig was elected.



financial support of the embattled and limited Finnish state to develop a cooperative economy, and, despite other challenges, these dynamics would continue to mark the post-independence period.

From the beginning of Finland's independence, cooperative leaders held high-level political positions: the first Finnish President Stahlberg from 1919 to 1925, had been on the Board of Directors of Elanto, the largest consumer cooperative society in Greater Helsinki (Parker and Cowan, 1944). Its subsequent Prime Minister (who

century. Russia would reverse some reforms in the following years, and repress or limit the cooperative movement at times. Labor unions, which had begun to develop, also created a national infrastructure, led by the forerunner organization to today's SAK, the largest union representing approximately one-fifth the population, which formed in 1907 in Tampere (Kirby, 2006). World War I continued and the Russian Revolution unfolded in February 1917, and an increasingly independent Finland took advantage of the crisis to declare its political independence.

2. Cooperative Growing Pains: A Tale of Two Cooperative Movements, 1917 – 1945

By the time of its independence, less than two decades after formal, systematic efforts to develop a previously non-existent cooperative sector, Finland had become one of the most cooperative countries on earth (Parker and Cowan, 1944; Gebhard, 1916). A civil society-led movement, as organized and led by the Gebhards and Pellervo, had worked with direct legislative and

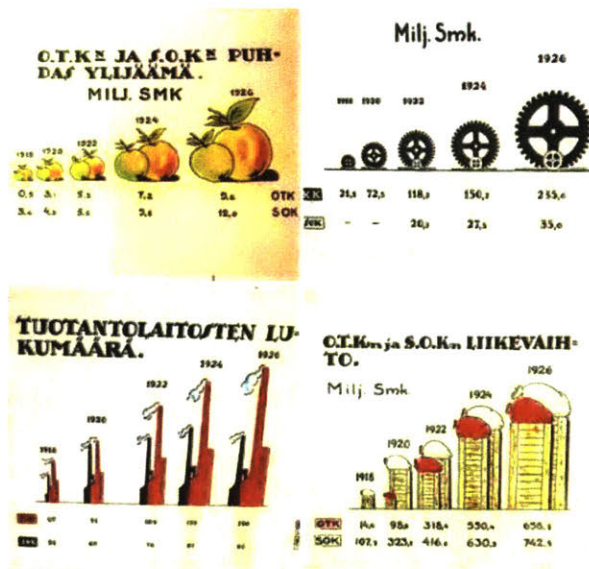
shared some executive power with the President), in 1926-1927, was Vaino Tanner, who had authored much of the initial cooperative legislation and state support in the early 1900s. Tanner would hold Finnish cabinet posts through the 1940s, and also was the global leader and President of the International Cooperative Alliance from 1927 – 1945. His eighteen year leadership of the global cooperative apex organization is the longest anyone has held the position, though he would be jailed post-World War II for his role in leading the wartime, German-allied Finnish Government.

Though cooperatives had played a critical role in harnessing rising Finnish nationalism and securing its political and economic independence, the cooperative moment was directly affected by the dynamics of the Russian Revolution: just as a the white guard vs. red guard cleavage had unfolded in the Russian Revolution, so, too, was it present in Finland. The social cleavages both across and within the old Four Estates (nobles, clergy, merchants, farmers/peasants) remained, and the divide between the white guard (bourgeois) and red guard (socialist) elements led to a schism in the cooperative movement in 1917, and a brief Finnish Civil in 1918, in which the white forces, with assistance from the Germans, prevailed (Kirby, 2006).

Many of the “red cooperatives”, as several Finn interviewees referred to them even today, had broken off from the white-associated SOK, to form OTK and KK. OTK served as a “progressive” socialist cooperative central wholesale society, and had its own educational /coordinating body, the KK. Despite initial clashes, both groups would grow markedly in the decades between the two World Wars, executing the “Cooperative Commonwealth” strategy of the British CWS, constructing an entire cooperative ecosystem and supply chain, with cooperative stores supplied by subsidiary cooperative manufacturing and production operations, in turn utilizing cooperative agriculture and inputs, all financed through the cooperative banking system. Cooperatives thus literally built the modern Finnish consumer economy, and their warehouse, manufacturing facilities, and office buildings still stand across not only Helsinki, but the countryside, as well. By World War II, Finland’s cooperatives accounted for almost all of its agricultural output, and 30-40% of its retail trade (Parker, 1944).

Alongside the development of the two rival consumer cooperative conglomerates, another wave of cooperative development after World War I and the Finnish Civil War further broadened the base of support for cooperatives, as additional central organizations were created for eggs, meat processing, and agrarian production and forestry (Gebhard, 1916; Kuisma et al., 1999). Cooperatives would come to dominate forestry, long Finland’s leading export, in part due to state action. The Finnish Parliament enacted major land reforms, restricting the ability of traditional private enterprises and foreigners to buy forest land, while increasing the forestry ownership of small-holding tenant farmers (*torppari*), in acts largely drafted between 1915 and 1925 (Pahlo and Lehto, 2012). In direct response to these legal changes, forestry

Figure 6.2.3 The Red and White Cooperatives' Rapid Growth. These early, art-deco style “data visualizations” from the 1920s show the rapid growth in industry, agriculture and commerce in Finland’s two rival consumer cooperative groups, SOK and OTK. (Photos: June 2017, by Spicer, in Tampere, FI at Werstas, the Finnish Labor Museum, at its Cooperatives Exhibition.)



cooperatives developed, and a central association, again with assistance from Pellervo and the Gebhards, was formed. Though they faced various challenges and setbacks, through association with central cooperative MTK, the small-holder forestry cooperatives became the basis for Metsalitto and Metsa Group, today the second-largest cooperative in Finland after SOK Group, and is the largest producer cooperative in Europe. Metsa Group is one of the largest forestry and paper/wood advanced materials suppliers and manufacturers in Europe, significant given that after Canada, Finland has long been the second largest exporter of forestry-related goods in the world (Peltola, 2003).

Labor unions and the Finnish welfare state also developed during these early decades of nationhood: though early attempts at collective bargaining beginning in 1924 were

not very successful, after unions were briefly outlawed in 1930, but by World War II, the unions had achieved significant wins. By 1946, economy-wide collective bargaining agreements covering most large employers and key industries were in place; and these agreements, though amended, remain today.

6.2.2 Cooperatives as a Defensive Strategy: Finlandization, The Cold-War and A Tale of Two Cooperative Movements, 1946 – 1995

From World War II through to the end of the Cold War, Finland occupied a tense – and dangerous – position, located on the physical and ideological border between the West and the Eastern Bloc. If the cooperative movement had originally achieved rapid scale as part of Finland’s attempt to offensively secure its independence, in this era, cooperatives played a defensive role. Unable to fully economically engage with the West, and politically threatened to the East, Finland’s cooperatives, in providing a domestically-owned and controlled supply of goods and services, helped defensively secure Finland’s continued economic and political independence during the era.

1. The Rise of “Finlandization” and the Cold War Economy

Finland had occupied a peculiar position in World War II, in which it was invaded by the Soviets multiple times, most notably in the “Winter War” of 1939-40, in which Finland, with limited resources, had beaten back the far larger Soviet forces. To secure its position, Finland sided in World War II with its former ally Germany, without fully cooperating with it. Due to its relationship with Germany, Britain had also declared war on Finland in 1941. But by 1944, Finland was negotiating a settlement with Russia, which it had effectively fought to a draw. It would pay reparations for nearly a decade after World War II’s end, and cede contested land in Eastern Finland, which the Russians had attempted to seize in an earlier invasion.

Finland lost significant territory and had to resettle its dislocated population as per the peace agreement with Russia, temporarily straining the operations of both cooperatives and traditional enterprises. *But Finland alone among the Baltics and Eastern European nations escaped becoming an occupied or satellite state of the Soviet Union.* Auguring the emerging East-West tensions and Finland’s delicate position, the US provided aid and loans to Finland but carefully limited the amount of the loans: too much aid might invoke a Soviet counter-response (Pihkala, 1999). As noted by a 1952 US National Security Council study, “The key to U.S. policy (toward Finland) is to avoid any steps which would threaten the delicate balance of Finnish-Soviet relations.”(US National Security Council, 1952, declassified 1986, p. 1759). Finland, which declined Marshall Plan aid, found itself in a precarious position in the Cold War era, walking a “political tight rope” (Standish, 2016), joining neither NATO nor the Warsaw Pact, despite pressures on both sides for it to do so. Over the next several decades, Finland would develop a response that outside political analysts came to call “Finlandization”, a term of revived interest today, given Russia’s current role in regional and global geopolitics (Standish, 2016). Often viewed as a pejorative by Finns, (as confirmed by three Interviewees), Finlandization involved deferring to Soviet wishes on foreign policy, in exchange for which Finland remained an autonomous and democratic nation. It was not occupied like the Baltics, nor was it forced into the Warsaw Pact agreement.

Finlandization also meant walking an *economic*, not just a political, tightrope. Though the UK would continue to remain Finland’s leading trading partner over much of the long run (alongside Sweden and West Germany) the Soviet Union re-emerged as one of Finland’s major trading partners, just as Russia had been when it ruled Finland. By 1953, the Soviets had temporarily surpassed Britain as Finland’s largest partner (Office of the Historian, U.S. Government, 1989). Trade with the Soviet Union before the war had been almost nil, but by the 1950s the Soviets accounted for roughly one-fourth of Finland’s international trade (Ollus and Simola, 2006). Beginning in 1947, Finland, unique among Western democracies, had a formal, bilateral trade agreement with the Soviets, negotiated once every five years. Eight such agreements were negotiated, the last commencing in 1986. Though companies in other Western nations traded with

the Soviets, they rarely did so under formal bilateral agreement. Finland, meanwhile, by the 1970s had become the Soviets' second-largest trading partner after West Germany, a country nearly 15 times more populous than Finland.

While Finland exported a diversified range of products to the Soviets, they largely only imported oil and energy products. Finland also had bilateral trade agreements with other nations, and over the course of the 1950s and 1960s joined GATT, the UN, the Nordic Council, and in 1973, the EEC. Nonetheless, its economy remained heavily protected through a range of import quotas and licenses, tariffs, and restrictions, and limitations on foreign direct investment (Ojala et al., 2006). These restrictions were allowed by the EEC due to Finland's unusual international position (Paavonen, 2001, 2004). As noted in a historical account of this era by the Bank of Finland,

"The junctures of domestic policy and labour market relations are essential to understanding the monetary and exchange rate policies of the Bank of Finland, but a national perspective alone is not enough. The activities of the Bank of Finland must also be seen in an international context... At the end of the Second World War, the country was economically isolated and had to entirely rebuild its trading relations, creditworthiness and international liquidity... Economic integration with western market economies was regarded in Finland as an important objective, even though the process was hindered by the suspicious attitude of the Soviet Union. In the words of Juhana Aunesluoma, an authority on the subject, Finland's trade and integration policies paint the picture of "a small figure walking the tightrope between economic necessity and political possibility"." (Kuustera and Tarkka, 2012, p. 16, emphasis added)

2. Cooperatives As Economic Independence And As A "Middle Way"

The political contrast with the US in this period is also instructive. In the US, as explained in Chapter 5, cooperatives came under political attack during the Second Red Scare. Fear that communism was surreptitiously at America's doorstep, infiltrating its institutions, activated anti-cooperative sentiment in response. In Finland, there was no such Red Scare, but rather a Red Reality: totalitarian communism was literally next door, with invasion possible at any moment. Finland's Communist Party, legalized in 1944, achieved popular support as high as 20-25%. Its 783-mile eastern border with Russia sat dangerously close to key Soviet military and population centers.

Finland's leaders could ill afford to alarm the Soviets by liberalizing its economy too much, thereby becoming economically and materially beholden to Western trading powers. Ideologically, it could also not afford to adopt a too "free market" oriented style economy, either. Located at the Soviet border, it risked alarming their neighbors that liberal capitalism – as embodied in the form of the investor-owned firm – was reaching ever closer. Finland was literally trapped between Scylla and Charybdis: ideologically, materially, and physically, it sat wedged between totalitarian communism and free-market, liberal capitalism. The cooperative model, as a "third way" (Skurnik, 2002; Kuisma et al., 1999) between the two, helped navigate this dilemma. Just as the

Argonauts carefully navigated between the rock and the hard place of Sylla and Charybdis, so, too did the Finns, their Argo propelled by cooperative ownership.

Finns had also entered the Cold War with a strong cooperative sector, one which also made explicit political room for both bourgeois (White) and socialist (Red) elements of cooperation through the SOK and OTK, respectively. The interests of the rural agrarian and natural resource-based population, meanwhile, were also well represented in the sector's other large central cooperatives. Cooperatives also provided key non-export ("non-basic") consumption goods for the domestic economy, thereby reducing the need for such goods to be obtained in politically-charged international markets. Cooperatives also produced goods and materials, notably forestry goods, which were readily exported.

Unable to fully participate in the financial liberalization, free trade, and transnational integration that began in the 1950s and 1960s, if the Finnish economy was to continue to develop, it would be on the basis of the domestically-controlled institutions and arrangements, leveraging those which were already in place. Cooperatives thus continued to play a leading role in the Finnish economy during this period, and the state continued to act in ways which supported their health. Finland's Parliament comprehensively updated its cooperative enabling statutes again in 1954, and repeatedly amended the act as needed in numerous other years, while also continuing to use the form in new ways: for example, during this period, as noted in Chapter 4, the state helped create road cooperatives in rural areas.

Consumer cooperatives' first-mover advantage, in having gained 30-50% market share prior to the Cold War, also gave them a "head start" on domestic, investor-owned rivals. Detailing the cooperatives in the Cold War era, Komulianen and Siltala (2015) noted that even as "private retailers established their own wholesale companies and started to compete fiercely with the co-ops, the Finnish co-ops had centralized much earlier. Already in the 1910s, HOK and Elanto had their own wholesalers and ideological associations."(p. 6)

Beyond playing a critical stabilizing role for the nation's delicate position in the international political economy, the cooperative movement also provided institutional room for this tension to play out within the country, as noted above. In detailing the rivalry between HOK and Elanto, the local consumer cooperative societies of white SOK and red OTK in Helsinki, which by then was rapidly urbanizing and playing a dominant role in the national economy, Komulianen and Siltala (2015) note that "the competition between HOK and Elanto escalated again in the 1950s, at the same time as did the Cold War. The international juxtaposition between the communists and the capitalists was reflected by the toughening competition between the co-ops."

HOK, the bourgeois/white society, became Helsinki's and the nation's largest restaurant owner-operator, in part by aggressively moving to include highly-profitable

alcohol sales after Prohibition ended in the 1930s, while Elanto remained dry, in solidarity with the temperance movement, which was closely affiliated with labor (ibid). HOK also became a key hotel owner-operator, as it moved to develop hotels for international travelers to the Helsinki Olympics in 1952. Elanto, reflecting the needs of its labor movement-associated, working class member-owners who did not travel as much, did not yet enter the hotel market, and focused on being a grocery and retail conglomerate, introducing self-service stores during this era as to save its working class members time on shopping. (ibid)

Notably, the red cooperatives in particular were overtly political, with their internal elections often seen as a barometer for national left-of-center party elections (Brazda and Schediwy, 1989). In this era, the red cooperative stores also began to fall behind in terms of investment, quality, and selection, auguring what was to come (ibid).

6.2.3 Cooperatives as “Globalization Insurance”: Post Cold-War Liberalization and European Integration, 1995 – Present

In the late 1980s and 1990s, the demise of the Soviet Union sent Finland’s economy, already in a recession due to the ongoing Nordic banking crisis, into an extraordinarily severe decline, arguably the worst in its history. GDP declined by roughly 13%, and employment fell by approximately 20%. Unemployment increased from under 4% to over 18%. For comparison, US GDP declined by 4% and employment decreased by 7% in the 2008-2010 Great Recession. With the Soviet Union’s collapse, however, there was nothing to stop Finland from pursuing closer ties to the West. In 1992, Finland swept away many of its economic regulations and introduced dramatically stronger competition laws, which eliminated the old system of price and import regulations. It joined the EU in 1995 and adopted the euro when it was introduced, in 1999.

Integration with the European Union meant further opening and liberalizing its closed, heavily regulated economy, and was not without its costs, and the cooperative sector was directly affected. Cooperatives had developed the “Cooperative Commonwealth” strategy of interlocking production in part through various inter-firm agreements, which ran afoul of the new liberal, atomistic approach to interfirm competition, which is a key element of the “liberal market economy” set of arrangements, as noted in Chapters 2 and 3. In a key account of cooperatives in the period, which explains how liberal notions of inter-firm competition and anti-trust regulations are dissonant with the cooperative logic. According to Kuisma et al. (1999):

Although the government had tightened up competition laws at the end of the 1980s, it was when these were brought into conformity with EU practice that the real blow was struck at Pellervo cooperation. Inter-company price agreements, production restrictions and territorial divisions were forbidden if they did not simultaneously make production and distribution more efficient, encourage technological and economic developments, or if the ensuing benefits did not mainly accrue to the

customers or consumers. The Pellervo idea of cooperatives working together had been in existence for almost a century. In the eyes of the competition authorities, collaboration between the cooperative dairies within Valio amounted to a forbidden horizontal cartel, whereas Pellervo saw it as an economic alliance of milk producers that was also beneficial to the consumers. In the opinion of the Pellervo Society and cooperative enterprises, too little attention was paid to the special nature of cooperation in the preparation of competition legislation. They wished a cooperative group or central society, its member cooperatives and individual members, to be treated as a group within the meaning of the law. When this failed, Pellervo enterprises applied to the authorities for a permit exempting horizontal cooperation, but only the service cooperatives were partly successful. The Office of Competition even forbade cooperative banks from price agreements, although they considered that the group should be treated as a single entity. On the other hand, the authorities did consider that agreements over prices and logistics within the S Group (SOK and its member societies and their subsidiaries) as promoting the production and distribution of goods, so long as uniform prices were not binding on the societies and that they were also free to buy from others. It was the cooperative slaughterhouses, however, that came under the closest scrutiny. The authorities noticed that, despite the dismantling of TLK, cooperation in this sector involved agreements on territories, prices and production. Officials struck at the slaughterhouses but failed to find evidence of lawbreaking. They considered that cross-territorial sourcing, meat importation and producer-price competition were acceptable evidence of genuine competition. In this way supranational competition policy succeeded in destroying cooperation between Pellervo enterprises, thus making illegal the century-old Pellervo ideal of cooperatives working together for the common interest. Competition legislation also changed the marketing of the Metsäliitto Group's products when the forest companies were forced to abolish their sales associations Finnpap, Finncell and Finnboard. (Kuisma et al, p. 117)

Given these challenges, some cooperatives struggled to adapt and died out. Others survived by pursuing more market-facing partial/hybrid investor ownership models, while still ultimately remaining cooperative in ownership. But the government, though rarely acting to provide significant subsidy, acted in other ways to enable the continued utilization of the cooperative structure. It is worth reviewing each of these developments in slightly greater detail.

First, as noted above, as many of Finland's leading cooperatives faced new challenges in the economic environment, some would effectively die out, most notably its "red" consumer/retail cooperatives.

With the threat of EU and global competition, Finland's cooperatives faced a stark reality. As one interviewee from one of the nation's largest cooperatives stated regarding this time: "We had to adapt and change, or die. We still wanted to be a cooperative, but we knew we had to be a business first. The business had to run." (Interviewee #16) Finland's protected, export-oriented businesses had been able to charge more to Soviet enterprises, and operate less efficiently (Ollus and Simola, 2006). This was also an issue in the domestic, consumer-oriented market, where cooperatives dominated: as early as the 1960s, both the white and red cooperatives were

experiencing economic challenges, relying increasingly on debt to finance their development and operation (Brazda and Schediwy, 1989). They also continued to operate in less-profitable rural areas, as part of their “national duty” (Komulianen and Siltala, 2015).

Structural crises had thus been slowly brewing in the previous era. The “featherbedding” system of import controls and guaranteed prices (Kuisma et al., 1999), coupled with rising interest rates, also led to the dramatic restructuring and sale of groups like Hankkija, the long-standing farmer’s cooperative, and TLK in meat processing, part of which would be remain cooperative through a successor firm, which remains strong today, HKScan.

The greatest trauma for the cooperative sector in this transition was the loss of the historic red consumer cooperatives. OTK and KK, whose stores by this time were known as the “E-Group” stores. They ultimately went into bankruptcy, with their operations sold off to an investor-owned firm. For Finn’s labor movement and socialist populations, the loss still resonates. One interviewee in 2017 noted: “My family’s social life had historically revolved around the red cooperatives. Our town’s life revolved around it. My uncle is still angry that it closed and was sold, and that was over twenty years ago.” (Interviewee #17). The remnants of the E-group, however, persist: on the basis of the remaining assets left after its consumer operations were wound down and sold (some became investor-owned, some were sold to rival SOK), it has evolved into a sustainable investment company owned by its long-standing customers. Such an investment model is not foreign in Finland: it has a two-tiered pension system, with a state system of “Social Security” supplemented by a compulsory, employer-coordinated and insured pension. Its pension and benefit system, though it developed late (Van der Linden, 1996), makes some use of the cooperative/mutual ownership structure. The supplemental investments are largely held by one mutually-owned/cooperative pension insurer, Varma. Owned by over 70,000 employers, who are its customer-owners, Varma manages the pensions investments for nearly 900,000 Finns, effectively one-third of the size of the national labor force, and bills itself as the largest single private investor in Finland today, with assets in exceed of 37 billion EUR. Thus, if Varma’s success is any indicator of the potential for a cooperative investment group in Finland, the remnants of the former red cooperatives, today called Tradeka, may succeed in their efforts to find new life as a consumer-owed social investment firm.

Rival “white” group SOK, however, reflecting its bourgeois history and its long pursuit of a more business-minded approach, subsequently rebounded. Under extreme financial duress itself in the 1990s, the group undertook a range of operational and management improvements to enhance its efficiency, and its market share has rebounded from 16% to 47% today, as confirmed by SOK itself in an interview. It is perhaps not surprising some Finns today see SOK as “like any other store”. Five

interviewees remarked on this, with one noting that SOK was “not really a cooperative, in the sense of the word: it is simply a store like any other.” But SOK objects to that characterization. As one SOK interviewee noted,

“It is both true and not true that we are run like any other store. We are run like any other business. Because we are a business. But we continue to serve areas of the country, regions of the country, with our operations even if they are not very profitable, because we are a Finnish cooperative. We serve the needs of our members, who are the Finnish people, all of them. We are not here to maximize profit. We keep operations going in places where a company, an investor would say, ‘Tskkk...no, no profit, not enough profit here.’... Yes our stores and our regions, which own us, the children own the mother, all need to stand themselves, to make a surplus. But we do not run to the stock market to make decision. We do not close a store because an investor wants more. We are different.”

Finland also experienced a few outright demutualizations – Elisa, the telephone cooperative, for example, demutualized, and red-associated insurer Kansa was merged into mutual insurer Sampo, which had also demutualized. Several of Finland’s large agricultural cooperatives also pursued a hybrid or “next generation” model, as has also occurred in the other case countries, in which minority ownership shares were sold on the stock exchange, or a subsidiary was traded on the stock exchange, while ultimate control and ownership remained with the owner-members (farmers). Reflecting the history of land smallholding in Finland and the legacy of the land reforms, most farmer-members of these cooperatives are family-run enterprises with few employees (in contrast to New Zealand, where increasingly the farmer-members of Fonterra, for example, include large, investor-owned farms).

Despite these challenges, the state has repeatedly undertaken actions to assure the continued health of the nation’s largest cooperative enterprises, revising general cooperative legislation in 2001 and 2014, and passing special legislation to bolster the cooperative banks in the 1990s. The cooperative structure itself was also used, as it had been in the other case countries, as a means by which to address unemployment in the 1990s recession, with some state support. Cooperatives today, however, receive little if any state subsidy, pay comparable tax rates, and their incorporation law is similar to that of an LLC.

As noted in Chapter 4, unlike other Nordic countries, which allowed and encouraged their large cooperative banks to be restructured into investor-owned enterprises in the aftermath of the banking crisis, the Finnish state created legislation to strengthen and secure the cooperative banks. Today, the OP Group is extremely well capitalized, and returns healthy profits to its owner-members. Competitor POPPankki Bank, which separated from the main OP Group during the Nordic crisis to form its own cooperative consortium, is also extremely strong. Together, they account for more than half of the banking market in Finland today.

Worker-owned cooperatives, which did not have a significant history in Finland, emerged initially as a “make-work” strategy for the underemployed in the 1990s. They have evolved to become a tool for a wide-range of types of employment today. Students often form cooperatives to engage in part-time work or entrepreneurial ventures (such as Kajak Games, a co-op which publishes student-created video games), and artists and gig-economy workers also forming cooperatives to organize their activities (such as Lilith, a large artists’ co-operative). Though some employment cooperatives initially received some Ministry of Labor support in the 1990s, today, they receive no “special treatment”. In fact, there are over 1,300 hundred of these “new generation”, small cooperatives which have formed (Pellervo Society, 2016), breathing new entrepreneurial life into the cooperative model, and reversing the long-standing trend towards ever-larger consolidations among cooperatives in Finland.

Ultimately, as noted in Chapter 4, though, Finland’s increasing integration with Europe has meant economic liberalization, and it is not entirely clear if cooperatives will continue to thrive. But as demonstrated by the re-emergence of Russia as an unexpected force in the global political economy, Brexit, the contentious 2017 French elections, and the rise of populist parties into significant positions in parliaments across Europe (Rodrik, 2017; Bonikowski, 2017; Spicer, 2018), nationalism has not yet been relegated by globalization to the dustbin of history, nor have geopolitics disappeared.

This has not escaped the notice of Finland, which has survived through such periods before, in part through cooperation: Skurnik and Egerstrom (2007) has argued that today, cooperatives serve as a form of “globalization insurance” for Finland. Beyond using cooperatives in this way today, Finland had previously used cooperatives as a form of Cold War “insurance”, as reviewed earlier. Cooperative policy and law thus has not been allowed to “drift” (Hacker, 2004) into irrelevance: it has repeatedly been updated as underlying conditions changed, as noted both here and in Chapter 4. As one Interviewee noted:

“People tell stories about cooperatives in Finland. This is because we know that these cooperatives are different, part of what makes Finland different. I am sure you have heard these stories. We cooperate in Finland because of talkoot...do you know talkoot?...our peasant tradition of cooperating to work together in poor farms and villages...we cooperate because we believe in equalness of people, too, socialism! There may be some truth in these things...But I think America had peasant traditions, too...and America also believes in equality, too, yes?... I have spent fifty years in cooperatives, and I know that we cooperate because we have to, because it is smart. We have always had to be smart. We were between Sweden and Russia. Then we were between Russia and Germany, even in my life time. Then it was the Soviets and the Americans, the West...many thought that because of the European Union, the cooperatives would slowly go away. But Russia again breathes heavy. The European Union does not look so promising as it once did. America, Britain...look at what you have done, too! I will not mention this. The past is here again. Nations still live. And cooperatives do, too.” (Interviewee #22)

Finland has spent its entire existence on what Halford Mackinder, a founding father in the fields of human geography and modern geopolitics, in 1904 called “The Geographical Pivot of History”. Mackinder’s crude theory was that the great Russian landmass was so much larger and richer in resources than any other continent, it constituted a “global heartland”, and that modern human history could be understood as a fight for control of the heartland. Though this work fell out of favor with the demise of the Soviet Union and Fukuyama’s purported “end of history” (1989), recent events have brought a renewed focus on Mackinder’s idea, which again graces the pages of outlets such as Foreign Policy, a sign of the times and of the shortsightedness of Fukuyama’s proclamation.

For Finland, however, this notion has never been far away, staring at it from across a 783-mile border, providing a stark and daily reminder of the benefits of local, domestic ownership and control, and the role of cooperatives in securing domestic peace. Not that geography is the only factor that explains Finland’s cooperatives’ endurance: social and economic homogeneity, a unitary state, and a history of less-liberal politics and policies all have played a role, as the case history clarifies. Cooperatives emerged into an under-populated field environment at a particular moment in time, when a weak, “embryonic state” and body of law was present (Kirby, 2006). Joint stock companies had a late-developing and limited history, the labor institutions of slavery and serfdom were also not present, and political parties and institutions were also crude and in formation. But cooperatives leveraged a nascent national solidarity partly rooted in geography: Finland was home to a small, spread out population, one distant to markets, trapped between empires. Under such conditions, to coordinate and control some of its most exportable and consumable goods, which were readily cooperativized (e.g. agriculture and natural resources), it utilized the cooperative as an institutional ownership solution. Though the relevance of these spatial dynamics have declined as technology has reduced the costs of distance, their institutional legacy through cooperative ownership has remained, repurposed today as “globalization insurance”, mindful of Finland’s historical precarity in the geographical shadow of empire.

6.3 New Zealand: How Geography Can Trump Liberalization in Institutional Evolution

“All people think that New Zealand is close to Australia or Asia, or somewhere, and that you cross to it on a bridge. But that is not so. It is not close to anything, but lies by itself in the water. It is nearest to Australia, but still not near. . . It will be a surprise to the reader, as it was to me, to learn that the distance from Australia to New Zealand is really twelve or thirteen hundred miles, and that there is no bridge.” – Mark Twain (1897, ch. 16)

If slavery looms large in the field and institutional context for cooperatives in the US, and if national political revolutions similarly play a critical role in the French and

Finnish cases, in New Zealand the institutional context for cooperatives reflects how “geography is destiny”, to borrow a phrase apocryphally attributed to Napoleon.

Unlike the other “success” case countries, cooperatives were present from nearly the very beginning of New Zealand’s colonization by the British, who brought the new form with them from the UK. Cooperatives and mutuals, however, were initially of marginal interest: New Zealand was founded and conceived as a liberal, capitalist utopia, in a colonization process led by a profit-seeking joint-stock company which created the colony’s principal settlements. The company quickly failed, unable to make sufficient profits to attract ongoing external investment, in part due to the colony’s remoteness and geography. Cooperatives, along with a strong state sector, vibrant labor movement, and robust welfare state evolved in the late nineteenth century into a somewhat under-populated field environment, one where a Native people had been supplanted, and where a high-profile, joint-stock company had failed. The cooperative specifically would play a key role in New Zealand’s late economic development success, as cooperative-led industries would drive its rapid growth during the global Second Industrial Revolution, beginning in the 1880s.

New Zealand’s institutional environment has accordingly been historically marked by a tension between the economic liberalism of its British roots, and its economic marginalization due to its distance from the world economy. This tension has frequently manifested in an uneasy marriage between center-right governments and economic development programs built on both (a) direct or indirect state ownership and investment in the economy, and (b) cooperative and community ownership, including consumer and charitable trust ownership models. From its development in the late 1800s through the 1980s, New Zealand had one of the most state-dominated economies among the rich democracies (Nagel, 1998), a fact perhaps surprising given its “liberal market economy” categorization in the VofC framework today. If New Zealand can be described as a case of a “developmental state” (Johnson, 1982), cooperatives were a key institutional tool in New Zealand’s state-led development.

Unlike the LME archetypes of the US and Britain, New Zealand’s economy experienced its *first* successful period of economic liberalization beginning in the 1980s. Its cooperative sector, which had originally developed in an era of state socialism and strong labor movements, evolved in response to what was ultimately an unusual process of liberalization, one paradoxically led from the political *left*, a process in which distance and geopolitics loomed large. The backlash to this liberalization also yielded institutional openings for the cooperative to evolve and persist into the twenty-first century.

The New Zealand case thus exposes three key points of interest. First, it affirms a conventional understanding of cooperative as a response to marginalization. In New Zealand, however, the marginalization was national, not local: cooperatives succeeded as a response to economic marginalization of New Zealand in an increasingly capitalist

world economy. Second, it demonstrates how the ongoing tyranny of distance is an under-considered factor in explaining the evolution and arrangement of institutions. It may not be enough for “small states in world markets” (Katzenstein, 1985) to deploy “democratic corporatism” to compete on a global stage: they may also need to deploy domestically-rooted ownership models, as a means to not only coordinate their export industries, but as a way of retaining the required local wealth and investment for their success.

Last, the New Zealand case also underscores the limits of the VofC and Welfare Regimes frameworks’ static categorizations of “liberal market economies” and “residual welfare states”, particularly in explaining institutional outcomes which reflect a cumulative historical process. Capitalist democracies have liberalized in different ways in recent decades: processes of liberalization have variably unfolded in the two “welfare regime” families present in coordinated market economy countries (Thelen, 2012, 2014), as mentioned in Chapter 2. But how have “liberal market economies” liberalized? How did they become liberal to begin with? Did liberalism initially emerge as dominant in all the LMEs, fully formed and entering from stage left, like the *deus ex machina* in an ancient Greek drama? New Zealand suggests that “liberal market economies” became liberal in markedly different ways, at different points in time. New Zealand’s “strange bedfellows” of liberalism and cooperative development may in part reflect that New Zealand has only recently – and peculiarly – become a fully liberal country, and its historically strong cooperatives have persisted despite this recent shift.

In this section, I trace the historical development of New Zealand’s cooperative ecosystem, divided into two periods: the first period covers New Zealand’s founding in 1840 through to the end of its highly socialistic, “strong state” economy in 1984. The second period covers 1984 to the present, from the birth of “Rogernomics” -- New Zealand’s program of liberalization which can be compared to Reaganomics and Thatcherism -- and the subsequent backlash against it.

6.3.1 Socialist, Cooperative, and Liberal? The Emergence of Modern New Zealand 1840 – 1984

Modern New Zealand, unlike the other countries examined in this study, was not established through a decisive conflict with a foreign power, or revolutionary act of independence. Though the original settlers fought with and decimated the native Maori, which led to the Treaty that established it as a British crown colony in 1840, New Zealand was a largely self-ruling British territory from 1852. New Zealand’s political independence developed so gradually the country has no independence day, as the date of its “independence” is unclear. New Zealand citizenship overlapped with British citizenship until the 1970s, and Britain could pass legislation pertaining to New Zealand until the 1980s (Smith, 2005). Reflecting this history, New Zealand’s cooperative development until the 1980s in part reflects this evolution, gradually

developing an institutional framework based on British laws it either inherited or adapted.

1. Early Colonization and Failed Development of a Liberal, Capitalist Utopia: 1840 - 1870.

In 1840, the first industrial revolution in the US and UK was in full swing, and in response cooperative institutional experiments abounded in both countries, as well as in France. At the same time, Australia had already been a British penal colony for fifty years, but New Zealand had virtually no European inhabitants. The North and South Islands of New Zealand were inhabited by approximately 90,000 to 100,000 Maoris, and 2,000 European settlers, a mix of whalers, sealers, Australian migrants, and missionaries. In 1840, the Maori signed the Treaty of Waitangi, which gave the Crown the exclusive purchase right to their land. Two decades later, the Maori population had declined by 35% and had been surpassed by British settlers, as treaty-related conflicts known as the New Zealand Wars weakened the Maori (Smith, 2005).

Almost as soon as New Zealand was formally colonized by the British in the 1840s, a consumer cooperative appears in the historical record, as does a mutual benefit society. The first chapter of Manchester Unity (MU), a British friendly society, was formed on a ship passing from the UK to New Zealand in 1841, and is an early bright spot of cooperative/mutual activity, as MU would ultimately take root and thrive throughout the colony (Olssen, 1996), with nearly one-quarter of all adult men as members by the end of the nineteenth century.

In 1844, the same year as the UK Rochdale model was developed, the first consumer cooperative in New Zealand appeared. Backed by the man who would become the second Premier (leader) of New Zealand, William Fox, the cooperative provided goods to colonists working for the New Zealand Company in Riwaka (Balnave and Patmore, 2008). Such cooperative efforts, however, were initially scarce and short lived. New Zealand's origins were initially not conducive to cooperatives: the original intentions for New Zealand, as developed by Edward Gibbon Wakefield in his plans for "systematic colonization" (Bunker, 1988) were to construct a decidedly "capitalist utopia" (Ellis, 2013), one also primarily white in racial composition, the "fairer Britain of the South Seas" (Ip, 2003).

Between 1840 and 1860, British colonization was led by Wakefield's New Zealand Company, a UK joint-stock company organized in 1840 in London by Wakefield, who was also involved with the British colonization plans in Australia and Canada. Gibbon would spearhead efforts while based in Britain, and did not set foot on New Zealand until the 1850s. The industrialization-induced economic dislocation in the UK in the 1830s and 1840s – which had birthed the modern cooperative movement - also fueled interest in out migration from Britain (Phillips and Hearn, 2008). Gibbon, however, conceived of New Zealand as a utopian experiment, but one very different from the

utopian socialism which had led to the cooperative movement in the UK. New Zealand was conceived as a conservative and capitalist utopia (Olssen, 1997), one where capitalist investors owned large plots of agrarian, crop-producing land closely settled around urban land. These capitalist investors – most of whom were ultimately absentee investors who did not move from the UK – were to employ immigrant labor, who were to be assisted by the New Zealand Company in relocating, a plan explicitly and extensively analyzed by Karl Marx in Chapter 33 of *Das Capital*. As US urban planner Frederick Law Olmsted noted, the New Zealand Company's vision presaged Ebenezer Howard's Garden City, with its vision of an agrarian utopia, free from the problems of industrial society in the UK and the US. (Olmsted, 1928, p. 27 cited in Olssen, p. 207, 1997). Gibbon sought to "to effect the transfer of a vertical slice of pre-industrial English rural society to the colony." (Phillips and Hearn, 2008, p. 46) Unlike the Garden City, however, Gibbon's vision did not include cooperative elements, but advanced a capitalist model.

Gibbon's New Zealand Company founded several distinct New Zealand settlements, including the capital and second largest city, Wellington, in 1840. His company also created spin-offs or joint ventures to found colonial "associations" with the Church of England and Free Church of Scotland. These joint efforts would found the two largest cities and regions on the South Island today, which are the third and fourth largest cities in New Zealand: Canterbury (Christchurch), and Otago (Dunedin) in 1850 and 1848, respectively (Thorns and Schrader, 2010). The New Zealand Company was thus behind the development of three of the four principal cities in the country today. Auckland, the fourth and largest city, was founded by the British in 1840, and had a similar capitalist ethos. As John Logan Campbell, founder of Auckland, noted of his new city, "the whole and entire object of everyone here is making money, the big fishes eating the little ones" (Fischer, 2012, p. 64)

Ultimately, however, the New Zealand Company, which had brought over 15,000 settlers to the colony over the course of a decade, was not financially viable. Their plans had shown "a substantial ignorance of New Zealand conditions" (Alley and Hall, 1941 p. 35), and they "had come with the intention of engaging in arable farming, without consideration of whether this was suitable to New Zealand conditions." (ibid p. 37). Their original legal claims to the land were imperfect, and absentee speculative investors, rather than farmers or others interested in developing the territory, had dominated purchases (Tai Awatea, n.d.). There was also no clear export market for the wheat, grain or other similar higher-density agricultural production, as originally planned to support the financial model, but the land was well suited for pastoral purposes such as wool (Peden, 2011). This model could not support the expected financial returns. The Company also struggled to attract British investors and workers, who were deterred by the danger and great cost of the voyage, in turn a function of its distance. By the 1850s, the New Zealand Company was bankrupt and under British Colonial Office state administration, with its debt forcibly transferred to the settlers.

As Maori wars and economic uncertainty continued to plague the colony in the 1850s and the 1860s, the emergent provincial governments found it difficult to individually raise money for infrastructure. New Zealand Premier Vogel in 1870, proposed raising 10 million pounds to advance a national infrastructure development program (approximately \$2 billion in 2018 dollars). With initial backing from the UK government, over the course of the 1870s, the New Zealand government would borrow 20 million pounds (\$4 billion) on the London financial markets, then a very large amount, to finance development of roads and state-owned railways, and a state-owned telegraph, post system, and postal banking arm (Dalziel, 1975; Smith, 2005). As these development plans unfolded in New Zealand, its parliament voted to abolish the provincial governments, as to continue to centralize development efforts, and marking a contrast in its development vis a vis federal Australia. The New Zealand government also directly continued to own significant arable land: through various land reforms in the 1870s, it promoted long-term leases, rather than outright sales, of land to encourage settlement.

By the 1870s, it was clear that if New Zealand was a liberal colony as planned, it was one with a strong state sector, and specifically, with strong state ownership. This stands in contrast in some ways to the US, where private ownership of the railroads would fuel Gilded Age inequality, alongside the development of private telegraph and banking operations: the US' brief foray in postal banking, for example, would not start until 1911. The US, in contrast to the New Zealand approach, also gave away large swathes of land for nominal cost in the Homestead Acts.

2. 1870 – 1949. The Rise of “Liberal” State Socialism and the Cooperative Sector.

Modern New Zealand's economy was shaped by two parallel developments in the 1870s and 1880s. First, as noted above, in the wake of failure of the “capitalist utopia” model of colonial development led by the New Zealand Company, a strong, centralized state emerged to steer and guide the economy. In conjunction, a powerful labor movement, which included dramatic wins in the 1890s by the pro-cooperative Knights of Labour and their successors and allies as part of a Liberal-Labour political alliance, reinforced a unique New Zealand model of “state socialism” (Le Rossignol and Stewart, 1910). Second, major government land reforms, coupled with technological developments of the Second Industrial Revolution, sped the development of readily cooperativized export industries like dairy and meat. If, by the mid-twentieth century, New Zealand had become “Britain's Farm”, it was a cooperative farm, in turn supported by an ecosystem mix of cooperative and state-owned businesses, and protected by strong labor rights and one the world's most advanced early welfare states.

Just as in the US, the pro-cooperative Knights of Labor's New Zealand organization did not last for long. Unlike in the US, however, where its cooperative efforts and anti-

“wage slavery” ideology interacted with race-based slavery and strong employers to limit its effect, in New Zealand, the Knights’ efforts became incorporated into the national labor movement’s legislative victories, as well noted by the US Knights in their official publication, the *Journal of United Labor*. Weir (2009) has also argued these victories were made possible by the late development of political parties in New Zealand, as the Knights were initially able to directly advance their cause unmediated by a developed party system. As the US Knights were fading, the New Zealand Knights’ agenda was being advanced by the Parliamentary members of the emerging Liberal-Labour political alliance: over 25 Knights are known to have been in the New Zealand Parliament in the 1890s. Given Knights’ membership secrecy, the actual number is believed to have been higher (Weir, 2009). The Knights’ membership was geographically diverse as well: New Zealand’s first national labor organization, it grew from strong local assemblies in Auckland on the North Island and Christchurch on the South, and developed a local presence throughout both islands (Weir, 2009).

New Zealand’s parliamentary government was not organized along party lines until 1891, when the new Liberal Party, operating with explicit Labour movement support, won a majority. This “Lib-Lab” alliance would rule New Zealand for two decades, from 1891 until 1912, and would create the foundation for New Zealand’s welfare state and state-led economy that would reach its peak under the first Labour government, which held power from 1935 to 1949.

In the 1890s, the Liberal-Labour alliance secured industrial peace by enacting world-leading labour and social welfare reforms, producing one of the most robust welfare states of the era (Le Rossignol and Stewart, 1910). Many reforms had been promoted by the Knights and their elected supporters in Parliament. In 1892, they enacted land reforms, including a progressive land tax meant to discourage large estates, a land repurchase scheme, and a progressive income tax. In 1893, New Zealand became the first self-governing territory to give all women the right to vote. In 1894, New Zealand enacted the Industrial and Reconciliation Act, led by a Fabian socialist and Minister of Labour for the Liberals, William Pember Reeves. New Zealand became the first self-ruling territory to recognize industrial and trade unions and impose a binding system of national labor arbitration, and minimum wage agreements by industry. By 1898, a New Zealand-wide old-age mean-tested, pension system was introduced (albeit one which excluded Chinese immigrants, Le Rossignol and Stewart, 1910), and in the early 1900s, state housing development began, with the Workers Dwelling Act of 1905.

Alongside these reforms, direct state intervention and investment into various sectors of the economy continued apace, building on the previous national government-led and owned efforts in rail, postal banking, and communications: the private Bank of New Zealand was bailed out by the government in the 1890s, and would become wholly-owned by the government in the early 1900s. In 1903, the government introduced the State Coal Mines Act, to develop state-run coal mines to “to succeed

where private enterprise had failed” (Grey River Argus, Feb 24, 1902, p. 4) according to the New Zealand Premier of the era. By the early twentieth century, all utilities and natural resource sectors, including forestry, electricity, railways, and banks, had developed as state-run or quasi-state run entities, with shipping lines, airlines, and hospitality/tourism properties and a winery, as well (State Services Commission, 1996). Cooperative programs were also introduced: in 1894, W.H. Clarke promoted a plan for fourteen state cooperative farms to put the unemployed to work (Weir 2009, Sargisson and Sargent, 2017 (2004)). While the full plan does not appear to have been implemented, some 2,200 people were ultimately settled in such farms. In 1908, shortly after becoming a Dominion, New Zealand would also pass its own version of the UK’s Industrial and Provident Societies Act, providing a stronger legal framework for cooperatives and member-owned societies. It would also repeatedly update its Friendly Societies Act, most notably in 1908-1909, to enhance regulation for friendly societies, which had become a key provider of health insurance and sick care.

At the same time, the colonial economy, originally focused on subsistence, trade/export to Australia, and wool production and export, shifted between the 1870s and 1890s into dairy products and mutton, both primarily for export to the UK. These sectors, enabled by developing direct long-distance shipping lines, refrigeration techniques, and dairy processing mechanization and technology, rapidly overtook all other sectors to dominate New Zealand economic activity. The UK overtook Australia as New Zealand’s primary trading partner, and by the early twentieth century, between 80% and 90% of New Zealand’s exports were accounted for by the UK (Nixon and Yeabsley, 2010).

These infant export industries were economically coordinated and organized primarily through cooperatives, which were available as a legal form through British law: New Zealand’s Parliament had clarified in the English Laws Act of 1858, which applied retroactively back to 1840, that all English laws – including both statutory and common law – applied in New Zealand. Britain, as noted in Chapter 5, had passed comprehensive enabling legislation for cooperatives by the 1850s and 1860s, as part of the Industrial and Provident Societies Act, which had enabled member-owned cooperatives to own real property (which was not allowed under the Friendly Societies Act they had previously used to incorporate, see introduction to Brazda and Schediwy, 1989).

Notably, wool production was not particularly conducive to cooperation: to the naked eye, wool is of a highly heterogeneous and non-standard quality, reducing the homogeneity of economic interest among producers in pooling their products to sell to market (Evans and Meade, 2005). In contrast, dairy products and mutton are comparatively more homogeneous: it is difficult for a buyer to distinguish between two gallons of milk or two cuts of mutton (Evans and Meade, 2005). New Zealand’s geography and topography – particularly its rolling green hills - were well suited to

these two products which were readily cooperatized. New Zealand's British settlers were also familiar with cooperative models, which had become widespread in Britain well before technological advances enabled the growth of readily-cooperativized industries in New Zealand. In 1871, New Zealand's first dairy cooperative was organized in Otago on the South Island, eleven years before refrigeration enabled long-distance export of dairy products in 1882. By 1890, forty percent of the country's 400 dairy farms and factories were organized as cooperatives (Stringleman and Scrimgeour, 2008), with 85% of the nation's 600 dairy farms and factories structured as cooperatives by 1920. Cooperatives similarly would come to hold a leading market share in mutton.

The cooperative market share in dairy and mutton were no doubt also partially aided by the government land policy. Pre-existing "large estates", which had been assembled during and immediately after the New Zealand Company era, were broken up, culminating in the 1890s by the new Liberal Government's policy of "closer settlement", which sought to increase population living in and around the town settlements, and a "one man, one farm" approach to agricultural production. (McAloon, 2008; Lucas, 1966) Specifically, as to encourage a "one man, one farm" society, land acts in 1892 and 1894 had imposed significant taxes on large land estate holdings and limited the size of land lots which could be sold, while also imposing tenure restrictions. These policies, which were eased by the 1950s (Fairweather, 1985) and removed by the 1990s (Massey, 2016), impeded the assemblage or maintenance large-scale, investor-owned farm (dairy or otherwise). The government also actively acquired, through legal expropriation, if needed, large estates, and subdivided them for resale to individual farmers. I have not found any literature which notes this connection between government land policy and the prevalence of New Zealand cooperatives, but given this "one man, one farm" structure, cooperatives were the most viable way for farmers to pool their products to reach the UK market. The New Zealand and Australian Land Company, an early investor-owned firm, for example, did not succeed in its refrigeration-related production efforts and sold its New Zealand operations by 1903, as "the state energetically evangelized for cooperatives" (Belich, 2001, p. 61).

Critically, these initial cooperatives in commodity export industries would also support other cooperatives in the agricultural supply chain during the twentieth century, in banking, insurance, and supplies. Farmer's Mutual Group (FMG), the dominant rural and agricultural insurer in New Zealand today, was founded in 1905 (Standing, 2005), after the Farmers' Union (or "Farmers' Parliament") lobbied the New Zealand Parliament for the Mutual Fire Insurance Act of 1903, which enabled its formation. Farmlands, one of the five largest New Zealand cooperatives today, is a retail supply store chain with 82 locations, owned by its 64,000 farmer shareholders. Farmsource, a subsidiary of the nation's largest cooperative, dairy producer Fonterra, is a similar retail chain, focused on dairy supply. Two of the other top ten cooperatives today, Ballance

Agri-Nutrients (named after the 1891 Liberal-Labour Premier, John Balance) and Ravensdown Fertiliser, are also agricultural supply cooperatives. Rabobank New Zealand, a subsidiary of the Dutch global banking cooperative, is a dominant agricultural lender and banker.

Given the development of the agricultural cooperatives along with the Knights of Labour successes, one might expect Rochdale consumer cooperatives and worker cooperatives to have taken root in this period. Many did: beginning in the 1880s, New Zealand experienced sustained attempts by “old British co-operators” (Balnave and Patmore, 2008) who had moved to Christchurch to create a Cooperative Commonwealth via the Rochdale cooperative system. Ultimately, after some successes, these efforts could not achieve lasting scale (ibid).

Chief among the challenges were (a) competition from other grocers, and (b) conflict with the British cooperative wholesale society, which had initially been a supportive partner, over the balance of export-import trade with the New Zealand cooperatives, and (c) attacks from the National party, which would come to power in 1949. Efforts to construct a national cooperative wholesale society in conjunction with, and investment support from, the British cooperative movement, failed (Balnave and Patmore in Hilson, 2017). The development of national advocacy organizations were initially successful, yielding the Cooperatives Women’s Guild, the New Zealand Co-operative Alliance, and the New Zealand Federation of Co-operatives (Brickell, 2006), but none of these groups survived through the post-war era. Only in Palmerston North did a significant Rochdale-style grocer/consumer retail cooperative succeed, the largest such entity in Australasia (Coy and Ng, 1989), only to fail in the 1980s. The Labour government had, through the late 1940s, attempted to promote consumer cooperatives in its housing and urban development schemes, even as it maintained consumer rations implemented as it had sent supplies the UK in World War II. This came under attack by the National party as “centralized planning” which was “reducing consumer’s standards of living” in the post-war era (Brickell, 2006).

Interestingly, and presaging later developments in France, in place of retail consumer cooperatives, the dominant two grocery chains became Four Square, a producer cooperative of independent store-owners which developed into today’s Foodstuffs, the largest grocery chain in New Zealand (and second largest cooperative in the country) and Self-Help Cooperative Grocery, which was not actually a co-operative. Having started business before the term co-operative was legally restricted to use by coops, it had aspired to be a cooperative, but could not interest consumer cooperative participants in its efforts (Sutherland, 1947). The firm would eventually be bought out by an Australian firm and has become today’s Countdown, the #2 grocer in the New Zealand grocery market duopoly.

3. The Conservative Twilight of New Zealand Socialism: 1949-1984. After World War II, the fledgling National Party, which had formed out of the conservative

remnants of the Liberal Party, would gain power in 1949. For the next 35 years, it would hold power in all but six years (during two, three year Labour governments, 1957-1960, and 1972-1975). Though the National Party introduced reforms to liberalize the economy, they ultimately maintained the strong welfare state and direct state-run enterprises built by Liberal and Labour governments over the preceding half century. They also repeatedly passed laws to update or expand cooperative enabling legislation. Under the National Government, an updated Co-operative Companies Act was introduced in 1956. The National-led government also later introduced the Credit Union and Friendly Societies Act in 1982.

New state interventions continued during this period, reflecting the ongoing role that distance played in structuring outside investment into the economy, and the threat of foreign control. As late as the 1970s, New Zealand was creating new state-owned enterprises because "the New Zealand farmer has always been at the mercy of the overseas shipping companies" (Hayward, 1981, p. 148), which was the government's justification for creating a state shipping line in 1973.

When its leading foreign export market, Britain, entered the EEC in 1973, however, the economic effect was significant, as it ended Britain and New Zealand's bilateral trade agreements and threatened the nation's prime exports of sheep and dairy products, both of which were heavily cooperativized. As the effects of these changes took hold, under National Party Prime Minister Muldoon (1975-1984), the center-right government introduced a host of programs to reduce unemployment and stimulate economic growth. This included promoting work trusts and worker cooperatives, which often received direct national government support, and the support of local council (city) government in Auckland and Christchurch (Hutt, 1978), then the two largest cities. These programs were similar in purpose to both the 1930s wave of Depression-era self-help work cooperatives in the US, and the then-contemporary "community economic development" worker and consumer cooperatives in the 1960s through 1980s in the US.

The New Zealand government supported them because they sought to put people to work, but many participants and cooperative developers also sought to build a different type of economy through these structures, as well. Notably, some were affiliated with Maori social movements. Directly inspired by the US civil rights movement, one social movement group explicitly and directly adopted the US "Black Power" name, and formed worker cooperative trusts (Gilbert, 2010, 2013) in association. As the New Zealand Minister of Justice then said, "The notion of the work co-operative – something that I might tell the house is now attracting international attention – is working in a viable way to solve the problems of alienation, lack of job opportunities...and above all, the feeling that society offers nothing and gives nothing to these young people." (as quoted in Gilbert, 2010, p. 341)

In this era, the conservative government also allowed for the development of Southern Cross, which today is one of New Zealand's largest mutual benefit and member-owned organizations, providing secondary health insurance as a supplement to the national universal health care service. They own hospitals through a linked, charitable trust ownership structure. Southern Cross' initial development, which involved an eventual National party prime minister, intentionally selected the mutual society structure, aware of its prior history and usage in health care in the country (Smith, 2000). Though friendly societies had effectively been replaced by a universal health care system in the late 1930s, public health care was not comprehensive in terms of benefit, and they had not entirely died out (ibid; Olssen, 1996).

These various strategies followed the government's continued adherence to the long New Zealand tradition of direct use of state ownership and power alongside use of cooperative structures to connect to the global economy, and to develop locally-controlled and owned enterprises. Ultimately, the National-led government of Robert Muldoon, which continued deeply protectionist policies in the 1970s through the early 1980s and a fixed US dollar exchange rate, were increasingly unpopular in a period of economic malaise. New Zealand continued to struggle to adjust to the decline of the British Empire and ascension of the UK to the European Economic Community (EEC, now the EU) in 1973, which cost New Zealand its major trading partner, as New Zealand's exports to Britain were displaced by products from within the EEC. By 1982, the New Zealand government had imposed wage and price controls, and the economy was undergoing a prolonged, severe recession.

6.3.2 Cooperatives Respond to The Liberalization of New Zealand, 1984 - Present

From Labour's election in 1984, through the end of the National government which succeeded it from 1990-1994, New Zealand went from being "the most protected, regulated and state-dominated system of any capitalist democracy to an extreme position at the open, competitive, free-market end of the spectrum." (Nagel, 1998, p. 223).

Reaganomics and Thatcherism in the two leading LMEs, the US and UK, were *neo-liberal* movements, or liberal recapitulations in these countries. But New Zealand's corollary development of "Rogernomics" (Menz, 2005) in 1984, and subsequently "Ruthanasia" in 1990, named after Finance Ministers Roger Douglas and Ruth Richardson, respectively, were effectively the country's original and first period of sustained, significant and "successful" liberalization. The reforms of Rogernomics, as one scholar observed, made "Thatcher look timid" by comparison (Menz, 2005, p. 49). These efforts, however, were not wholeheartedly accepted by the public, and ultimately produced a backlash which enabled cooperatives, consumer and community trusts, and state-owned enterprises, an opportunity to adapt and survive.

1. The Liberal Revolution And its Backlash: 1984 - 2001

Curiously, the liberalization and deregulatory revolutions in New Zealand were led not by the right, but by the center-left: when Roger Douglas became Finance Minister in 1984, he was serving on behalf of a Labour government, which had come to power by defeating the center-right National Party. Though the Labour Party was socially progressive, its economic reforms, following a policy paper by Roger Douglas, were stark and all-encompassing: it devalued the New Zealand currency by 20 percent, and removed many export incentives, state-led sectoral development policies, and import restrictions (Smith, 2005). Most notably, it sold off some state assets entirely, or transformed government departments into arm's length, state-owned enterprises run with a focus on private sector efficiency. It also eliminated policies which had restricted the sale of state-owned or state-controlled assets, which covered, as noted earlier, a wide range of industries, including timberlands, petroleum, airline operations, telecommunications/utilities, hotels, banks, insurance, steel, shipping, railways, broadcasting/communications, computing and housing (Boston et al., 1991).

Ultimately, many aspects of this program were met with negative voter sentiment and a backlash (Soederberg et al., 2005), particularly as Australians and foreign investors came to own privatized assets, and as some privatizations failed and required government intervention to avoid service disruption or closure. Air New Zealand, for example, had to be renationalized. Reflecting how geography and geopolitics can trump liberalization, this re-activated historical concerns regarding national economic independence and security, as relayed by several interviewees in this study.

As one Wellington interviewee noted, recalling this era:

“You must understand that we are very far away from everything. When Americans come, they think we are right next to Australia. We are not...so we have this history of building and owning our own businesses because we have to, and then if Australia comes and buys them, we don't always like that. Every schoolboy learns that we were once part of the same colony (as Australia), and decided not to remain part of Australia, but to go it alone. There's a tension there. We don't want to be owned by the Australians, we have our own identity and value our independence...yes, independence economically and politically, also culturally...but we are so far away from everyone else, what do we do? That's where cooperatives and trusts come in...it becomes a government issue for us...on the basis of economic independence...we still don't even have Amazon here.” (Interviewee #17)

During the changes in the 1980s, the cooperative sector still did not have a strong, national organizing body, and it formed one to advocate for its interests. In 1984, they registered the New Zealand Agricultural Cooperatives Association, which would

ultimately develop into today's Cooperative Business New Zealand, the advocacy organization for cooperatives in New Zealand.

Though the center-right National Party government continued to hold power in the 1990s, it undertook actions responsive to the backlash. In the push to deregulate energy markets in the 1990s, the lessons from some failed privatizations of the New Zealand government (most visibly in the air and banking sectors) enabled the mutualization of the regionalized energy system. Most are consumer and community trusts that effectively operate as cooperatives, while a few are legally formally cooperatives, reflecting local voter preference (Hunt and Evans, 2011). This system of community-owned or cooperatively-owned energy prevails across all of New Zealand, not just in rural areas: even Auckland, the nation's largest metropolitan area, ultimately has a consumer trust at the center of its energy system, ENZA. Residents vote for the organization's leadership and receive dividend rebate checks each year for their share of the surplus, and the trust, already largely powered by renewable hydro energy, is now partnering with Tesla to expand solar capacity.

In addition, in 1996, the Cooperative Companies Act of 1956 was overhauled and updated, with the major change involving more readily allowance for outside investment (Evans and Meade, 2005). The New Zealand Companies Act had been updated and modernized in 1993, and cooperative had not been included. The concern was that if the cooperative statute was not similarly updated, cooperatives would be at a disadvantage. The National-led government could have declined to support the act: this would have been tantamount to following an approach that institutionalists might call "policy drift", in which a policy or statute is not updated to reflect changes to underlying conditions, and therefore becomes less effective or relevant (Hacker, 2004). But instead, cooperative policy entrepreneurs, led by the cooperative advocacy organization, shepherded the act to passage.

This backlash also affected the banking sector, with partial state support for cooperative and mutual banking assets somewhat re-emergent. In 1984, the government had owned or directly guaranteed more than half the commercial banking sector (M3 financial institutions – Brash, 1996). Many of these were deregulated in "Rogernomics" experiments, with state and community asset privatization resulting in a partial loss of its trust-owned banking sector (which held bank equity on behalf of local communities, which received the profits) to Australian investors. The sector has been partially rebuilt in the two decades since, through market and state action: TSB, the one remaining major community trust bank, has grown significantly to become the 7th largest bank. The state, too, reintroduced a public bank, Kiwi Bank, under Helen Clark's Labour government³⁹, which has become the 5th largest bank over the last decade; cooperative sector actors interviewed have called for it to be cooperativized (Interviewee #14). A struggling public investment/retirement agency, the PSIS, was

³⁹ Clark was elected in 1999 under the newly introduced mixed-member proportional system.

converted, with assistance from the state, into The Cooperative Bank, which has become the 6th largest bank, just behind the four major Australian-owned banks and Kiwi Bank. Credit unions in New Zealand have banded together under the “Coop Money” banner, and are engaging in shared services in their back office and support operations in order to scale their operations, as well.

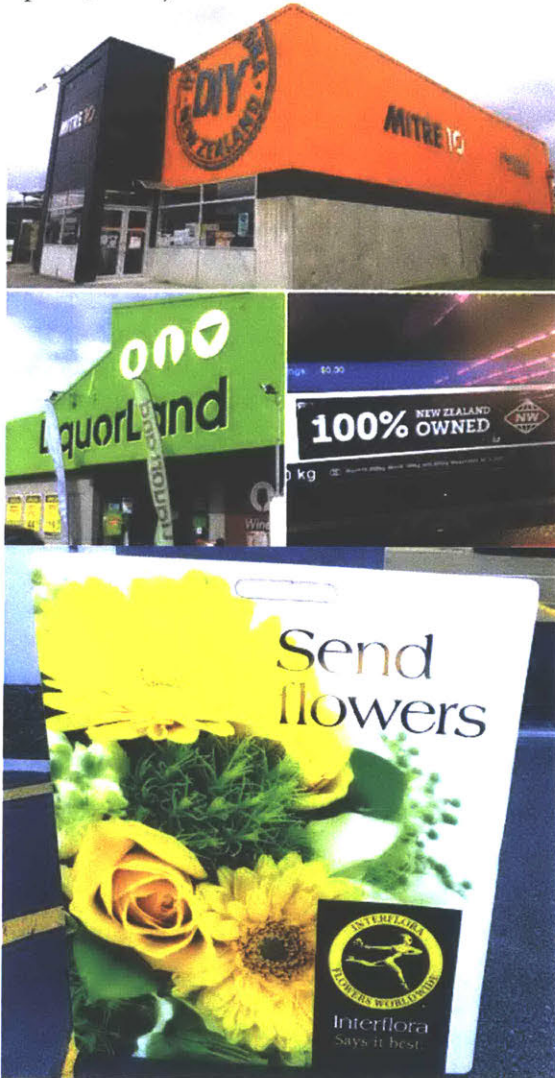
Finally, under Helen Clark’s Labour government, the New Zealand Parliament passed the 2001 Dairy Industry Restructuring Act, which allowed the merger of New Zealand’s largest dairy cooperatives to form Fonterra, which instantly became New Zealand’s largest private enterprise. The rationale for this act was to allow for a single, unified dairy export firm capable of competing in global markets. As to offset the monopolistic effects of the merger, regulations were introduced to allow and encourage the formation of new dairy companies, and several smaller cooperatives and investor-owned firms have been formed. Today, Fonterra remains the largest business by revenue based in the country. Despite being a dairy cooperative, its headquarters today anchor a vibrant new Central Auckland redevelopment area, a symbol of New Zealand’s growth and of cooperatives’ role in the process.

2. Cooperatives in New Zealand Today

As noted in Chapter 4, New Zealand’s cooperatives have succeeded, to a degree, in adapting to and thriving in the liberal era. Through successful efforts at policy entrepreneurship, they have organized to secure legislative treatment which allows them to continue to compete and serve their members. New Zealand’s cooperative sector, led by several large producer cooperatives and a few consumer cooperatives/mutuals, still reflects the tyranny of distance, not just as an economic force, but as a political one. Because of its remoteness, New Zealand faces a stark choice of economic ownership by their larger closest neighbors, Australia and China. To avoid this outcome, it can use a range of “non-traditional” ownership structures like the cooperative to keep its wealth locally owned and controlled. As a result, the continued viability and health of the cooperative as an organizational form becomes a compelling national policy issue, one which earns the attention of the national government.

Producer cooperatives, which are more likely to persist under liberal regimes due to their different structure and logic (see Chapters 1 and 2), drive New Zealand’s cooperative sector today, and many of these have thrived by accepting outside equity investment, enabled by legal changes. Though this further diluted the democratic, member-driven nature of the cooperative form, it is how these cooperatives have been able to persist and compete. Not all producer cooperatives have survived, however: the New Zealand Honey Producers’ Cooperative, for example, was finally demutualized in 2015-6, while in the wake of the Christchurch earthquakes, AMI, the mutual insurer, had to be demutualized because of the catastrophic losses from the earthquakes. Nonetheless, many persist: FTD/Interflora, known the world over as a

Figure 6.3.1 Cooperative Businesses Keep NZ Wealth Local. Merchant/producer cooperatives, effectively a reverse franchise, are common in NZ. (Photos: Spicer, 2016)



leading company for floral delivery with nearly \$1 billion in annual revenue, remains a cooperative in New Zealand, owned and controlled by the nation's florists, even though the networked firm has demutualized everywhere else around the world. FTD/Interflora's individual florist owners, as relayed by an Interviewee, have observed the loss of control that investor ownership has brought for the rest of the global organization, and have no interest in demutualizing (Interviewee #18). Such "reverse franchise" producer cooperatives are not unusual in New Zealand, and also include its leading grocery chain, home improvement store chain, and agricultural supply store chains. Fonterra and Silverfern, the mutton cooperative, have also recently created a cooperative joint venture to form Kotahi, a "cooperation among cooperatives" shipping and logistics company, to connect their products to world markets.

There remains, however, little direct state support, via subsidies or lending programs, for cooperatives, notably for worker or consumer cooperatives. City governments have, as in the US and other case countries, nonetheless taken limited action to use cooperative enterprise structures as an economic development tool: Auckland, for example, has introduced cooperative business

incubation in its The Southern Initiative, a community economic development model in South Auckland. (Interviewee #24) Nonetheless, as one might expect given that New Zealand is now a "liberal" country, worker cooperatives and traditional Rochdale-style consumer cooperatives have a limited presence in New Zealand today. Consumer cooperatives, as noted earlier, largely disappeared, either before or during the Rogernomics programs of 1984, while the Muldoon-era work trusts and cooperatives disappeared with the rise of the Labour-led liberalization and reforms. At

the time of this research, there was just one registered “worker cooperative” in existence, Loomio. Founded in 2012, the platform technology company which has built a decision-making and consensus building app which seeks to reduce governance and decision-making costs for other enterprises.

Figure 6.3.2 Loomio: A Worker-Owned NZ Platform Cooperative. Loomio is a NZ-US high tech worker coop born out of Occupy, and uses technology to enable collaborative, consensus-based decision-making in non-profits, governments, coops, social enterprises, and social movements around the world. (Photo: Wellington, 2016, Spicer)



The lack of such consumer or worker cooperatives is likely one reason they are not necessarily seen as a progressive tool of social change: four interviewees noted that cooperatives were, if anything, likely to be associated with the political right. What persists, however, are a host of other non-investor ownership forms alongside the cooperative. State-owned enterprises, such as the aforementioned KiwiBank, have also gotten a second chance at life in New Zealand, as noted earlier. Sizeable community and consumer owned energy systems and banks are also common. Unlike in the US, where the tax war against cooperatives led to a clear ring-fencing of what operations could be conducted as a tax-exempt non-profit in the 1950s (see Chapter 5), in New Zealand, the lines are less clear. Charitable trusts, for example, also sometimes own large, for-profit businesses, on which they do not pay tax.

The most well-known example is Sanitarium, a New Zealand and Australian equivalent to the US’s Quaker Oats. Sanitarium is New Zealand’s largest cereals manufacturer, and is a for-profit enterprise, and its goods can be found throughout the nation in all major grocery stores, including the cooperative Foodstuffs, which has nearly a 60% market share of the grocery market. Sanitarium is for-profit, but owned by a charitable trust exempt from income tax. The trust is 100% owned by the Seventh Day Adventist church, and all profits are reinvested in hospitals and health care systems it operates: though the tax-exemption has been challenged in court, because their activities reduce the burden on the state to meet these costs, they have not been subject to taxes on profits. Reflecting the blurring of state and civil society roles, Sanitarium has also coordinated with Fonterra, the milk cooperative, and the New Zealand government to create Kickstart. This is a formal, state-sanctioned, public-private partnership between the three entities to bring breakfast to at-risk children at more than 900 schools across New Zealand. Such arrangements, as the history reviewed in this

section well shows, reflect New Zealand's long use of cooperative and community ownership tools alongside state ownership, in meetings its social and economic development needs.

But why might New Zealand, ostensibly a liberal country, persist in maintaining such institutional arrangements in a globally connected world today? The closest major land mass to New Zealand is Australia. And yet, Australia is a half a continent away from New Zealand: the two closest cities of Auckland and Sydney are separated by 1,340 miles of ocean, which is comparable to the distance between London and St. Petersburg, Russia, or New York City and Dallas, Texas. Reflecting the continued cost of distance and remoteness, even today, in 2018, Amazon has no operations in New Zealand, nor do they service it or ship to it from their new Australian hub, which finally opened in 2017: reflecting cost and distance, items from Amazon's "main" US site costs \$20 to ship to New Zealand.⁴⁰ That cooperatives like Interflora should persist alongside other cooperative-like and state-related enterprises in New Zealand as global, investor-owned corporations like Amazon remain distant is not surprising, given the country's historical development. Ultimately, New Zealand's economy developed as part of the "first globalization" (Berger, 2003; 2017) in the late nineteenth century, using the time-space reducing technologies of the Second Industrial Revolution (Combes, et al., 2008), such as long-distance shipping, telecommunications and refrigeration, to become "Britain's Farm." Cooperatives played a critical role in overcoming the tyranny of distance to organize this economic activity, a role which they continue to play today.

⁴⁰ <https://theregister.co.nz/news/2018/02/amazon-australia-confirms-it-doesnt-ship-new-zealand>



PART FOUR
CONCLUSIONS AND IMPLICATIONS



Chapter 7

Conclusions and Implications for Theory and Practice

“One of the things I criticize the left for is what I call ‘fetishism of organizational form’...” – *David Harvey, Boston Review, 3 May 2012*

“Why is investor ownership and control so widespread throughout the world? Under what circumstances can modes of organization other than the capitalist enterprise – cooperatives or employee-managed firms, for instance – emerge and prosper?...Is there a failure of competition among possible forms...if so, is it up to the state to intervene...?” – *Jean Tirole (2016, p. 174, 177), 2014 Nobel Laureate in Economics and Chair, Toulouse School of Economics*

I have taken the reader on quite a lengthy journey in this study. As a review, I began in Chapter 1 by outlining the extraordinary breadth and depth of pro-cooperative initiatives today in the US, which cut across the state, market, and civil society spheres, and involve the city, state, national, and global scales of action. These efforts attempt to utilize cooperative ownership as part of a broader agenda of deep and transformative socioeconomic change. The range of actors involved in these strategies often seek to move to a “post-capitalism” (Mason, 2015), that is more just and sustainable for people and planet.

While theirs is an exciting program and agenda, when I began this research I was struck by the fact that there was limited research, of either a theoretical or empirical nature, as reviewed in Chapter 2, to help these actors answer the question now posed by the 2014 Nobel Prize winner in economics, Jean Tirole, as quoted above. Under what conditions can cooperatives emerge and prosper? I also wondered: do those conditions exist in the US? Are cooperatives successful in the US, and if not, why?

Further, many cooperative advocates I met were long on enthusiasm and theoretical motivation – the intuitive appeal of the cooperative’s member-ownership model is easy to grasp – but short on some tactical specifics. How were cooperatives going to get to economic scale? At what geographic scale should they focus their efforts? What were the barriers in their way? Had this strategy not been tried before, and failed? What lessons did this history impart?

These advocates also lacked specifics on some other fundamental questions: why the cooperative, rather than some other form? Was this merely a “fetishism of organizational form”, of the kind David Harvey has criticized, as quoted above to open this concluding chapter? Or was their devotion to the cooperative based on some underlying, fundamental difference in its logic, mode of operation, and institutional rules, as might be discernible in the historical record from examining its legacy?

I set out to answer these various questions in this study, and have answered them as best I have been able. Looking back, what now can be concluded?

7.1 Highlights and Summary: The Conclusions in Brief

As explained earlier in this study (see Chapter 2), it has long been known that cooperatives seem to appear among those with a social or economic heterogeneity of interest, often rooted in members’ shared experience of social or economic marginalization, or as a response to crisis. This solidarity seems to act as a generative substitute for the profit-maximization motive. Such solidarity might be in shorter supply in the US than elsewhere, given the level and nature of the US’ social heterogeneity (which might splinter a cooperative membership base) and its advanced industry built on differentiated, heterogeneous labor inputs.

The central finding of this study has been, however, *that cooperatives also require an enabling and supportive political environment*. As long established by a range of social scientists, and as reviewed in Chapter 2, states are never just passive actors in the economy (Skocpol, Evans and Rueschemeyer, 1985), but play an active role in market conditioning (Volscho and Kelly, 2012), through policies which structure how economic activities are conducted, and how markets are constructed. This clearly includes, based on the evidence presented in this work, an active state role in shaping how enterprises are owned, and in which types of ownership models succeed or fail.

Tirole (2016), as quoted above, has asked whether the state “should” intervene. This is a rather unrealistic and theoretical question. Only an economist could convincingly attempt to ask it so naively. It is not a question of whether or not the state should intervene. For the state *always does* intervene. It always has, and will. The question is *how* should the state intervene? At the very least, *cooperatives appear to require, as a necessary but not a sufficient condition for their success, the state to provide an enabling framework which respects their specific field or institutional logic*. This has not occurred in the US.

Given cooperatives’ institutional or field logic, which is based on member-owners’ shared use-values, and which achieves scale by valuing solidarity within and between cooperatives in lieu of profit maximization, it is accordingly not surprising that a more liberal state, operating in accordance with the principle that profit-maximizing, individual competition among people and firms best produces desirable economic outcomes, would be comparatively more hostile to cooperatives. It is also not surprising that cooperatives, lacking the profit maximizing motive as an incentive to

harmonize rules across political jurisdictions, would face additional coordination challenges in a territorially federal political system. These political factors, alongside social and economic ones, can be measured and modeled (Chapter 3), to explain why large-scale cooperatives are less prevalent in the US today.

Further, in this study I have pinpointed precisely *how* these various factors collectively inhibit the development of a system of large-scale, viable cooperative enterprises, or a “cooperative ecosystem”, as it is increasingly called (Hoover, 2016) in the US, by isolating the distinct and traceable mechanisms through which cooperatives are marginalized in policy today. Cooperative actors have attempted to organize a cooperative business ecosystem, and in so doing, they have sought to overcome the social and economic factors which limit their overall potential in the US, such as the legacy of race-based slavery. But besides social and economic obstacles, US cooperatives have been systematically marginalized by the state, subject to treatment which is indifferent at best, hostile at worst, and which explicitly restricts or conditions their ability to scale.

Cooperatives lack a uniform framework at the national scale for either worker or consumer cooperatives, have historically lacked access to a wide range of federal and local public economic development tools, and face explicit limits in the range of their activities and their ability to freely add members. These limits, as the international cases well showed, are not typical in countries where cooperatives have been more successful. The policy treatment of the cooperative not only undermines their ability to succeed today: it in turn reduces the probability they can organize to change the rules in the future.⁴¹

Having failed to develop a supportive and enabling policy framework which enables its institutional and field logic to attain and sustain success, US cooperatives thus display what Acemoglu and Robinson (2013) call “vicious cycle” dynamics, as reviewed in Chapter 4. Hampered by policies which further their marginality, the result is the production of self-reinforcing policy dynamics, as cooperatives become subject to “negative feedback effects” or “decreasing returns to scale” in the policy environment.

For advocates of cooperatives specifically, and for all those who generally share their broader goals of lower socioeconomic inequality and improved environmental sustainability, this finding is troubling. How did these dynamics develop? Are they of recent origin? Do they reflect the role of long-ago challenges the cooperative once faced in the US context? To discover how we wound up in such an exceptional situation, and trace the connection between cause and effect, “we have to go back and look” (Pierson, 2000, p. 264). Using an institutionalist or field theoretic framing, I have gone back and looked. I have shown how and why such exceptional conditions for the

⁴¹ See Pierson, 2004, for an analysis of how this temporal process matters to institutions in politics.

cooperative developed in the US. As compared with other countries, as shown in Chapter 5 and 6, initial differences in the field environment in the US case produced conditions hostile to cooperatives' development.

In the US, when cooperatives initially emerged, they faced two formidable field or institutional competitors, embodied via two different ownership logics and models – a comparatively more advanced and well-developed “employer” system (Voss, 1993), i.e. those who were increasingly deploying the investor-owned joint stock corporation form of ownership (Mann, 2013), and the slavery-based plantation system of human ownership (Gourevitch, 2015). Corporations thus had a first-mover economic advantage, while slavery (and, to a significant degree, Jim Crow thereafter) further limited participation in the cooperative movement.

The cooperative movement thus comparatively lacked the same force of social and economic solidarity, as present in other case countries, to collectively organize to achieve favorable treatment by the state, setting it up for future failures. In round after round of post-crisis opportunities, cooperative “policy entrepreneurs” failed in making a “condition” – the lack of a comprehensive cooperative policy framework as an issue for social and economic development – into a “problem” on the policy agenda. As further traced in Chapter 5, waves of federal and state politicians - such as Upton Sinclair in his EPIC gubernatorial campaign in 1930s California, and Congressional Democrats in the 1970s with the Voluntary Job Preservation and Community Stabilization Act - have tried and failed to do so.

Today, Bernie Sanders and other Senators are again undertaking some of this work with their various worker ownership proposals. But this current work is only necessary because of these past failures, the US lacks a national framework for two of three main types of cooperatives, those owned by consumers and workers. Further, existing cooperative statutes and policies at national scale systematically limit how cooperatives can achieve scale, most often by restricting the scale and scope of their membership base and activities, as noted above.

Beyond these overall highlights, what are we to make of this tale of an exceptionally un-cooperative America? What are the implications for theory? What empirically-based insights can inform practice and policy? In this chapter, I develop three sets of conclusions for theorists. Specifically, I develop theoretical implications for those interested in: (a) development, evolution, and change in institutions and fields; (b) the role of ownership in theories of how the political economy drives inequality; and (c) the role of geography – of cities, regions, and space - in the production of fields and the political economy. For national and local policy makers, urban planners, economic development practitioners and social movement activists, I also draw a set of applied conclusions: what do the examples of successful cooperative ecosystems imply for the US context, at both the local and national scale?

7.2 Implications for Theory

For theory, as noted above, the study has implications across three broad domains: institutionalism/strategic action fields, the political economy of inequality, and urban studies/geography.

First, the study implies that our understanding of how and why institutions evolve might be enhanced by combining the insights and frameworks of new institutionalism with field theory, thereby providing a more complete picture of the mechanisms of change.

Second, the study suggests that for social scientists interested in political economy, ownership is an understudied and under-considered variable in explaining the different degree and characteristics of inequality across national and regional contexts.

Last, the study also allows us to begin to answer an age-old geographical question: in what sense a regional problem? Cooperatives expose that “political opportunity structures” have a spatial structure which varies both between and within countries, and across different fields of action. But the study also shows more generally that despite the compression of time and space due to technological change, geographical variables remain critical *to our understanding of the first two theoretical issues above, that is, both general processes of institutional change, and the political economy of ownership.*

7.2.1 Synthesizing Institutionalism and Field Theory

As reviewed in Chapter 5, historical institutionalists have developed an approach to explain how institutions change over time in path-dependent fashion, both as a result of “critical junctures”, which “punctuate equilibria” and offer an opportunity to reset the “rules of the game”, while also shifting during inter-junctural periods. During these inter-junctural periods, “increasing returns to scale” to a set of institutional arrangements support the “lock-in” along a path in various, distinct ways. As applied by political scientists and political economists, such frameworks are generally used to understand cross-national differences in the origins and development, over time, of *specific, singular institutions*, be it health insurance (Hacker, 1998), absolutist vs. constitutionalist states (Ertman, 1997), or labor market skill-formation institutions (Thelen, 2004).

In a given “political space” (Thelen, 1999), these institutions can and do evolve, between periods of critical juncture, through various pathway mechanisms the institutionalists have conceptually mapped. Once established, institutions and the policies which support and structure them, can be subject to the intuitively-named processes of drift, layering, conversion, or displacement, as developed by Thelen and

contemporaries (see the various works as already cited by Pierson and Hacker, as well as Schickler, 2001).

Through these processes, the table of players and institutional repertoires is effectively shaped, and accordingly evolves, during the “calm before the storm”. As Thelen (2004) showed in the case of German skill-formation institutions, who is present at the table *before* a crisis can strongly condition who and what will remain on the table *after* the “unsettled period” (Swidler, 1986) ends. Actors do not wholly invent a new “cultural toolkit” (ibid), but rather inventively work with what is on hand, repurposing it for new conditions. After the end of a crisis, when the dust has settled, remnants from prior periods remain, and persist on. Such remnants become one source of what these scholars sometimes call “intercurrence” (Orren and Skrowonek, 2004), in which competing institutional logics and actors “collide”, and compete for “political space”.

These various terms have been used to apply both to specific institutions, and to individual policies. Scholars focusing more specifically on policy have also incorporated ideas of agency in shaping these institutional outcomes, as best articulated by ideas about the “political entrepreneur” (Schickler, 2001), and the “policy entrepreneur” (Kingdon, 1995) framework, which articulate the actor-level *origins* of policies and politics. Kingdon establishes how a condition becomes a policy problem, gets on the policy agenda, and results in state action, in moments where the “three streams” of problems, policy, and politics converge to form a “policy window”, creating the conditions in which policy entrepreneurs can act to achieve their goals, as also reviewed in Chapter 2 and 5.

Despite this robust framework, and despite these scholars’ additional interest not just in individual institutions but also in institutional arrangements, as noted in Chapter 5, they have not fully applied their framework to conceptualize the *relational development of the institutional arrangements themselves*. This, in my view, is the critical problem at the heart a long-standing critique of the highly static VofC framework (Pierson, 2004; Thelen, 2012, 2014): how did the institutional arrangements of VofC develop in the first place?

For my purposes in this study, institutional arrangements and relations have been directly relevant to the inquiry undertaken in this work. The comparative historical analysis (CHA) of the cooperative, focusing solely on the cooperative itself in isolation, does help explain how they became so marginal in the US today. But the explanation has been greatly enriched by taking a *relational* approach, mapping cooperatives’ place within a larger set of institutional arrangements. Rather than focusing *solely* on the cooperative, I have examined how the cooperative *related* to competing and complementing institutions. I argue that the motion and the structure of these relations, over time, have not been well conceptualized by the institutionalists.

In parallel to the institutionalists, sociological field theorists and organizational scholars have indeed begun to articulate a relational conceptual vocabulary, by

examining processes of inter-field relationships, also as noted in Chapter 5. They often use similar terms to express related conceptual ideas to those of the institutionalists, but they are applied more explicitly to the *relationship* between different fields and institutions, rather than on what is happening *within or to* the institution or field itself. Again as reviewed in Chapter 5, strategic action fields, each with borders, rules, logics and actors, emerge from a broader field environment. They often appear to emerge in response to field rupture or crisis, but also evolve relationally in ways that can be understood through examining the *architecture* of fields (Fligstein, 2001; Fligstein and McAdam, 2012; Kay and Evans, 2009). Fields can be hierarchically nested, like “Russian dolls”, and they can also *overlap*. It is where fields overlap that great social change can be generated, by actors who can leverage their position in this overlap to effect change (Kay and Evans, 2009).

Though there are slight differences in how the field theorists and institutionalists use their respective conceptual terms, I believe they can be synthesized, without engaging in too much “conceptual stretching” (Sartori, 1970, 1984; Collier and Mahon, 1993). Such a synthesis can be applied not only to the cooperative case, but also more generally to achieve gains in understanding similar macro and meso-level, inter-field phenomena of interest across the social science disciplines.

For example, institutionalists speak of layering, in which a new set of institutions or policies are layered on top of other, co-existing ones. There is a corollary to what field theorists have called field encroachment (Spicer et al., forthcoming 2019), whereby a new field comes to conjointly occupy a previously-occupied area within the field environment, without entirely displacing the prior occupant.

Figure 7.2.1 Synthesizing Conceptual Vocabularies – Historical Institutionalism and Field Theory

	Field and Organizational Theory	Institutionalism
dynamics	field rupture/crisis	critical juncture/policy window
	field settlement	punctuated equilibrium
	field emergence	institutional origins
	encroachment	layering
	drift or disintegrate (proposed)	drift
	co-optation	conversion
	displacement	displacement
statics	overlap	intercurrence
	field architecture, field relations	institutional arrangements
	field environment	political space

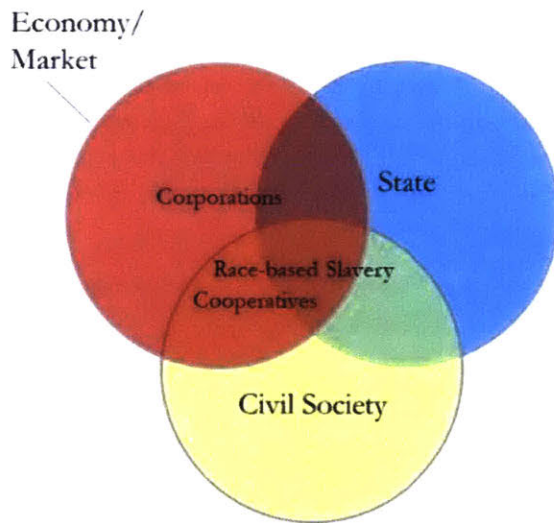
Sources: Thelen 1999, 2004; Streeck and Thelen, 2005; Orren and Skrowonek, 2004; Pierson, 2004; Hacker, 2004; Schickler, 2001; Kingdon, 1984/1995; Fligstein and McAdam, 2011, 2012; Evans and Kay, 2009; Spicer et al., 2019.

The institutionalists use layering to explain what happens to the original policy or institution being studied: the object or goal behind the concept's deployment is thus a particular institution, and why it looks the way that it does. The field theory concept, however, has a different object: it is used primarily to understand the emergence of one field in relation to another. Nonetheless, the same underlying process is at work, and it is my contention here it can be meaningfully used for both purposes, and as such develop a more generalizable framework for broader use across the social sciences. Such corollaries can be readily drawn, as presented in Figure 7.1.1.

As applied to cooperatives, and to developing an understanding of why they have not well succeeded in the US, these various concepts of institutional relation and evolution prove quite useful.

Figure 7.2.2

Cooperatives and Field Architecture



First, cooperatives are, as a field, located at the intersection and in the overlap of three “first-order” fields, as in Figure 7.1.2. Building from Habermas and directly from Fligstein and McAdam (2012), Spicer et al. (2019) have postulated that today, all fields (and, by implication, institutions) are ultimately nested in three “first-order” fields: state, economy/market, and civil society. The cooperative, as they explicitly note in their work contrasting “social enterprise and entrepreneurship” from cooperatives, non-profits, and community organizing, sits at their intersection or overlap, as

do these other fields. They also note that social movements (which typically emanate from civil society) which seek to create new fields (by making demands on actors or fields in the state, market, or even within civil society) may be common, with the cooperative movement as one such example. Cooperatives’ logic is one of leveraging solidarity within civil society and directing it towards the market/economy sphere, using that solidarity to achieve an economic goal, i.e. the production of goods and services.

This study has affirmed that the modern cooperative form emerged at a particular time, in the field or institutional space created by a field rupture or “critical juncture”,

induced by capitalist industrialization and urbanization, as noted in Chapter 5. These processes of capitalist industrialization and urbanization had been enabled by the development of a host of technologies, including an earlier organizational one, the joint stock company, *which had the first mover advantage in developing as a field and institution of economic ownership*. In the two centuries which preceded industrialization, the pace of growth of international trade was abetted by the development of joint stock companies: as late as 1687 there were just 15 such companies in England (Murphy, 2012). They allowed individuals to pool their capital and their risks, to undertake large-scale international trading with far-away colonies (Braudel, 1982; Wallerstein, 1974; Mann, 1986, 2012), the famed various British, French, and Dutch East India Companies. These joint-stock companies often acted with an explicit government-issued corporate monopoly charter, and on the eve of industrialization had begun to develop physical stock markets where shares could be exchanged. Though the first industrial revolution would initially largely be led by individually owned, family-owned/closely-held, or unincorporated partnership enterprises (Santuari, 1993; Mann, 2012, 2013), by the time the modern, stable and replicable cooperative form emerged in the UK in the 1840s, the joint-stock corporation was increasingly being used in the economic field, in the process of industrialization (Santuari, 1993). It would be “dominant” in the economy/market field by the second industrialization, beginning in the 1880s (Mann, 2012).

The modern, stable cooperative form was thus developed by the Rochdale weavers, actors whose livelihoods had been directly disrupted by a broader field rupture or shift, or “critical juncture.” The “economy” field was being transformed by a wide range of technologies, including the emergent institution and field of action of the joint stock corporation. Cooperative actors leveraged their social bonds, rooted in the civil society and economic fields, through their shared locality near Manchester, and their shared common identity as weavers, to build a replicable cooperative model. In so doing, *their movement innovatively produced an organizational technology which would become a field or institution. It would become a rival institution to that which was increasingly displacing them – the joint stock corporation*. Spicer et al. (2019) call this type of process a social movement to develop a new field, and argue that it is likely common process (see subsection below). The cooperative movement thus sought to establish a cooperative institutional or field space.

As the cooperative diffused around the world, however, the configuration of fields into which it developed varied by country context. Cooperatives faced different challenges and obstacles, depending on the strength and condition of proximate and neighboring fields. Usually the cooperative symbiotically encroached or layered upon the mutual society form, which had spread throughout much of Europe by the time of industrialization. But in the US, the field environment or institutional “space” where the cooperative was situated - in the overlap of the market and civil society fields, at

the border of the state field - was comparatively (vis a vis the international cases) well occupied by two key competitors.

First, the joint-stock corporation, which became the basis for the modern investor-owned firm, as noted in Chapter 5 had spread earlier in the US economy (Sylla and Wright, 2013; Zamagni, 2017). I argue this is one reason Voss (1993), in tracing American exceptionalism in its weak labor movement, found that US employers were comparatively stronger and more developed than in places like France. Second, the “peculiar” American labor market institution of race-based slavery, in which black and brown people were *owned* by white people as economic property, kept poor black and brown individuals from participating in the cooperative *ownership* movement, for the reasons articulated in Chapter 5.

Taking these two points together, cooperatives’ institutional logic, particular their notion of liberty the end of “wage slavery”, faced a uniquely hostile field environment in the US. In addition to opposition from investors in the joint-stock corporation, it also faced obstacles from within civil society, where dominant racial groups’ economic and social position was comparatively threatened by the cooperative model, as the Thibodaux massacre well showed. As a result of this different field context, the cooperative as an institution faced difficulties in completely or successfully constructing itself to scale in the first wave of activity.

The institutionalists’ conceptual vocabulary lacks a way for us to fully conceptualize this. But synthesizing institutionalism with field theory allows us to do so. Cooperatives’ initial field emergence was encumbered and incomplete, due to the occupied nature of the field environment. This prohibited the cooperative from gaining full, legal recognition of its field elements and definitional borders. Subsequent attempts to improve its position were accordingly hampered by this initial failure.

For example, one way this initial failure manifested was in an inability to develop a comprehensive apex body to serve as a coordinating actor to advocate for the cooperatives’ needs from the state. One wonders how efforts in the Progressive Era might have proceeded differently had such a body been already in place, based on efforts that culminated in the 1880s. The Knights had died out, and CLUSA, as noted in Chapter 5, initially spoke only on behalf of some consumer cooperatives, and failed to accept government support when offered in this era. Would a US equivalent of the Finnish apex body Pellervo, for example, have made such a decision? Lacking such a comprehensive actor or policy framework, worker cooperatives occupied a weakly defined field space in the US. Advocates for the ESOP, in some ways a rival to the worker cooperative, were able to seize this opening in the field environment to pass national enabling legislation. Though created as part of retirement legislation in the 1970s, one wonders how the national ESOP legislation might have been differently configured, had a national worker cooperative statute already been in place, as in France (thereby strengthening its occupation of that field space). Today, worker

cooperatives in the US, in seeking to be included in ESOP legislative efforts, are effectively attempting to encroach on field space now already well occupied by ESOPs.

In general, over time cooperatives' weak field position was further undermined during evolutionary inter-regnum periods, as well, by being co-opted or converted to the investor-owned field, through processes such as full or partial demutualization, whereby cooperatives transform into investor-owned firms. Meanwhile, the cooperative has experienced field or institutional drift, exacerbated by federalism. Lacking a federal framework, cooperative advocates must update their framework state by state. As state legislatures have failed to update or modern its legal framework, it has reduced the likelihood that firms will select the form to begin with.

Taken together, field theory and institutionalism also help us understand why the comparative cases have been more successful, albeit each along different paths. In Finland, cooperatives emerged at a particularly conducive moment in the field environment, in the wake of crisis and Revolution. Cooperative actors leveraged strong, well-developed bonds in civil society between Finns to rapidly create a well-defined and organized field. They leveraged a weakly populated field environment, with limited prior field or institutional development in the state and economy/market fields. Based on this initial strength, in subsequent rounds and cycles, cooperative advocates have been comparatively successful in continuing to update and evolve, and to avoid policy drift.

In France, after achieving an initial foothold in the field context through the rupture produced by the French Revolution, which temporarily eliminated competitors and cleared the landscape, the cooperative expanded incrementally through a form of layering. By adding new incremental new legislation on top of existing cooperative forms, which would then be periodically consolidated and harmonized, the cooperative achieved a comprehensive operating framework which affirms its logic. And in New Zealand, the cooperative took hold in a territory which, despite being the legal progeny of a liberal nation (UK), lacked well-developed competitors: the investor-owned model had failed from the start in colonial New Zealand, developing an early tradition of strong state economic intervention. The cooperative thus found field space between a limited market and a supportive state for its development.

Thus, the initial institutional or field development of the cooperative was rapid and revolutionary in one case (Finland), and a response to a mix of both revolutionary shifts and gradual, evolutionary changes in two others (France and New Zealand). In all three cases, the cooperative continued to evolve gradually, largely through layering, and the continued updating of the framework in these countries, over time. Ultimately, despite these different paths of institutional development and field evolution, in all three cases, the cooperative model developed what it has not in the US: a coherent and comprehensive framework, which allows actors to successfully use and deploy the cooperative model.

In the US, however, the cooperative movement's initial attempts to construct a field were stillborn. Lacking an initial "win" in national policy frameworks, they had little they could use to "layer" onto in subsequent rounds of efforts. Cooperative actors have subsequently not achieved a comprehensive enabling policy framework, as shown in Chapter 5, and have sometimes seen their gains eroded through conversion/co-optation and drift. The field "space" that the cooperative might have occupied has become the domain of other, competing fields in the US, including not only the ESOP, but the non-profit 501(c) organization. Today, they are now increasingly being joined in the field environment by new forms such as B-corps and the emergent, still-unregulated "social enterprise."

By examining competing ownership fields' logics and rules in this way, as distinct populations of organizations, social scientists might also begin to develop a theory of which ownership forms are best suited to which types of "problems": when is a cooperative the "ideal" form of ownership? Is there a clear hierarchy of ownership models that are better applied to challenges such as economic inequality, or environmental sustainability? These might be fruitfully explored in the future.

Beyond cooperatives, however, such an analytical approach combining field theory and institutionalism might be usefully applied by social scientists to understand a wide range of phenomena. For example, if we deployed a relational field approach, might we better understand how countries possessing VofC's "liberal market economy" relations and Esping-Andersen's "residual welfare regime", developed as they did? By using such an approach, might we also better explain or understand various aspects of "American exceptionalism", from the US' curious lack of high-speed rail, publically-funded broadcasting and media, postal/public banking, proportional voting, public/social housing, equitably-funded schools, and universal health care? Such research might be fruitfully undertaken using this type of theoretical framing.

7.2.2 The Missed Importance of Ownership in Political Economists' Examinations of Inequality

Given today's record levels of within-country income inequality in the US and elsewhere, there is a rising interest from academics and policy makers in understanding the underlying sources of this inequality, in part as to inform solutions.

A wide range of aging if powerful frameworks deployed by political economists are germane to our understanding of the level and the nature of this inequality, but many of these frameworks conceal as much as they reveal. The Varieties of Capitalism and Welfare regimes literatures, which have been invoked throughout this study as a useful way to indicate "liberalness", help us understand how some institutional arrangements are conducive to the development and maintenance of higher levels of inequality. Yet they fail to explain how and why such institutional arrangements developed to begin with, a long-standing critique of the VofC framework in particular (Pierson, 2004;

Thelen, 2012, 2014), as noted above. Other aging frameworks which attempt to explain inequality – such as the well-known Meltzer-Richard model (1981), in which higher poverty and inequality is met by increased voter support for redistribution – are problematic for other reasons, namely that more unequal societies seem to support less redistribution (Lindert, 2004). But models such as these *also* fail to explain *variations* in the institutional arrangements posited to be at work.

Accordingly, a host of more dynamic, institutionally grounded explanations has subsequently been offered to better inform our understanding of inequality. These include considerations of singular contributors such as differences in electoral systems (Iverson and Soskice, 2006), to other approaches offering more comprehensive explanations regarding taxation and financial policy regimes (Hacker and Pierson, 2010), or the structure and financial returns on inherited wealth (Piketty, 2014).

Curiously, and as discussed in Chapter 2, one explanation largely missed is that of ownership of enterprise: might inequality in part be driven by the mix of ownership types in a given place? Might societies where a greater share of economic activity is accounted for by investor-owned firms exhibit higher inequality? And might rising inequality be a function of the continued expansion and development of the investor-owned firm at the expense of other ownership types, those which leave room for civil society- or state-based logics, including not only the cooperative, but family, foundation, non-profit, community trust, and state-owned enterprises? Such ownership forms might prevent Piketty's wealth-concentration problem from emerging to begin with.

There is no question that the joint stock corporation is the dominant form of organization – as both an institution and field, with its own rules and logic – in the economy/market sphere. But dominance does not imply singularity. Other forms of owning a firm co-exist alongside the joint-stock, investor-owned corporation, and include not only the cooperative and virtually-owned firms (e.g. industrial foundations), but also the individual/family-owned firm, and the state-owned firm. Nor does dominance imply spatial uniformity of distribution: the prevalence of investor ownership might vary across places, as the case of the cooperative well shows. Might inequality therefore be partially understood as stemming from the uneven cross-national diffusion and development of the investor-owned firm *vis a vis* these other enterprise types?

The investor-owned corporation and firm, with its focus on profit maximization for shareholders above all other considerations, as reviewed in Chapter 2, embody Weber's "spirit of capitalism", with its original focus on profits as ideological and material signifier of religious worthiness. It is through such firms, as reviewed in the preceding subsection, that modern capitalism was developed and diffused around the world, constituting what some social scientists have called the "modern capitalist world system" (Wallerstein, 1976; Arrighi, 1994; Silver, 2003). These firms, by definition and

often as codified and required by law, focus on maximizing shareholder profits above all else. They have developed a liberal relational system, as well, as described by the VofC framework. **But such a system did not completely crowd out the development and persistence of other, alternative organizational forms, which constitute institutions or fields themselves.** For much of the early and mid-twentieth century, state-ownership, for example, as coordinated through planning rather than the market, seemed a real and viable alternative to investor ownership, in the aftermath of that era's global wars and economic crises.

Again and again, the cooperative's history, as shown throughout this study, has been marked by ideological and material battle with liberalism, whose logic is embodied through the investor-owned firm. Indeed battles with liberalism is an overarching theme in the cooperative's history. This theme is a constant, from the Knights of Labor's failures in the US, to cooperatives' need to defend against early US corporate anti-trust law, to the tax attack launched on US cooperatives by investors in the mid-twentieth century (see Chapter 5), to current concerns regarding potentially pro-liberal policy stances of the EU in Finland and France (see Chapter 4), to cooperatives' general late twentieth-century retrenchment in the face of increased liberalization in France, Finland, and New Zealand (see Chapter 6).

From the perspective of cooperatives, liberalization - and with it, the investor-owned firm - may act as a Trojan horse, unleashing both institutional arrangements and ideologies which do not seek to co-exist with or encroach upon the cooperative and other alternative forms, but rather to displace it.

These may seem obvious points, but they are largely unexamined ones. The role of ownership variations is curiously missing from literature where one would expect to find it. Beyond those studies reviewed in Chapter 2, Alesina and Rodrik (1994) examined how greater inequality in land and income ownership affects growth and taxation, yet in examining ownership, did not consider how ownership is institutionalized in different ways, using different organizational forms. Subsequent studies (Espuelas, 2015; Ansell and Samuels, 2014; Lipset and Lakin, 2004; Boix, 2003), either using or referencing Finnish political scientist Vanhanen's (1997) "family vs. non-family farm *ownership*" variable as a historical proxy measure for resource inequality, similarly seem to miss this first order question regarding ownership as an institution or field. Further, a rich historically-oriented political and economic literature, beginning with Berle and Means (1932), has also examined how ownership separated from control, particularly in the US with the investor-owned corporation, leading to "managerial capitalism" (Duménil and Lévy, 2018; Gourevitch and Shinn, 2007; Lazonick, 1992; Fligstein, 1990). Yet here, too empirical of theoretical treatment of the range of ownership varieties is lacking. Piketty (2014) also goes to great length to isolate ownership of wealth as a critical driver of inequality, yet fails to consider the

role played by different ownership models in producing and distributing this wealth to begin with.

The prevalence of cooperatives - along with other ownership forms which do not embody the logic of profit-maximization above all other considerations, by instead rooting themselves partially in the civil society sphere⁴² - can thus be understood in some ways as occupying the “inverse” or “remaining” ownership field space not occupied by investor-owned firms. Where profit-maximizing capitalism, through investor-owned firms, has achieved its greatest saturation of the ownership “field space”, we would expect inequality to be at its highest. Where cooperatives and other ownership forms are more successful, we would expect it to be lower. This is obvious, and yet, it has not been considered or measured by scholars.

That the US should have fewer large-scale cooperatives and far higher income inequality than most other developed democracies is thus not surprising. That there should be a healthy correlation ($r = -.25$) between the Gini coefficient and the prevalence of large-scale cooperatives (see Figure 7.2.3) is also not surprising. Beyond correlation, through the case of cooperatives, we have a clear causal understanding as to mechanisms by which different ownership models contribute to income inequality. We also understand, as shown in this study, how different ownership models like the cooperative have developed in response to, and also have been limited by, the development of the investor-owned firm.

Although I have focused on cooperatives, what this study more broadly suggests is that one way that liberal ideology and “liberalization” becomes institutionalized, and indeed how liberal institutional arrangements as described by VofC develop, is through the comparative development of different models of ownership.

Based on the historical research in this study, the prevalence of cooperatives may be complementary to some other non-investor ownership firm types. These include the social and solidarity model of France, and the “virtually owned” (Hansmann and Thomsen, 2013) industrial foundation and community trust ownership models, which are not only common in New Zealand, but in countries such as Denmark (Jackson and Thelen, 2015), accounting for as much as a quarter of large firms there (Hansmann and Thomsen, 2013).

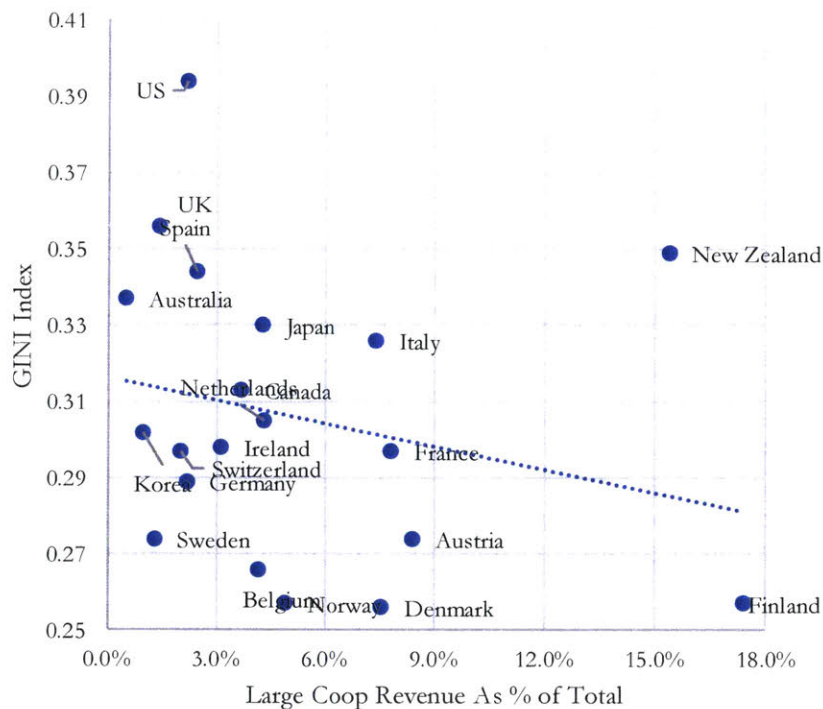
Thus, the historical prevalence/mix and development of ownership models may be one of the underlying *causes* of different institutional arrangements, both within and between firms, as well as between firms and the state. Ownership also provides us with a direct *causal source* of income inequality. Ownership determines the control of the

⁴² such as the industrial foundation-owned or trust-owned firm, charitably-owned enterprises, and state-owned enterprises.

underlying assets which produce income to begin with, as well as how and to whom that income is distributed.

This suggests three items for future research. First, scholars might create a cross-sectional analysis of the current overall mix of ownership type by country, and examine whether there is a relationship between the mix of ownership types and inequality, as well as with other outcomes of interest. Second, they might create a historical cross-national time series examining how the mix of ownership has evolved. Third, scholars might also trace the development of these various forms, as I have done with the cooperative, to pinpoint the macro-level determinants of their prevalence and success. Such research might help us understand which types of ownership are suited to which types of conditions or “problems”.

Figure 7.2.3
GINI Index vs. Cooperative Revenue (\$75M+ Revenue) as a % of All Large Enterprises



Source: Thomson OneSource, OECD (2014 data)

A few scholars, such as Hansmann and Thomsen (2012, 2013) have attempted to undertake some of this work as applied to industrial foundations as a “virtual” form of ownership, for example, in which enterprises are owned on behalf of named beneficiary constituencies, such as communities or employees. Generally under-

researched in social science (Anheier and Daly, 2006), sociologists (Prewitt et al., 2006, Calhoun and Dogan, 2006) and political scientists (Heydemann and Toepler, 2006) have also attempted to examine the legitimacy of foundations, but they have ignored the comparative drivers of its prevalence and variation in its logic and use. The US, for example, began restricting foundations and beneficial trusts from owning enterprises in the 1960s, once a common arrangement as exemplified by firms such as Hershey, one of the rare survivors of the new legislation (Hansmann and Thomsen, 2013). This remains a common ownership form in some Northern European countries, as noted earlier, with high-profile examples of majority industrial foundation-owned and controlled firms including Ikea, Carlsberg, Bosch, Bertelsmann, Møller-Maersk, ThyssenKrupp, Aldi, Rolex, and Novo Nordisk. Both with foundations specifically, and more broadly across ownership types, systematic comparative research on the development and use of various ownership types has not been systematically undertaken.

Given the number of Nobel laureates cited in this study who have called out the curious lack of empirical or theoretical scholarship on ownership forms, such studies might be of wide academic interest. Such projects could also prove useful for various scholars in political economy, sociology, or other related professional fields of application, and I hope that someone with abler hands than I undertakes them.

7.2.3 In What Sense a Regional Problem? How Geography Matters to Institutions and Fields

Except to discuss the role of federalism, I have intentionally avoided mentioning geography and space in the preceding two subsections. I have done so rather disingenuously, in part to demonstrate how remarkably easy it is avoid considerations of geography, space, and territorial scale in offering answers to the social science questions I have posed in this study.

It is particularly easy to do so in the US context, given the disciplinary structure of the US academy. In contrast to other countries with developed tertiary education systems, human geography as an academic field has been abandoned by many leading, private US educational institutions.⁴³ Among the relevant schools of “Americanist” social

⁴³ In what is a well-known institutional history for geographers and urban studies scholars, many of the leading US private universities which had Geography Departments, including Harvard, Stanford, Chicago, Michigan, Northwestern, Penn, Yale, Johns Hopkins, shuttered or renamed/restructured them, beginning in the mid-to-late twentieth century (See Fink 1979; Murphy, 2007, Frazier and Wikle, 2017). Among leading universities, the subject is now largely the domain of public flagship institutions: today, the leading NRC-ranked Human Geography programs are at institutions such as UCLA, Berkeley, Rutgers, Minnesota, and Penn State. This yields path-dependent effects for academic knowledge: never taught the subject, undergraduates at leading private institutions, who disproportionately occupy seats in the leading graduate programs across fields in the US, and who disproportionately go on to academic careers (Clauset et al., 2015), are likely to be ignorant of the subject.

science cited in the preceding two theory subsections, the lack of conceptualization of spatial scale and territory is thus not surprising. Nonetheless, answering the question, “in what sense are cooperatives a regional problem?” reveals the ways in which geography matters to these broader social science questions examined in the preceding two sub-sections.

Geographers and urban studies scholars have long wrestled with questions of spatial scale, as reviewed in Chapter 2. Unlike scholars operating out of the disciplines of political science, sociology, and economics, a generation of geographers examining inequality and institutions did *not* entirely miss the importance of spatial scale in the political economy. Political and economic geographers, led by the works of David Harvey, Neil Smith, and others as noted in Chapter 2, examined the mechanisms of uneven development under capitalism, as promulgated by capitalist (i.e. investor-owned) enterprises, aided and abetted by the state. Though this work did not emphasize ownership type or firm type explicitly as interesting in and of itself, other geographers have highlighted its importance. Well-known works by geographers such as DeFilippis (2004) and Gibson-Graham (2012), as reviewed in Chapter 2, offer theory and anecdotal cases of how community and cooperatively-owned models of ownership offer an alternative to the dominant system.

This study yields two broad sets of theoretical insights and conclusions regarding questions of territorial/geographic scale and distance, of significance not only for urban studies and geography scholars, but for other social scientists, as well.

1. Cooperatives and The Geography of “Field Opportunity Structure”

Scholars in urban studies/planning and geography are primarily concerned with how scales of economic, political and social action construct the empirical world. For those with concerns rooted in policy, practice and activism, to paraphrase the late Doreen Massey (1979), and as asked in Chapter 2: in what sense is something a regional or local problem, as opposed to a national or global one? Massey originally posed this question regarding the formulation of “regional” economic policy solutions, which often failed to connect local problems to what was ultimately a global capitalist development system predicated on a spatial division of labor. That system was constructed, as this study reminds, through the dominance of investor-owned, joint stock corporations above all other forms.

Specifically, then, in what sense are the comparative failures of cooperatives in the US a regional or local problem, warranting a local policy or planning remedy? The cooperative, as this study has shown, has historically been used by actors to respond to the *local* problems generated by the capitalist system. A lack of access to reasonably-priced, quality goods at nearby stores fueled development of consumer cooperatives among displaced weavers in Manchester, and subsequently around the world. A lack of access to well-paying jobs in a destabilized, revolutionary France spurred the

development of worker cooperatives in Paris. A lack of access to stable prices and reliable buyers in the volatile milk market spurred demand for dairy cooperatives in the US's Midwest, and in New Zealand's countryside, as well.

Yet ultimately, these local problems, like so many others, were rooted in dynamics which required action at larger territorial scales to be "solved". Indeed, this is a common feature, observable not only in economic phenomena, but in many social movements which have spurred the development of new institutions or fields, from the labor movement and its push for 40-hour work weeks and unions, to the civil rights movement (McAdam, 1982; McAdam et al., 2005), to the gay rights movement (Armstrong, 2002). In such cases, local events, such as the Triangle Shirtwaist Factory Fire, the Montgomery Bus Boycott, and the Stonewall Riots, spurred local action which ultimately sparked the greater development of fledgling nationally and globally scaled movements, and their efforts to build resilient institutions.

Political and economic geographers, as well as political sociologists, have created some useful frameworks to examine these various processes in the state, market, and civil society spheres. As reviewed in Chapter 2, organizations and social movements scholars in sociology, for, example, who are in close dialogue with the field theorists, largely treat the scalar nature of the "political opportunity structure" (McAdam et al., 2001, 2005) faced by social movements and civil society activists as an "exogenous" background condition. Movements typically engage in an upward "scale shift" (McAdam, Tarrow and Tilly, 2001; McAdam and Tarrow, 2005; Soule, 2009, 2013) from local to national and transnational scales, though downward shifts are possible (as may be occurring today in the US given the dynamics of the Trump administration).

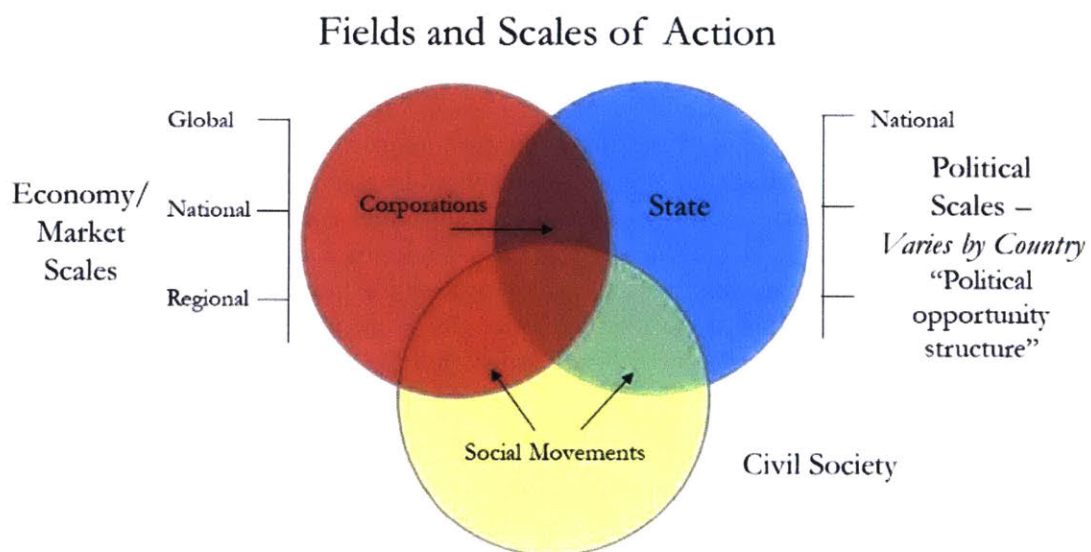
The spatial nature of this opportunity structure, however, is rarely unpacked by these scholars. Schneiberg and Soule's (2005) study on the historical interstate spread of insurance, structured by federalism and the interstate system in the US, is a notable exception. Though this is not fully theorized by these scholars, implicit in their work, alongside that of political sociologists such as Tarrow and McAdam (2005), is that social movement actors in the US typically engage "upward" scale shift because the problems they target are often ultimately matters of national control decided at the nation-state context. Meaning, the scale structure is a function of the US' federal political power structure. Social movements must target specific territorial scales of the state to be effective. Yet, curiously, the spatial dynamics and structure are not fully or clearly specified by these scholars. The comparative neglect of scale is, however, not surprising, given that their primary question is about how social movements diffuse or spread, not about how they are structured.

Most of this work by prominent American sociologists, on scale shifting, does not engage with or cite a previously established literature in geography, which does have a conceptual vocabulary for thinking about the structure of scale. Geographers, have, for example, observed that local, political social movements can coordinate

“nationally-networked” (Doussard and Lesniewski, 2017) coalitions across cities and states as needed. As noted in Chapter 2, political and economic geographers, beginning with David Harvey and Neil Smith, through to Neil Brenner and UK sociologist Bob Jessop today, have developed a framework for thinking about how spatial scale shapes the political economy. Smith, in particular, established how the global capitalist economy constructs and is constructed by the urban, regional, and national scales (1984). Capital, if freed from state restriction, can flow and move across these various scales gives rise to uneven development between places. Scale is never a “fixed” static in the economy: it dialectically is produced by, and in turn produces, the economy and its uneven development under capitalism. Smith’s most cited example of this dynamic is gentrification, and how movement of capital from urban to suburban areas in the US in the mid-twentieth century, left many central cities with abandoned and underinvested neighborhoods (Tilly, 1974).

As economic production shifted towards the knowledge economy and back into the central cities (Gordon in Sawers and Tabb, 1984), residents came with it, producing gentrification, as part of a broader set of capital movement which produces both the urban scale and the regional scale of the economy, simultaneously. In turn, regions and nations as economic entities themselves (Storper, 1997, 2013, 2015) are similarly constructed by such processes under global capitalism. In parallel with this work, Jessop, Brenner and others, as reviewed in Chapters 2 and 5, have variably examined how the state plays a role in this process, and can “rescale” as needed in order to improve economic production, as with the EU’s regional policy (Brenner, 2004). Economic and political processes can accordingly also “scale jump” (Smith, 1992), or move from one scale to another.

Figure 7.2.4



The key variable missing from most of these various treatments, which this study of cooperatives exposes, is the critical role of territorial federalism in creating a dissonance between the spatial structure of sovereignty, and the spatial structure of the economy. In fact, Brenner's (2004) highly-cited book on state rescaling curiously fails to treat federalism at all. It is true that nation-states can, to a degree, "rescale" the spatial level at which they engage with the economy, as the development of European, and recently, fledgling US "regional" economic policy demonstrates. But the degree to which the state can rescale, at least in the US case, is fairly limited by territorial federalism: though it can evolve over time through constitutional amendment and court decisions, individual states are politically sovereign in the US. Cities, though entirely "creatures of the (individual) states" (Hunter vs. Pittsburgh, USC, 1907) in the US, can possess as much political independence and autonomy as granted to them by their respective states. "Regions", meanwhile, do not politically exist in the same sovereign capacity as the nation or the state in the US. It is rarely and only occasionally empowered for specific purposes (e.g. transportation planning) by individual states or the nation (Katz et al., 1999). Politically, the "state" field or sphere in the US is thus largely defined by the state and national scales, with the city-scale as a delegated sub-scale of the individual states.

This territorial federal structure of political sovereignty in the US creates a unique problem for cooperatives. In the economic sphere, joint-stock corporations can rely on the profit-maximizing motive to incent both individual capitalists and states to act to harmonize operating rules at the state level, as happened with the well-known case of Delaware and incorporation laws. As city economic policies are largely structured by and responsive to state law, they follow suit. In the civil society sphere, social movements organizations with political goals can network or federate as needed to "scale shift" as the opportunity structure changes, from the local to state or national scale, with great fluidity. Social movements operating out of civil society typically "target" either the state or the economy, and thus need primarily be concerned with action at the scale in either of those spheres. (See Figure 7.2.4, above)

But cooperatives are in effect a "hybrid" field, in fact a social movement to create a field (Spicer et al, 2019), situated in *both* the economy/market and civil society first-order fields, as noted in the preceding subsection. They typically using civil society-based solidarity as a substitute for the profit motive in achieving economic scale. Meanwhile, their chief competitor, the joint-stock corporation, does not operate on such a hybrid logic: it is rooted almost entirely in the economy/market field, and uses the market logic to achieve economies of scale.

Cooperatives thus face a unique coordination problem in the US: to create a truly "national" cooperative ecosystem, they must leverage their civil society-based solidarity to "scale up" like a social movement, from "local" problems to national scale, and achieve affirmative access to national economic policy tools. But as enterprises,

they also must also coordinate a fifty-state strategy to achieve harmonized cooperative state law, and reduce the costs of operating across state lines (Figure 7.2.5, below).

This requires an explicitly spatial, multi-scalar strategy by cooperative actors, one which only now seems to be developing among US actors. As one regional actor in Northern California stated,

“We have our regional cooperative ecosystem group, another regional legal group focused on law and policy for coops, which works closely with the national group on that front based here, and we also have key people trying to get model ordinances passed in neighboring cities. We have to be strategic. We can’t just be like the coop people in the ‘70s, who were like ‘oh, yeah, let’s start a babysitting coop, or a theater collective.’ I mean, that’s great and all, but you aren’t going to get systems change that way. *You have to organize at every geographic level, and you have to be systematic.*” (emphasis added)

These efforts include strategically isolating the geographic scale at which problems are locating, and engaging in strategic “scale-jumping” as needed. As articulated by another interviewee, speaking of their group’s work to amend the state enabling laws to include worker cooperatives and to allow raising outside capital,

“...because we face so many barriers, it means we have to be completely comprehensive in how we act. We have to know which level of government is responsible for what, which is causing the problem. That’s why we are working at the city level, and state level, and federal level...we also target regional grants and programs where we can, though of course those opportunities are more limited, but matter, too. We’ve got Oakland doing something, Berkeley doing something, Richmond, all right next to each other but historically operating in silos. We have to change that, and leverage that, but also target California, and the US, too.”

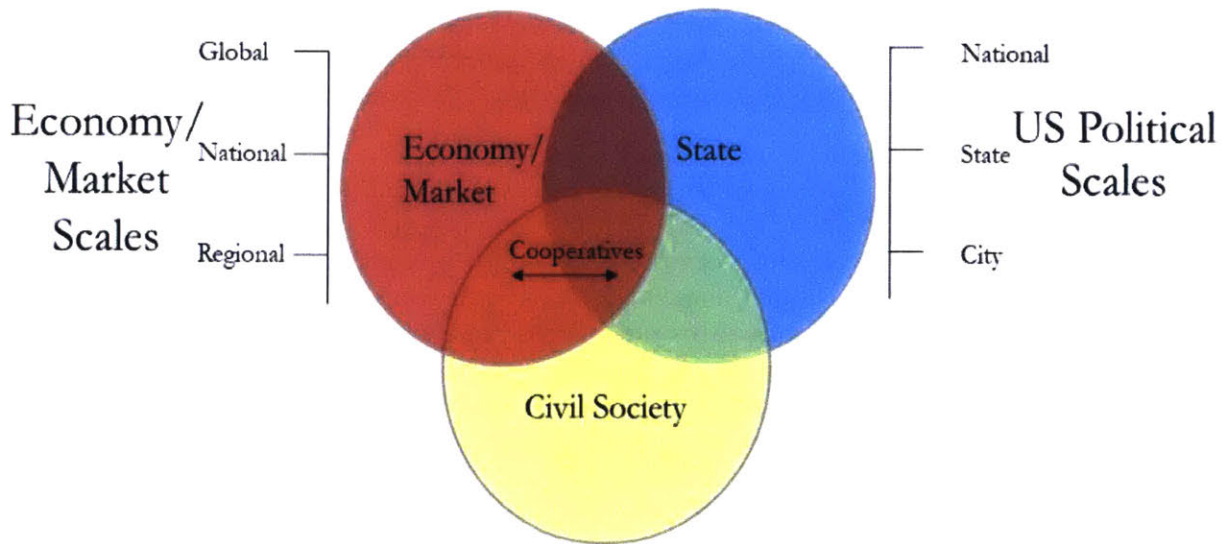
This type of multi-scalar strategic thinking produces coordinating costs not faced by cooperative advocates in other countries. In France, as noted in Chapter 6, the nation-state has rescaled the territorial levels at which social and economic policy are delegated and implemented, explicitly empowering not the city-level scale, but rather the departmental and regional scales of action. In so doing, the social and solidarity economy sector, which includes cooperatives, has been able to rescale in response, also directly enabled by the nation-state. In Finland and New Zealand, similar dynamics prevail, in that there is no autonomous sub-national system that cooperatives must uniquely navigate to achieve a harmonized operating framework.

In what sense, then, are cooperatives a regional or local problem? What this study on cooperatives reveals, is that they face *a multi-scalar problem*, particularly in the US. Cooperatives and other institutional alternatives, like the capitalist forms they are a response to, must scale as needed to match their rivals, if they are to succeed. Given the nature of the territorially federal structure of political power in the US, to do so will require explicit targeting of different territorial scales of the state.

Cooperatives are a response to the world wrought by investor owned firms, and that world is primarily global, national and regional in the economic scale of its functional operation. Cooperatives must organize along these lines, and due to federalism, face unique, additional barriers at the individual state scale in doing so. In as much as cooperatives are rooted in “locally”-rooted solidarities between members as an animating force, this further compounds the challenge of scale.

More generally, this finding implies that the scalar structure of fields, and how it both drives and limits the actions of individuals and organizations working across state, market, and civil society, has still not been well synthesized or theorized. It implies that more general “field opportunity structures” will vary both (a) in different countries, depending on the spatial structure of federalism and of political power, and (b) across different domains of action. Which social movements and problems require action at which scales? As the US lacks any federal-level right to housing, for example, affordable housing policy is largely a “local” matter, for states and municipalities to structure. Access to banking services for the poor, as promoted by “financial inclusion” advocates in civil society, involves a mix of state and federal regulations in the US, with city powers sometimes also germane. The geography of the “field opportunity structure” for these types of social movements has not been well theorized by scholars. Nonetheless, by combining the work of geographers and sociologists, there are likely ready gains to be realized through such synthesis.

Figure 7.2.5
US Cooperatives’ Problem:
Fields and Scales of Action



2. Increasing Returns and the Geography of Institutions

The second theoretical point of geographical importance is that size and distance shape processes of institutional selection and evolution. As explained in Chapter 5, neither field theorists nor institutionalists have systematically considered how size and distance affect the structure and evolution of institutions. Yet size and distance remain an important driver of differences within global institutions and fields of action. Even as the world “flattens” as the economic costs of distance decline due to technology, the world is not yet flat, and distance and size still matter.

Paul Krugman won the Nobel Prize in Economics for successfully modeling how and why this matters. Krugman (1995) observed that economics had long ignored the rich literature in economic geography and development theory that attempted to explain why economic activity remains so spatially concentrated and uneven, both within countries (in global cities), and between countries, as well (Storper and Walker, 1989). This literature argued that this inequality was in part due to uneven factor endowments and increasing (rather than constant) returns to economic scale, in which an initial advantage becomes self-reinforcing. *He argued that economists ignored this because they could not easily model it using quantitative tools (Krugman, 1995).* Eventually, as research tools and data evolved, he and his contemporaries modeled these processes, leading to the “new economic geography”, a revival in both economic geography and geographical economics which helps articulate how and why a handful of rich countries and regions dominate economic activity (Moretti, 2012; Storper et al., 2015, Storper, 2013).

What has been missed by economic geographers and institutionalists alike, however, is *how these economic processes of geographic unevenness and increasing returns to economic scale, link to parallel institutional and field processes, which are also subject to increasing returns to scale in politics.* The factor endowments, increasing returns to economic scale, and cost differentials which give rise to spatially uneven economic development also give rise, as the case of cooperatives has shown, *to variable and uneven institutional political development.*

Size matters to how the economy is institutionally organized, as Katzenstein well showed (1985) in explaining the success of “small states in world markets”. This effect of size, as cooperatives well show, can be compounded by distance. Cooperatives in places like New Zealand exist today in part because they developed when the economic costs of being small and distant to world markets were extraordinarily high. They developed as a response to this cost. And cooperatives also remain competitive in such places today in part because such cost differences are still substantive and real. Absent the development of a science fiction-style transporter fueled by low-cost renewable energy, places small and distant from central places still incur a real, substantive cost, be they rural areas distant to cities, or be they entire countries far from the “center” of

the capitalist “core.” Shipping something to small, distant New Zealand is still expensive today.

But cooperatives have not merely persisted in places like New Zealand because of economic geography alone. They have also persisted because institutional structures *also* can become politically self-reinforcing: this is one of the key points of path dependent processes and “increasing returns to scale” in politics and policy (Pierson, 2004), as discussed above. We know, following Thelen (2004), institutions survive in the political arena, by adapting to changing conditions. Cooperatives have adapted to survive in a world of declining costs to size and distance, by successfully “modernizing” politically in New Zealand and Finland. This has meant amending policies to allow minority outside investment, effectively a form of “liberalization” mediated by the state, through a political process.

What the case of cooperatives in places like New Zealand and Finland show is that these two different processes of returns to scale – in economic geography and in politics – together help explain the persistence of institutional forms beyond the original conditions which gave rise to them. Specifically, actors associated with an institutional form possessing a self-reinforcing geographical advantage in a given time and place, such as cooperatives in late nineteenth century New Zealand, may use this advantage to in parallel construct self-reinforcing dynamics in the field of politics and policy.

Though I have not successfully “modeled” this as a generalizable process, as Krugman did with the economic geography of returns to scale, I have qualitatively traced these processes. Future research might seek to undertake such quantitative modeling. Meanwhile, field theorists and institutionalists might also seek to further develop these points in explaining how and why the socioeconomic and political world continues to display such variation across places and times.

7.3 Findings for Policy, Planning and Practice

For those uninterested in theory, what conclusions does this study offer? Specifically, what can national and local policymakers, urban and regional planners, and various types of activists in the US and elsewhere learn from the case of an exceptionally uncooperative America? Are cooperatives simply hopeless in the US, given its hostile social, economic and political context? Is this too grim? Isn't change always possible, as attested to by successes of great social movements, such as the abolitionists, suffragettes, civil rights activists, and farm workers, cases in which “sometimes David wins”? (Ganz, 2009)

Nobel prize-winning novelist Kazuo Ishiguro, whom I quoted to open the front matter of this study, might find little room for such hope. Ishiguro may have been right in his novel, *The Remains of the Day* (1989), that for individuals, some dreams can be lost due to path dependence and the cumulative results of small decisions over time:

death by a thousand cuts. It is tempting to think this is the case with cooperative enterprise in the US. But Ishiguro's point, while perhaps well applicable to individuals who live and die over a short time period, may not apply very well to institutions. All of the original Knights of Labor, for example, are long dead. But their dream lives on through the legacy of institutions. The social world of fields and institutions, in the state, market and civil society spheres, are constantly being renewed, through a range of revolutionary and evolutionary adaptations.

What then, must we do to build a new and more cooperative, sustainable economy, as Gar Alperovitz (2012) has recently asked? To start as a preliminary, what I hope this study has conveyed is that David Harvey, who has critiqued the political left for its fetishism of organizational forms, as quoted to open this chapter, is dead wrong. Organizational forms matter, because we live in a world of organizations (Perrow, 1991), and they contain competing and distinct institutional logics. The cooperative remains a source of great promise due to its different logic, predicated on a member-ownership, rooted in use-value. Taken this as given, what can policymakers, planners and activists do to better enable cooperative enterprise to succeed as an organizational form in the US?

1. A Comprehensive National Policy and Legal Framework for Cooperatives in the US Does Not Exist. This is a Problem for Cooperatives.

To succeed, cooperatives appear to require policies and enabling legislation that affirm and respect their operating logic, thereby allowing them to compete alongside other organizational forms. These rules are not fully in place in the US, at either the national or state political scales. There is no comprehensive national legislative framework for cooperatives in the US. As explained in Chapters 4 and 5, US worker and consumer cooperatives do not benefit from a national level legal framework to harmonize their operation and development across states. This imposes real costs to their growth and scale. The lack of such frameworks, as this study has concluded, is particularly important for cooperatives because they cannot rely on the profit-maximizing motive to drive individual states to harmonize laws on their own, so they must lead the development of this policy framework themselves.

A clear path, however, exists to create such a framework. Given the history of the US experience with cooperatives and its federal structure, the creation of an overarching, comprehensive cooperative act, as in Finland or New Zealand, is unlikely to be achievable. But France's historical incremental approach to cooperative legislation may have valuable lessons for the US, by leveraging the precedents used to enable credit unions and rural utility cooperatives, and by layering onto and encroaching upon the ESOP framework. Specifically, US cooperative advocates could seek to create legislation which provides financial incentives to states to adopt worker cooperative enabling legislation, while also providing tax incentives and availability of financing tools to enhance their development. In fact, some of these elements are part of the

current wave of new legislation winding its way through Congress, as reviewed in Chapter 1.

2. Worker Cooperatives in Particular Could Benefit from Specific Tax and Legal Policy Frameworks.

In France and many other countries, and as consistent with ILO recommendations, worker cooperatives benefit from tax treatment which affirms their status, by allowing them to reinvest retained earnings to expand, and requiring indivisible reserves. Though cooperatives pay taxes, the net tax burden is lower on a worker cooperative in France.

The justification for such treatment, when faced with the “attack” that this is “special” or “unfair” treatment, as occurred in the US in the 1950s, is that worker cooperatives use this money to create more jobs, and they do so in a structure which does not exacerbate wage inequality. They therefore reduce the burden on the state to respond to the consequences of problems such as unemployment and rising economic inequality. In a related situation, such logic has been used by courts in New Zealand, as noted in Chapter 6, to allow private, for-profit enterprises which donate all of their profits to charity, to be exempted from tax.

No such policies exist in the US for cooperatives, even though Section 501 (c) compliant non-profit organizations, which typically are legally “unowned”, benefit from such tax provisions.

3. Cooperatives Can Better Compete When General “High Road” and “Beneficial Constraint” Social and Industrial Policies Are in Place.

Cooperatives also can be more economically competitive, as confirmed by interviewees regarding the current environment in Chapter 4 and historically reviewed in Chapters 5 and 6, when they operate in countries which have robust social welfare policies and well-developed labor coordination *vis a vis* employers, as occurred in “coordinated market economies.” In such countries, cooperatives need not compete on labor costs, allowing them to focus on quality and member-owner satisfaction.

Such conditions are not present in the US, given its extreme liberal market orientation. What does this mean for practitioners? It means it isn’t “either/or” – it isn’t cooperatives or unions. Advocates of cooperatives should not view living wage laws or union organizing efforts, for example, as merely “antagonistic” because they reinforce the importance of the employer-employee divide. Such provisions also raise the floor of labor conditions and make it easier for cooperatives, which often voluntarily internalize socioeconomic and/or environmental “externalities” into their cost structure, to compete alongside investor-owned firms.

4. Scale Restrictions on Cooperatives in the US Are a Double-Edged Sword.

Legislative restrictions on the ability of credit unions and rural utility cooperatives to scale up ensure that they remain rooted in the solidarity bonds which animate these institutions, but they also limit their ability to grow.

Given vested interests by investor-owned banks and utilities against changing the limits on cooperatives, these rules may be difficult to change in the US. They could, however, seek to change rules to allow them to create more “cooperative of cooperative” structures, i.e. perform duplicative/shared services in a central cooperative structure. In France and Finland both, cooperatives have used these models - cooperatives of cooperatives, and networked or federated models – with some success as a means by which to both remain locally rooted while achieving national scale.

But despite this “success”, critiques of large-scale cooperatives as being less democratic, and less rooted in members’ needs, were widespread in interviews conducted this study. As they scale, they also appear to become more like large, investor-owned businesses, and lose the democratic features that made them distinctive to begin with. Perhaps they become partially co-opted or converted, even if technically remaining cooperatives.

This tension was evident throughout my field research, and perhaps most readily observable at one high-profile international cooperative networking and “trade show”-style event, which was attended by the largest global cooperatives. There, an executive in a large multinational cooperative organization, swirling a glass of wine in her hand at a reception as she surveyed the crowd, smiled at me and said, with an intentional irony, “Welcome to the Davos of the Cooperative World,” a reference to the Swiss town, Davos, that hosts the elite World Economic Forum. The notion that the “Cooperative World” - which in theory is supposed to be inclusive and about building a different type of economy - could have a “Davos” element to it reflects this tension for cooperatives: how do they attempt to change the culture of “status quo” investor-owner business without succumbing to its very same problems? This remains an open challenge. While scale restrictions as in the US are one solution, they also prohibit cooperatives from being competitive in certain industries.

5. City and Regional Cooperative Policy and Organizing Efforts May Benefit from Being Paired with State Reform.

Efforts to use city-scaled economic development tools, while worthwhile, are unlikely to yield gains without an affirmative state-level framework. This is because the US state is the territorial scale at which cooperatives are legally enabled. California, where Bay Area regional and city-level cooperative advocates succeeded in recently reforming state law, demonstrates a replicable path that cooperative advocates may wish to follow, as noted earlier in this Chapter.

Nonetheless, cities still have significant power in the US to shape local economies, following the lead of the municipalities who have recently acted to enhance local cooperative ecosystems by improving access to funding, providing education, and remove barriers to their coordination and formation, as discussed and reviewed in Chapters 1 and 5.

6. Cooperatives in the US Have A Particular Type of Race Problem, And They Always Have.

Anecdotally, cooperatives appear overwhelmingly white in the US, and are also sometimes associated with higher-income households, particularly credit unions and food cooperatives. Though outside the scope of this study, market-rate housing cooperatives are also often associated with exclusive, white, higher-income households where they are a prominent part of the housing stock, as in places like New York. This matters for all forms of cooperatives, in as much as this diminishes the appeal and reach of the organizational form among populations which might otherwise seek to deploy it.

Given the US' unique history, in which pro-cooperative campaigns against “wage slavery” collided with the legacy of race-based slavery, as traced in Chapter 5, it is unsurprising that race continues to be a barrier for cooperative development today. Race relations, however, remain generally fraught in the US today regardless, with minority groups subject to discrimination and severe inequality of opportunity and access to resources. How does this specifically manifest as an issue for cooperatives?

Cooperatives rely on the bonds of social solidarity as a substitute for the profit motive in achieving and maintaining scale. Race-based cleavages in solidarity manifest as a challenge for building social solidarity across this divide. The history of US cooperatives is marked by those formed within socially homogeneous groups, among Finns, Jews, Mormons, African Americans and other social and ethnic groups with a shared experience of marginalization, as reviewed in Chapter 5. In an increasingly diverse United States, what does this mean for cooperatives? If individual cooperatives wish to achieve scale with a diverse set members, how do they build a strong base of solidarity among them, given the real material divides that continues to be produced by persistent institutional racism in the US? Future research might consider how cooperatives can best address the question of race in their development.

7. Cooperatives Might Benefit from Being Coordinated Under a Broader Policy and Ideological Tent, As One Tool in a US “Community Wealth Building” Suite.

Cooperatives and mutuals are predicated on a member-owner and use-value model and as such, are an alternative to the investor-owner, profit-driven model associated with so many negative social and environmental consequences today.

But other well-established and new models exist, which are also compelling for those interested in building a “new economy”, including a range of “virtually-owned” or un-owned enterprises, including industrial foundation ownership, B-corporations, and legally defined social and solidarity enterprises. Does everything need to be a cooperative, or specifically a worker cooperative? Can everything be a worker cooperative? Banks, by definition, and as reviewed in Chapter 2, are not necessarily well-suited to such a structure, as it is the capital that is pooled, and thus consumer cooperatives may be more appropriate.

Many cooperative advocates I interviewed often seemed to fetishize the cooperative, as an end unto itself, losing sight of the gains to be achieved by working with related organizational forms. Furthermore, and to David Harvey’s point as quoted to open this Chapter, many fetishized specific sub-types of cooperation as being more ideologically “pure” than others. One participant in a New York food cooperative with a unique model in which consumer-owners also volunteer for shifts as unpaid workers, for example, blanched at the idea of pure consumer or worker food cooperatives, as if this would somehow “taint” or “dilute” the enterprise. Yet the New York cooperative in question receives some financing from a consumer-owned financial institution, and does employ some full-time staff. When asked about these elements of the business, the cooperative member had a negative reaction. A national food cooperative consultant and expert, however, noted that this particular New York cooperative had an irreplicable model, sustained by its unique location, ideological participation, and cost structure. “People get fixated on the ideas of a specific type of co-operative. It isn’t one size fits all. Different formats will work for different situations.” (Interviewee, Minnesota, 2017)

Might these various forms or “formats” benefit from cross-coordination, as has occurred in France with the “social and solidarity economy”, which is legally defined, regulated, and has a shared organizational infrastructure? In the US, the “social and solidarity economy” has not been legally defined. For example, social enterprise remains a loose term poorly defined in the US, and is increasingly used to profit off of social problems (Ganz et al., 2018). Further, terms such as “social and solidarity economy”, and even “social enterprise” may sound too “socialistic” in the US. This was a frequent sentiment among interviewees in this study.

The US lacks any such comprehensive ESS initiative such as in France, though city-scaled approaches are emerging, as noted in Chapter 1: “community wealth building” offices in cities such as Richmond and Rochester are being formed. Might such an approach benefit from a “scale shift”, or an escalation from city to state scale, by enacting state-level frameworks which encompass a range of community wealth building forms, including the cooperative? Might “community wealth” be a more viable term than “social and solidarity economy” in the US context? This might also broaden support across diverse constituencies while also improving coordination

between organizational forms, including the cooperative, whose advocates share common socioeconomic goals.

8. Cooperatives Have an Education Problem.

People do not know what cooperatives are, as they are rarely taught in US universities (Schneider, 2016), and are also rarely promoted or included in city, state, or federal public economic development programs as a viable option for businesses to pursue, as reviewed in Chapter 4.

Indeed, the education problem, again reviewed in Chapter 4, was a widespread observation across all four countries studied, even those where cooperatives are more successful. This is in part due to policy and “increasing returns to scale”, path-dependent dynamics, as reviewed in the theory section: cooperatives are excluded from policy tools, and economic development agencies therefore don’t know about them and don’t teach or explain them to entrepreneurs, compounding the problem and making it self-reinforcing.

Both Finland and France have actively included the cooperative in school and university settings, as reviewed in Chapter 6. In both countries, a number of Interviewees identified such school programs as being key to their introduction to, and life-long involvement with, the cooperative movement. Such programs might be viable in the US as created as part of a “community wealth building” educational infrastructure.

9. Platform Cooperatives are the Newest Institutional Responses to Economic Crises, But May Have a Narrow Window of Opportunity.

As traced in Chapters 5 and 6, cooperatives have emerged as responses to historical crises of varied nature. But in each period, the cooperative was directly motivated by particular aspects of the crisis at hand. Today, a new wave of automation and creative destruction is obliterating many jobs as the “platform economy” of networked firms arises. The “platform cooperative”, in which the platform is owned by its producers or users, has been the cooperative response to the likes of Uber, Airbnb, and even Facebook. This institutional space, however, remains emergent, fragile, and limited in its scope. Can its advocates successfully “layer” onto existing cooperative organizational infrastructure to achieve scale?

This remains unclear, but ideology and coordination challenges within the cooperative sector, such as those reviewed above, may be a serious obstacle. Some worker cooperatives I interviewed in the US were hostile to the idea of platform cooperatives, because workers do not necessarily own the entire firm, but merely the platform, and retain control over their individual labor. In a taxi platform cooperative, for example, the taxi owners may own their own car and control their own labor, and merely own the centralized dispatch technology and customer application. In contrast, in some taxi

worker cooperatives, the entire firm is owned by the drivers. Meanwhile, some large consumer and producer cooperatives, not just in the US but elsewhere, seemed dismissive of the platform model, and viewed it no different than adding an “app” to their own operations, failing to grasp that the platform economy operates under a different model and logic.

Can the platform cooperative alternatively leverage energy across organizational forms, and its natural synergies with the free software movement, which often deploys a foundation ownership model (e.g. Wikimedia Foundation)? This remains unclear, but future research might examine developments in the platform cooperative “movement” to gauge the potential for success of cooperative ownership in the economic cycle ahead. The historical record, as reviewed in Chapters 5 and 6, suggests these firms will have a narrow period of opportunity in which to leverage energy in civil society to turn emergent conditions into a policy problem, and achieve affirmative legal treatment on which to base their efforts long-term.

7.4 Concluding Remarks

The cooperative model has captivated imaginations for nearly two centuries. It offers the promise of a different and better world, one which makes room for the individual and collective flourishing that Karl Marx imagined so long ago. Unfortunately, we do not live in a world of collective flourishing. We live in a world built and dominated by the “cut-throat” capitalism of the US, not the “cuddly” capitalism of Northern and Continental Europe (Thelen, 2014; Acemoglu et al., 2012). That the US, the fading hegemon of the world order under neoliberal globalization, should be a cooperative backwater is perhaps to be expected. If the US has been the center of capitalist empire, it is not surprising that it would also be the weakest nation regarding the institutional development and scaling of an alternative model. In this study, I have measured and empirically confirmed this intuition. I have also explained and identified the dynamics that characterize cooperative weakness today, and traced its historical evolution and development.

There are many lessons to be drawn from the case of an exceptionally un-cooperative America, for theory and for practice, as reviewed in this concluding chapter. I hope that readers of this study do not conclude that the cooperative model is unworkable in the US. Although this study has shown precisely how and why it faces greater challenges in the US than elsewhere, this does not mean that the challenges are insurmountable.

Skeptics may wonder if it might not simply be easier to merely succumb to the profit-driven model, and use the power of the state to redistribute wealth, rather than “predistribute” (Hacker, 2011) wealth differently through models like the cooperative. Might it not just be easier to follow the wisdom of the saying: if you can’t beat them, join them? As Margaret Thatcher so famously said a generation ago, there is no

alternative. Perhaps Thatcher was right. Perhaps we must live with this system. Its Schumpeterian upheavals, of the kind we are now living through today, are simply the periodic price we must pay for the gains in material well-being that the capitalism of investor-ownership has unleashed.

As noted in Chapter 1 of this study, in his magisterial work *The Legitimation Crisis* (1973), Jürgen Habermas identified how the capitalism of liberal democratic nations was subject such periodic problems in its “steering” or coordinating system. Its previous mode of legitimacy becomes outdated, and the system is destabilized. He wrote this work during the middle of one such period of crisis. What emerged to replace the dying “Golden Era” of the Treaty of Detroit and its institutional arrangements? Neoliberal globalization and the Washington Consensus (Levy and Temin, 2007). Some forty five years after Habermas’ work, we again find ourselves gripped by the throes of another legitimation crisis, just as he described, with neoliberal globalization now under assault.

But if Thatcher was right, if there is no alternative, we are all, collectively, in trouble, because the crisis at hand does not appear to be simply the latest Habermasian “legitimation crisis” to be endured, a periodic bump along the road. Multilateral institutions like the European Union, which were constructed to keep peace in the wake of the horrors of Depression and World War, are being questioned and destabilized by rising populist discontent with the neoliberal global system. The durability of democracy (Levitsky and Ziblatt, 2018) and truth itself are being questioned, as the rise and tactics of authoritarian regimes and strongmen like that of Donald Trump in the US well show. Profit-driven firms have extracted resources from the planet in such a way that even the earth itself now revolts alongside the populists, as its seas rise and hurricane winds howl with heretofore unimagined force. Today’s unfolding twinned crises of neoliberal globalization and climate change suggest this is not merely another crisis, causing today’s great intellectuals like Wolfgang Streeck (2016) to ask, “How will capitalism end?” This time, it really may be different. If it is, we must find alternatives, if humanity is to survive.

A decade ago, French sociologists Boltanski and Chiapello (2007) effectively updated and restated part of Habermas’ argument. They conceptualized capitalism’s periodic, unstable regimes of justifications as what they called “cités”. An old French word for city, this was an interesting rhetorical choice. The world’s population is now not only majority urban (UN, 2012), but it is also in our cities that new forms of protest, of “outrage and hope” (Castells, 2013), have long emerged, to remind us that “another world is possible.” In the conceptual framework of Peter Marcuse (2009), cities have long been laboratories in which urban planners, policymakers, and activists have engaged in a process of “expose, propose, and politicize”: they expose the roots of our problems, propose solutions, and politicize them into implementation and reality. And

so for nearly two centuries, the cooperative has repeatedly been upheld, promoted and deployed in this very way.

The cooperative has withstood the test of time, and has persistently reappeared in moments of crisis in our cities and communities. It is one organizational technology in a larger suite of institutional tools which allow participants to build a better world. That it faces limitations and challenges in the US does not mean it should be abandoned, but means advocates must be more strategic in how they use it, as they attempt to grow and scale institutions for a better tomorrow. One does not build such a better world, however, without blueprints or plans. I hope that in producing this study, I have added to the collective instruction manual, by highlighting some of the specific challenges that must be overcome for cooperative advocates to succeed in the US. In as much as I have done so, I have succeeded. If in my readers' judgment, I have failed, I hope I have at least inspired others, either to action as practitioners and policymakers, or to undertake further research to remedy my shortcomings and errors.

END

APPENDIX

Select/Representative List of Organizations Interviewed

United States

Airbnb (CA)
 Arizmendi (CA)
 Assoc. of Cooperative Educators (MN)
 Bay Area Coop. Association (CA)
 BCDI (Bronx Cooperative Development Initiative)
 Business Alliance for Local Living Economies (BALLE)
 CEA-NYC (Cooperative Economics Alliance of NYC)
 Cheeseboard Collective (CA)
 City of Berkeley
 City of Boston
 City of Madison
 City of Minneapolis
 City of New York
 City of Oakland (CA)
 City of Richmond
 CoBank
 Co-opera (MN)
 Cooperative Development Services/Cooperative Network of Wisconsin and Minnesota
 Cooperative Home Care Assoc. (NY)
 CUNA Mutual Group (WI)
 CUNY (NY)
 Cutting Edge Capital (CA)
 Democracy at Work Institute (DAWI)
 Design Action Collective (CA/MA)
 Dorsey Whitney (MN)
 Federation of Southern Coops (US)
 Filene's Research Institute (WI)
 Food Coop Initiative (MN)
 Heartwood Cooperative (CA)
 Institute for Local Self-Reliance
 International Cooperative Alliance
 Isthmus Engineering (WI)
 Land O' Lakes (MN)
 LECD - Mercado Central (MN)
 Loconomics (CA)
 Madworc (WI)
 Nat'l Ctr for Employee Ownership
 National Cooperative Bank (DC)
 NCBA/CLUSA (DC)
 New Economy Coalition (MA)
 NOBAWC (Network of Bay Area Worker Cooperatives)
 North Country Coop. Foundation
 NursesCan (CA)
 NYC NOWC (New York City Network of Worker Cooperatives)
 Oakland Peace Center

Occupy – Alt Banking Group (NY)
 Organic Valley
 Park Slope Food Cooperative (NY)
 Project Equity (CA)
 Prospera (CA)
 Rainbow Grocery (CA)
 RSF Social Finance (CA)
 SF Community Power Co-op
 Self-Help Credit Union (CA)
 Seward Collective Café (MN)
 Shared Capital Cooperative (MN)
 SPUR/CarShare (CA)
 Stoel Rives (MN)
 Sustainable Economies Law Ctr. (CA)
 The ICA Group (MA/CA)
 The Movement for Black Lives
 The Workers Lab (CA)
 Univ. of MN
 UC Berkeley Labor Center
 Union Cab
 U. Wisconsin Ctr for Coop. (WI)
 Uptima Bootcamp
 US Dept. of Agriculture (USDA)
 US Federation of Worker Cooperatives
 We Own It
 Willie Street Coop

Finland

City of Helsinki
 CNS – U. of Helsinki Ruralia Institute
 Demos
 Ehta Raha
 Finland Environmental Ministry
 Finnish Cooperative Council/Pellervo
 Finnish Water Coop. Assoc./SVOSK
 HKScan
 Lahitapiola
 Lilith
 Luottamuksen löyly osk
 Metsä Group
 Nordic Climate Fund
 OP Group
 Osuustoiminnan Kehittäjät - Coop Fin. ry
 POP Pankkiliitto
 Robin Hood Coop
 S Group
 SOK Corporation
 Tampere Coop. Center - U of T.
 Tampere U. of Tech
 Tradeka
 Valio

France

Agr2mondiale
 Biocoop
 CN-CRESS
 Clarabis
 Coop de Comun
 Coop de France
 Coopaname
 CoopFr
 Crédit Coopératif
 Enercoop
 Esfin Gestion
 Finacoop
 FranceBarter
 Groupe PBCE
 Groupe SOS
 Groupe Up
 InVivo
 La Confédération générale des SCOP (CG SCOP)
 Les grand voisins
 Les Rencontres du Mont Blanc/ESS Forum
 Musée Social
 Solidarité Etudiante
 SOCODEN

New Zealand

Akina Foundation
 Auckland City Council
 CBNZ/NZ Coop
 Cognitius/AUT
 Coop Money NZ
 Energysshare Cooperative
 Enspiral
 Farmlands
 FMG
 Fonterra Group
 Foodstuffs (South Island)
 Interflora
 Loomio
 Massey U.
 Ministry of Business Industry and Economic Development
 Ministry of Social Development
 Rabobank NZ
 The Cooperative Bank
 The FROOB
 United Forestry
 University of Auckland
 University of Otago
 Wellington City Council

List of Libraries and Special Collections/Museums Consulted

<i>Library/Museum/Archive</i>	<i>City/Region</i>	<i>Country</i>
Maison Alphonse-Desjardins	Levis, QC	Canada
Édifice Desjardins	Levis, QC	Canada
Helsinki University Library	Helsinki	Finland
National Library of Finland	Helsinki	Finland
Workers' Library/Library of the Labour Movement	Helsinki	Finland
Työväenmuseo Werstas	Tampere	Finland
Crédit Coopératif Centre De Ressources Sur L'Économie Sociale	Nanterre	France
Musée Social	Paris	France
Bibliothèque Nationale de France	Paris	France
Sciences Po Bibliothèque	Paris	France
Cité des Sciences et de l'Industrie Bibliothèque	Paris	France
Les Champs Libres	Rennes	France
(Bibliothèque des Champs Libres/Musée de Bretagne)		
University of Auckland Library	Auckland	NZ
Auckland Central City Library	Auckland	NZ
Christchurch Public Library	Christchurch	NZ
National Library of New Zealand	Wellington	NZ
Victoria University Library	Wellington	NZ
Wellington Central Library	Wellington	NZ
The British Library	London	UK
National Co-operative Archives	Manchester	UK
Labour History Archive and Study Centre, The People's History Museum	Manchester	UK
Rochdale Pioneers Museum	Rochdale	UK
University of California, Berkeley - Doe Library	Berkeley, CA	USA
Oakland Public Library	Oakland, CA	USA
Daniel E. Koshland San Francisco History Center, San Francisco Public Library	San Francisco, CA	USA
US Library of Congress	Washington, DC	USA
America's Credit Union Museum	Manchester, NH	USA
Minneapolis Public Library	Minneapolis, MN	USA
University of Minnesota Library	Minneapolis, MN	USA
Minnesota Historical Society	St. Paul, MN	USA
University of Wisconsin Library	Madison, WI	USA

Representative Semi-Structured Interview Guide

1. How did you become involved with this cooperative, and cooperatives in general?
2. What do you see as the greatest challenge to achieving scale for your organization today?
3. If you could eliminate one obstacle or change one thing to help your organization succeed, what would it be?
4. Do you feel you have a sense of what the greatest challenges are for other cooperatives? If so, what might those be?
5. Thinking about challenges in terms of major categories - finance, market opportunities and conditions, education, policy, or something else/other – which of these is the most significant challenge for cooperatives like yours today?
6. In how many of these categories – finance, markets, education, policy – are there significant challenges for cooperatives like yours today?
7. How would you rank these factors in terms of importance to the growth of the cooperatives like yours today? Finance, market opportunities and conditions, education, policy, or something else?

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