

The Cooperative Business Model

by Stephanie Mood, Board Director, Vice President

In October, we celebrate the rich history and growing strength of cooperatives in our world today. As a way of business, cooperatives are rooted in the mid-1700s. Mutual fire insurance societies in London and Philadelphia, Benjamin Franklin's Union Fire Company, corn and flour millers, and bakers all formed as cooperatives. In the 1800's, the Industrial Revolution solidified the cooperative business model as an effective defense against the economic dislocation that occurred as a result of the invention of new manufacturing processes.

Two hundred years ago, the vast majority of people were free-workers, meaning that they were free to work for themselves to earn a living. As the Industrial Revolution grew, cooperatives offered a way for artisans to become empowered and to compete fairly and profitably. Nowadays, only a few can take ownership and sell cheaply what was once produced by many individual artisans.

A cooperative enterprise is based on shared ownership and democratic control. Co-op members benefit from the economic activity that they provide by enjoying improved facilities, lower prices, better worker benefits or patronage refunds. In traditional capitalism, one person can own the majority of shares in a company and thus have most of the benefit. Cooperatives adhere to one person / one vote, thereby allowing for democratic control. The focus is on service to its owners, not merely bringing a return to investors. Products and services are purchased on behalf of the owners, rather than "selling" products to customers. Because profit is reinvested into the cooperative, the income stays in the community.

Today, cooperatives are everywhere in the world. In the U.S., more than 100 million people own and control more than 47,000 cooperative businesses that provide goods and services in every economic sector. The more people learn about and support cooperatives, the better able we will be to affect necessary changes in the current system, which produces growing inequalities in wealth. (October 2014)