

**СУЧАСНІ ІМПЕРАТИВИ
СЕКЦІЯ 7 ГЛОБАЛЬНОГО ЕКОНОМІЧНОГО
СЕРЕДОВИЩА**

**SOCIAL AND ECONOMIC REASONS
OF COOPERATIVES' ORIGIN**

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Cooperatives are best understood as groups of people who have the same needs. These needs include insurance, money lending and saving, achieving economies of scale or marketing goods.

Early cooperatives were groups created in times of difficulty where people needed to band together to survive, especially regarding the need to help one another in difficult rural conditions.

The first recognized cooperative business is the “Philadelphia Contributionship for the Insurance of Houses from Loss by Fire”. It was established in 1752 and, interestingly, Benjamin Franklin was one of its founders and it is still in operation today. Early cooperatives simply agreed to split the cost of fire damage that any of the members suffered, with the knowledge that their fellows would do the same for them in return.

It was modeled on the Amicable Contributionship of London which similarly offered to mutually split the costs of damages amongst its members.

Perhaps the most important Cooperative was the Rochdale Society of Equitable Pioneers in the UK. It was founded in 1844 and laid the groundwork for modern cooperative businesses with their “Rochdale Principles”. The Rochdale Principles set out a series of ideals that other cooperatives could emulate:

- fair prices, fair practice and high standards;
- voluntary and open membership;
- anti-discrimination;
- rewards systems for its members;
- democratic control by its members;
- one member – one vote.

Industrialization was the key factor behind the introduction of cooperatives. Large factories could achieve efficient economies of scale and produce quality products quickly to meet increasing demand for goods. Skilled workers and craftsmen were pushed out of the market or else forced to submit to unfair working hours and conditions.

Skilled workers began to group together to ensure fair working conditions and achieve sufficient economies of scale when producing goods.

The ICA – the International Co-operative Alliance was founded in 1895 by two members of the Rochdale Society. It aimed to support worker cooperation and organization in the face of the “deplorable warfare between capital and labour”. Moreover, it promoted the concept of self-governing workshops on an international level.

The Great depression and resultant “New Deal” is a significant moment in the history of cooperatives. The Farm Credit Act (1933) provided support for agricultural cooperatives and Production Credit Associations, which would be able to support one another while the Federal Credit Union Act permitted credit unions to form. Similarly, the Rural Electrification Act (1937) led to farmers taking initiative to form together and modernize the American agricultural sector.

While corporates still dominate most sectors, cooperatives are highly relevant in the modern world. The Rochdale Principles ensure that high standards of quality, fair practice and fair treatment of their members are at the core of how cooperatives operate.

References

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