



## Cooperative Principle Number 2: Democratic Member Control

By Jeff Jaeger and Ron Gaydos

Cooperatives are business enterprises that are managed and led by all of its workers or members rather than by top-down organization. There is no “boss”, but they have policies and procedures in place to ensure smooth operations, just like any efficient business.

Democratic decision making is one of the most important pieces of the cooperative puzzle, and is one of the features that most clearly distinguishes cooperatives from conventional hierarchical businesses.

Early examples in the United States include a mutual assistance agency for firefighting, utopian communities, and a labor organization. Benjamin Franklin co-founded the Union Fire Company in 1736. This was one of the first volunteer fire departments in the United States. The members wrote the rules for working together.

The nine Harmonist communities in Ohio, Pennsylvania, and New York state were productive farming and craft-making communities from the early 1800's into the 20<sup>th</sup> century. They were democratically run without hierarchy.

In Philadelphia, the Knights of Labor started as a secret society of tailors finding ways to improve their working conditions. Eventually they ended the secrecy and publicly fought for the 8 hour work day, abolition of child labor, and equal pay for equal work. By 1886 the Knights of Labor consisted of 2,600 cooperative businesses with 800,000 production worker members. They gave all their members a vote on major decisions concerning their cooperative.

In the late 1930's, Spanish dictator Franco's repression of the Basques inflicted desperate times in

the Basque Country. In 1956 a priest named Jose Arizmendi organized a cooperative so that people could learn skills and make things that people needed. Their first product was a paraffin heater for cooking. Fast forward through the rest of the 1900's and to 2016, and the Mondragon Cooperatives, which Arizmendi founded, is a \$12 billion network of 101-cooperatives employing over 62,000 workers. Workers elect their management and vote in the major decisions of each cooperative, as well as in the seven governing councils in the Mondragon Corporation. As Mondragon General Council President Inigo Ucin puts it, Mondragon is "a business model with a difference, based on inter-company co-operation, people playing a leading role and commitment to developing our environment. It's a fair, equitable and supportive proposal, and we sum it up in our slogan 'Humanity at Work' "

In the late 19<sup>th</sup> and early 20<sup>th</sup> centuries there were cooperative manufacturing plants, department stores, and even farming communities like Norvelt and PennCraft here in the Pittsburgh region, that were very successful. There was that cooperative tradition but also in parallel, traditional corporations taking a dominant role in the life and welfare of their host communities. Many communities became used to being taken care of by "Big Steel", "Big Coal", "Big Oil", or "Big Whatever". As the economy began to be financialized – where financial transactions across regions, the nation, and the world became more important than the production of goods – corporations stepped away from local communities and operations became increasingly controlled from remote headquarters. Paternalistic, authoritarian management philosophies persisted, though, so most of us have to relearn the democratic process for decision making at work.

The Fourth River Workers Guild in Pittsburgh is a business that takes democratic decision making seriously. Fourth River is a 6-member construction and permaculture landscaping company that practices a consensus-based governing process. They are committed to arriving at decisions that every member can live and work with. Member Dave Stokes says "if we have an idea, we give it to the group, and let everyone accept, reject, or work with it."

Fourth River and Mondragon are good modern examples of a democratic business. Each member has responsibility for their own production and an interest in the production of the whole. There is an incentive to be creative and efficient, as well as competent in many aspects of the business. Those who have a stake in the results are the ones creating those results.

This all translates into that Holy Grail in business: stability. Members determine their own working conditions. Members own the company, and determine what to do with profits. Democratic member control gives cooperative members a strong sense of belonging. Ownership and leadership changes come from within and only when necessary for the good of the cooperative and its members. The triple bottom line approach (for people, planet, and profit) keeps the company focused on its business, and locally oriented and responsive, which makes the community more resilient.

We've let our collective knowledge of democratic governance in business fade into history, but it's coming back. We have a lot to relearn, but it's been worth it to cooperative members.

See [www.PittsburghChamber.coop/events](http://www.PittsburghChamber.coop/events) for upcoming workshops on democratic decision making, business planning for cooperatives, and other subjects important to cooperative business.

See more at the New People News at <https://newpeoplenewspaper.com/2016/10/05/cooperative-principles-framework-for-a-democratic-economy/>

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