

## **Commerce with a bit of Ethics, or Ethics with a bit of Commerce? The Conundrum of British Consumer Co-operation 1863-1990**

“The CWS cannot afford to make itself into philanthropic institution and in doing business must consider more than the mere sentimental side” Co-operative Press Agency statement, *Co-operative News* 12 February 1921.

"It is rare for Bob Dylan to license his recordings to TV ads. The decision to do so with the Co-operative and Blowin' in the Wind shows a willingness to embrace fresh ways of reaching a new audience through an ethical and fair-trade organisation." Mike Smith, Managing Director, Columbia records: *The Guardian* 28 January 2009

The last thirty years have seen a deepening concern about modern capitalism on several fronts. Widening national and international inequalities and poverty, growing alarm at the impact of incessant economic growth on the climate and environment, growing concern about the disproportionate power of fabulously wealthy global multinationals over nation states are just a few of the issues which have acquired a new urgency since the rise of ‘neo-liberal’ small state economics and the collapse of Soviet Communism in 1980s/1990s. The global financial crisis of 2008 undoubtedly gave these concerns an even greater impetus; and has fuelled a range of fierce responses, from the resurgence of hard left anti-capitalism, as exemplified by the Corbyn-led Labour Party in the UK, to strident nationalism and populism on the right, such as in Trump in the USA, Orban in Hungary, Salvini’s *Lega Nord* in Italy, *Front National* in France and *AfD* in Germany. On the environmentalist front, *Extinction Rebellion* can be seen as part of this wider dissatisfaction with the existing global economic system, and the victory of leave in the BREXIT vote has also been linked to the negative social and economic consequences of both the crisis and long-term policies. What these political developments have in common is a profound dissatisfaction with the global economic and political order – and an important part of that is a deepening anger at what is seen as the dubious morality of modern business. In this

context it is understandable and inevitable that the ethics governing business behaviour should attract increasing public and academic interest.

This article is concerned with the historical record of one business in the UK which has long laid claim to the moral high ground in the conduct of its affairs – the amalgam of consumer co-operative business organisations which eventually merged to become the Co-operative Group at the beginning of the 21<sup>st</sup> century. This is a component of British business which has made strong claims for its ethical contribution to the British economy in numerous ways since the mid-19<sup>th</sup> century. The general principle of paying dividends on the purchase of goods by members was intended to not only reward consumer loyalty, but to effect a wider and fairer distribution of profits (or ‘surplus’ as most 19<sup>th</sup> century co-operators preferred) than in the traditional business which rewarded the size of share-ownership. As well as other ethical commitments to co-operative values and principles such as promoting education for members (these will be outlined in the next section), the movement was to emerge as a champion of consumer rights, especially during the World Wars and the inter-war period, with national representation on the Consumers Council, as well as local involvement in food committees before and during the Second World War (Robertson, 2009, pp. 222-239). The movement also presented itself as benefitting consumers by ‘cutting out the middleman’, by creating a seamless supply chain of co-operatively produced food and produce (via the co-operative wholesales’ own factories and farms, or from other producer co-operatives), thereby reducing excessive profiteering, excessive spending on marketing and ensuring the best quality (Robertson, 2009, pp. 223-224). Following the establishment of the Co-operative Party in 1917, the movement also played a role in promoting legislation to protect consumer rights through its alliance with the Labour Party from 1927 (Robertson, 2009, pp. 228-231).

There exists an extensive literature on the nature of co-operative values principles and ethics, not least around the issue of co-operation as an expression of community identity, and the importance and centrality of it springing from social, local and employment milieus furnished and controlled by working class people (Yeo & Yeo, 1988). More recently, Macpherson reiterates the point about the link between co-operation and autonomous community but recognises that ‘community’ is a culturally defined concept, and that contrasting types of communities in very different societies can form the ‘taproot’ of co-operative organisation. More crucially, Macpherson articulates to balance co-operation seeks to strike between seeking the collective good and individual fulfilment; positing co-operation as unique in reconciling individual needs with the social (Macpherson 2011). It is a debate which is continuing. This article contributes to it by offering an assessment of the record of the British consumer co-operative movement’s efforts to abide by and promote its values and principles during the first 137 years of its existence (1863 to 1990). The period selected covers a period in which the movement rose to the zenith of its membership and market share of retail trade. The period after 1990 saw major restructuring in the movement which culminated in the creation of the Co-operative Group by 2002 as well as a revival. This will be the subject of a later publication. A central theme is the tension between the demands imposed by survival in an intensely competitive capitalist market and the desire to abide consistently by co-operative values and principles. The article is divided into several key sections. The next section will examine the provenance and nature of the ethical principles and values underpinning the British consumer co-operative movement – the famous ‘Rochdale Principles’ – and how these evolved during the 20<sup>th</sup> century. The third section will examine the changing context within which British consumer co-operation operated during the period, and how this affected its adherence to co-operative values and principles. This will include not only consideration of economic and social changes in British society, and in the changing wider commercial environment within

which the movement operated, but also examination of the evolving organisational structure of the movement, and how this impacted upon the ability of the movement to uphold co-operative principles. An important aspect of this is the movements evolving view and strategy for embedding co-operative values in its membership and workforce and facilitating their transmission to new generations. The fourth section will then bring out some of the principal areas of controversy during the period, considering the extent to which supporting co-operative values and principles was honoured or compromised, and why. The conclusion will not only draw together the main findings of the piece but will also set the scene for continuing the story after 1990 in a later article.

### **The Rochdale Principles: Provenance, nature and evolution**

The establishment of the Rochdale Pioneers Equitable Society in 1844 is regarded as a milestone in the history of ethical business. The assortment of 28 weavers and labourers who established the society did so in the context of intense working-class hardship as a result of economic depression, poor food supplies and the hazardous living conditions which prevailed in most early industrial towns like Rochdale. The ‘Hungry Forties’ have become identified as a significant propaganda device for polemicists as well as a distinctive period of crisis by historians (Cobden Unwin 1904; Howe, 2016), and unsurprisingly they figure largely in the literature about the development of the British consumer co-operative movement. The decade is synonymous with a range of problems related to food, including shortages of retail outlets, prices inflated by unscrupulous retailers and adulterated food. In response, the ‘pioneers’, several of whom had experience of earlier, unsuccessful attempts to establish co-operatives, and others who were politically active in the Chartist movement, sought to establish their own consumer co-operative, which would procure the best quality produce for sale to members and

the wider public, and distribute profits widely to its members. In the process, the Pioneers established what became known as ‘the Rochdale Principles’, an enumerated list of key guiding rules by which the co-operative would conduct its affairs. As Rochdale became a model copied by the 1,000 plus co-operatives which sprang up across the United Kingdom in the next 60 years, these principles became not only an ethical template for the British consumer co-operative movement, but formed the basis of many of the international principles of co-operation, most recently outlined in the International Co-operative Alliance’s (ICA) statement on Co-operative Identity in 1995 (<https://www.ica.coop/en/cooperatives/cooperative-identity>). As the current article sets out to evaluate the extent to which British consumer co-operation has been characterised by an ethical approach to business, an understanding of these values is a logical starting point.

Before outlining the principles, it is important to grasp their provenance, as the circumstances and context which gave rise to them underlines an important feature of their ‘moving spirit’. For understandable reasons the Co-operative movement reveres the Rochdale Pioneers, but has tended to idealise and romanticise them, as exemplified in the two films about the Pioneers made by the Group in 1944 (*Men of Rochdale*) and 2012 (*The Rochdale Pioneers*) (<https://www.imdb.com/title/tt0435195/> and <https://www.imdb.com/title/tt2506416/>). Early historians of the Pioneers such as Holyoake tend to give the impression that the principles were a rigorous and mutually reinforcing framework of ideas which were the product of disciplined and theoretical planning (Holyoake, 1893). But in reality they were an evolving work in progress, with some ideas, such as dividends paid on purchases, borrowed from earlier co-operative experiments in the 1830s and 1840s, and others such as one member one-vote democracy, and a commitment to education, acquired from Owenite and Chartist thinking. Yet others were the product of experiential learning, of trial and error based on the day to day

running of the co-operative store. Thus, cash only trading and non-adulteration of produce for sale emerged out of the practical advantages of a strong reputation for safety and quality and effective control of bad debt. The evolutionary nature of the emerging principles is perhaps captured by the fact that there are different lists of principles cited in some of the early writings about the pioneers (Bonner, 1960; Hilson, 2017; Webster, 2019). The central point is that the principles were always a blend of well-intentioned idealism tempered by hard-headed pragmatism. From the outset, a certain hard-headed flexibility was hard-wired into the basic ethical precepts of British consumer co-operation.

Of course, the Rochdale principles were not fossilised in amber. During the 19<sup>th</sup> and 20<sup>th</sup> centuries, attitudes and ethical assumptions changed radically, and these resulted in substantial shifts in the meaning and emphasis attached to the principles. For example, attitudes to imperialism, race and international relations changed beyond recognition, as a result of the decline of empire, independence movements, the consequences of war and new aspirations for racial equality. Internationalism, and the notion of co-operation as a unifying force across national borders gained more traction over time. This was exemplified by the creation in the 1890s of the International Co-operative Alliance, which sought – and still seeks – to develop co-operation as a global movement capable of transforming human social and economic relations along co-operative ethical lines. What then were the key founding principles of British consumer co-operation, as articulated by the Pioneers, and how did they evolve over the next 150 years? It is worth setting the original principles against the 1995 ICA statement, highlighting how these have evolved over time, and the table below seeks to highlight the key points of difference:

<b><u>The Rochdale Principles (late 1840s)<sup>1</sup></u></b>	<b><u>ICA Principles (1995)<sup>2</sup></u></b>	<b><u>Differences/Evolved meaning in relation to the British consumer movement</u></b>
	Voluntary and Open Membership	Implicit in the Pioneers early dealings but became more important as the numbers of retail co-operatives grew, and mass memberships were established in the UK and elsewhere.
<ul style="list-style-type: none"> <li>• That the principle of ‘one member one vote’ should obtain in government and the equality of the sexes in membership.</li> <li>• That the management should be in the hands of officers and committee elected periodically.</li> </ul>	Democratic Member Control	In relation to the Co-operative Wholesale Society and the Co-operative Group, the nature of its membership began to change radically from the 1970s, as it took over retail societies, creating a hybrid membership of individual people (inherited from the retail society takeovers) and surviving independent retail societies.
<ul style="list-style-type: none"> <li>• That profits should be divided pro rata upon the amount of purchases made by each member.</li> <li>• That capital should be of their own providing and bear a fixed rate of interest.</li> <li>• That market prices should</li> </ul>	Member Economic Participation	For practical reasons, the stricture on credit trading tended not to be universally enforced in the long run, for some retail societies to compete effectively with private shopkeepers who sold on credit.

<sup>1</sup> Extracted from Rochdale Pioneers’ Almanac, Rochdale Pioneers Museum’ Website

<sup>2</sup> See ICA Website: <https://www.ica.coop/en/cooperatives/cooperative-identity>

<p>be charged, and no credit given nor asked.</p>		
	<p>Autonomy and Independence</p>	<p>Political neutrality was an early but implicit Rochdale principle. The question of relationships with the state became more important as the movement grew, and the importance of legal status and rights became increasingly important.</p>
<ul style="list-style-type: none"> <li>• That a definite percentage of profits should be allotted to education.</li> <li>• That frequent statements and balance sheets should be presented to members.</li> </ul>	<p>Education, Training, and Information</p>	<p>In addition to the reading rooms and training provided by individual retail societies, the establishment of the Co-operative College in 1919 exemplified this commitment. As well as training co-operative managers and elected representatives, over time the college became involved in supporting the international co-operative movement, especially in the field of economic development</p>
	<p>Cooperation among Cooperatives</p>	<p>While the original principles made no reference to this, it became more important as the numbers of co-operatives grew and was expressed in the formation of ‘umbrella’ organisations such as the Co-operative Union and the Co-</p>

		operative Wholesale Society. Later this commitment to solidarity acquired an international dimension with the establishment of ICA.
<ul style="list-style-type: none"> <li>• Creation of a co-operative community and temperance hotel</li> <li>• That only the purest provisions procurable should be supplied to members.</li> <li>• That full weight and measure should be given.</li> </ul>	Concern for Community	Neither of the ideas about an Owenite community or the temperance hotel were ever fulfilled. In addition to high standards of honest trading, the consumer co-operative movement became associated with a wide range of community-related causes.

The principles, both in their mid-19<sup>th</sup> century original manifestation, and in later versions were a blend of the idealistic and the pragmatic, as a review of the Rochdale principles demonstrates. This was especially true of what might be termed the ‘business’ principles governing the trading behaviour and the business model of consumer co-operative societies. For example, the initial prohibition of credit trading, while intended to encourage thrift and financial responsibility among working class members and customers, was also designed to protect newly established societies which would be extremely vulnerable to bad debt. It was also intended to wean members away from the sometimes predatory practice employed by some shopkeepers who used overgenerous credit to ensnare customers who would then have to buy from them once their debts to the shopkeeper became onerous (Fairbairn 1994, p2 & p10). A similar duality of purpose underpinned the principle of paying dividends based on the

purchases of members. It was designed to both distribute the wealth more fairly by rewarding members for loyalty to the society rather than on the size of their share ownership, as in private capitalism, and to inspire member loyalty to the society as consumers. Similarly, the pledge to sell only unadulterated goods of the highest quality, with honest measures, was both an ethical commitment and good business in terms of building consumer trust. From this perspective, it is important to recognise that ethics in the British consumer co-operative were closely aligned to the logic and demands of business in a competitive environment, and as such implied a certain flexibility in application and interpretation. As the next section will show, changes in the UK economic and social environment required that this flexibility be frequently deployed, while the evolving nature of the organisation of the movement and key institutions within it, also created stresses in ensuring adherence to co-operative principles.

### **The Changing Context: Co-operative Structures and People, and the shifting social and commercial environment 1844 to 1990**

It is important to recognise that both the commercial and social environment in which the British consumer co-operative movement grew from the mid-19th century, and the relations which developed between its component institutions, had profound consequences for the observance of its ethics and principles. In other countries, such as Sweden, consumer co-operation was able to grow and develop without the same degree of intense competition, as co-operation emerged at a much earlier stage in the processes of industrialisation and urbanisation (Friberg, Vorberg-Rugh, Webster & Wilson, 2012, pp.243-262 and 247-254). During the late 19th century, as the number of retail co-operative societies flourished, Britain was already becoming a modern industrial society, with rapidly expanding urban populations being served by a thriving retail sector of local shopkeepers, markets, hawkers, and even some emerging

modern retail chains (though these were few in number until well into the 20th century). The result was that competition for the newly established co-operative sector was explosively fierce. It involved not only ruthless price competition, but also direct political aggression towards co-operatives, in the form of pressure on wholesalers not to supply co-operative societies, leading to boycotts of supplies for societies (notably in Scotland in the 1890s, and moving to England in the early 1900s), the proliferation of anti-co-operative propaganda in retailer journals such as *The Trade and Shopkeeper* and even pressure on employers to take sanctions against active co-operators among their employees (Winstanley, 1983; Kinlock & Butt, 1981; Webster, 2019). In fact the creation of the co-operative wholesales had been in direct response to potential threats from the non-co-operative retail sector. It also meant that local retail co-operative societies had to be mindful of local political opinion as well as ensure that they were strongly competitive in terms of price and quality. As a result, local societies tended to be fiercely independent and committed to bolstering consumer loyalty by developing a range of services, from reading rooms to local social leisure events such as dances and trips. Gurney shows that this social and cultural aspect of local society activity was central to the success of the movement (Gurney, 1996, pp.199-201). But it meant that society loyalty to the co-operative wholesales was never as unconditional or reliable as leaders of the latter expected. It often made more sense both commercially and politically to source produce locally rather than buy from the wholesales. The result was that relations between the wholesales and some of their member societies were frequently tense and even hostile. This was compounded by frequently difficult relations between the wholesales and the Co-operative Union, especially over such questions as attitude to producer co-operation. The Co-operative Union was essentially the political forum of the movement, with its annual congress constituting a kind of 'parliament' (Wilson, Webster & Vorberg-Rugh, 2013, pp70-71). In many ways, as has been demonstrated, the British consumer movement was at times a highly dysfunctional federation,

with internal conflicts and differences over the roles and responsibilities of local societies frequently marring relations within the movement (Webster, 2012, pp.889-890). From the point of view of adherence to the ethics and principles of the movement this meant that for both local societies and the wholesales, commercial need frequently trumped ideological purity.

In this way, the wider commercial and social milieu in which British consumer co-operation evolved, shaped the organisational structure and institutional relationships of the movement, with important implications for the location of organisational responsibility for ensuring compliance with co-operative values and principles. Moreover, the British co-operative movement evolved and changed in radical ways in the 19<sup>th</sup> and 20<sup>th</sup> centuries, and as a result identifying the organisational seat of policing its ethics is not straightforward for the historian. For much of its history, within the British consumer movement the ultimate sovereign body was the individual co-operative retail society, and as by 1900 there were over 1,000 of these, the scope for variation in emphasis and interpretation of the principles was huge. Of course there were substantial ‘umbrella’ organisations such as the Co-operative Union (established in 1870) and the Co-operative Wholesale Societies (English: CWS - 1863; Scottish: SCWS -1868), and the International Co-operative Alliance (ICA – 1895), as well as powerful internal pressure groups such as the Women’s Co-operative Guild (WCG - 1883) and educational bodies such as the Co-operative College (1919), all of which frequently expressed strong opinions on the nature of the movement’s principles, and the extent to which they were being followed. But ultimately it was the individual retail society which was the final arbiter for much of the movement’s history. As will be seen, there were instances where the CWS and SCWS openly backed away from important ethical judgements on the grounds that it had to defer to ‘grassroots’ society opinion. On many occasions, both wholesales asserted that it was

the retail societies which exercised the final authority on ethical questions, even if a single interpretation was not necessarily commonly held.

Matters were complicated further after the Second World War, when this ‘inverted hierarchy’ of the sovereignty of the local society began to change, with important implications for observance of ethics and principles. The first development was a marked downturn in member engagement with local co-operative societies in the 1950s, which subsequently translated into declining membership (Walton, 2009, pp.13-32). Coupled with this came commercial decline, with the co-operative share of UK retail trade halving from 12 per cent in 1951 to just 6.4 per cent in 1981 (Wilson, Webster, Vorberg-Rugh, 2013, p.277). Together with diminishing market share came retrenchment and society mergers from the 1960s (usually as a result of financial troubles and collapsing membership), many societies were taken over by Co-operative Retail Services (CRS), a department of CWS which, as result of absorbing and running so many local societies, grew into a powerful commercial player on its own by the 1970s. In the 1970s, CWS took over SCWS as a result of a major crisis in the bank of the former, and in the process, inherited numerous retail outlets which had pioneered by SCWS. At a stroke, CWS became a competitor with many of the amalgamated regional societies it had originally been created to serve. The result was that by the 1980s the location of ultimate sovereignty within the movement was no longer clear, and in fact the problems of rivalry, dysfunctionality and conflict had become even worse as CWS competed with CRS and regional societies, and rifts across the movement became increasingly bitter (Wilson, Webster & Vorberg-Rugh, 2013, p.279-288). It was no longer clear who ultimately had responsibility for the behaviour of the movement, and adherence or otherwise to its founding principles. Little wonder that sight of the founding principles and ethics tended to be lost, especially as declining market share and performance stimulated a series of unsuccessful attempts to reform the

movement which were driven principally by commercial considerations and tended to imitate the mainstream retail sector. Active society members, once seen as the grassroots guardians of ethics and principles, were increasingly seen as irrelevant or insufficiently skilled to oversee executive decisions which should be guided almost exclusively by hard-headed commercial calculations, largely unfettered by ethical constraints. Anthony Crosland's patronising observation in the 1958 Co-operative Independent Commission Report that most members would probably prefer to "attend to their families and gardens" exemplified this new professional, managerial outlook (*Co-operative Independent Commission Report*, 1958, p.17). This was compounded by significant changes in the background of the managers and employees of co-operatives. Before the Second World War, and for some time afterwards, leaders and managers within the movement tended to be drawn from the ranks of working-class people who were frequently members of local societies, and who developed personally and professionally through working for the movement. The Co-operative College played a key role in training and educating co-operative managers, imbuing them with a strong grasp of the nature of co-operative values and principles. Mervyn Wilson, former Principal of the Co-operative College, with a lifetime of service to the movement in a wide range of capacities, notes that his personal background was typical of upwardly mobile co-operative employees. He had parents who were ardent trade unionists and co-operators, and was brought up in a domestic environment in which co-operative values were transmitted implicitly rather than formally. He points out that in the early 1970s, he was one of only three graduates recruited from outside the movement as prospective future managers, with the vast majority rising from within the co-operative ranks (Interview with Mervyn Wilson, 23 October 2019). From the 1970s this began to change radically, with more graduates and people from outside the movement being recruited to lead it. These changes were reflected in choices for top positions within the CWS. In 1967, it appointed its first CEO from outside the movement, Philip M.

Thomas (Wilson, Webster & Vorberg-Rugh, 2013, pp. 248-249). Thomas died tragically just a year later in an air crash, but the practice of looking outside the movement for leaders continued. Denis Landau, who rose to be CEO from 1980 to 1992, built his reputation with Schweppes (interview with Denis Landau, 8 July 2011). While this did not mark a complete abandonment of co-operative values, it did represent their dilution in the sense that among many of these newer employees and managers the 'informal' foundations of co-operative knowledge were much weaker or absent. In addition, in face of declining market share and growing difficulties, some (though not all) tended to see co-operative values as at best tangential to the commercial needs of the movement, and at worst inimical to them. How then, did these developments shape the ability and commitment of the movement – and especially its leading institutions – to meet and sustain its founding values and principles?

### **British Consumer Co-operation and its Values & Principles 1844-1990: The Record**

So how far did the behaviour of British consumer co-operation meet the high standards set by the 'Rochdale Principles' as conceived in 1844, and by later iterations of co-operative principles and values? Any expectation that there is a definitive answer to this question signals a lack of appreciation of the severity of the tension between the commercial and ethical demands facing the movement. Adherence to ethical purity would have at times dictated decisions which would have so undermined the consumer movement's ability to survive in an increasingly hostile capitalist environment, that co-operative ethics would have been neatly – though honourably – buried with the commercial organisations tasked to adhere to them. That said, it is equally clear that the pursuit of profit in highly competitive markets, and the dynamic in many organisations which prioritises survival and the welfare of their owners and employees can all too easily trump ethical principles. The CWS and SCWS, and their members societies, were certainly not immune to this. Where then does the balance lie in the movement's record in reconciling commercial need and ethical imperative?

Let us begin by identifying the positives; those areas in which the record of the movement stands reasonably well in its adherence to, and championing of, co-operative ethics and values. The movement's adherence to the principle of dividend for members on purchase was undoubtedly an ideal confluence of ethical principle and shrewd commercial strategy. It certainly distributed the profits of co-operative societies more widely amongst its member/customers than mainstream businesses did for their customers (or shareholders in the case of larger enterprises), and the commercial success of the device was amply demonstrated in the wildfire spread of co-operative societies across the UK – by 1900 there were about 1200 societies representing 1.25 million members (Wilson, Webster & Vorberg-Rugh, 2013, p.399). Its success was also evident in the increasing aggressive attempts by private traders to resist local co-operation by a range of tactics; including breaking up meetings called to form co-operative societies, pressurising employers to discipline workers involved in consumer co-ops, major effort to persuade wholesalers, suppliers and customers to boycott co-op societies as well as major propaganda campaigns to disparage co-operation (Wilson, Webster & Vorberg-Rugh, 2013, pp.60-61). The dividend was portrayed as a scam, the benefits being undermined by higher prices charged in the co-op stores compared to private shops (Winstanley, 1983, pp.85-87). All of this was testament to the success of the 'divi' in building success and customer loyalty among members; and it continued to do so until the latter 20<sup>th</sup> century, when declining co-op society profits, and fierce competition from the large PLCs which dominated the retail grocery trade (TESCO, Sainsburys, ASDA) gradually first reduced its value and led to its abandonment (Wilson, Webster & Vorberg-Rugh, 2013, p.179 and p.261). Interestingly, some unsympathetic historians have argued that the prominence of the 'divi' in attracting and retaining members suggests that hard-headed materialism rather than ideological commitment on behalf of co-operative society members. But Gurney convincingly demonstrates that

members were attracted by other social and cultural offerings. Reading rooms, tea dances, trips to the seaside, mass annual festivals, all spoke to the 'co-op' being about much more than just money; it offered fellowship and a social life, and through them a personal and emotional as well as intellectual encounter with co-operation in everyday life (Gurney, 1996).

Linked to this cultural and social aspect of co-operative society life, was the movement's commitment to education, which certainly figured consistently throughout during the period, though perhaps more prominently in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. Gurney shows that the informal and leisure-oriented social activities of local co-operative societies played a vital role in not only cementing the loyalty of the members, but also in inculcating an understanding of co-operative principles and values. The Co-operative Youth Movement was especially important in this respect (Gurney 1996). Training on the job seems to have been the principal way in which managers and employees were trained, initially, though in due course centralised, formal arrangements emerged. The establishment of the Co-operative College in 1919 was an especially important moment, and it effectively became the 'university' of the movement, providing practical commercial education for co-operative society and SCWS/CWS managers, and also general educational courses which equipped co-operators and managers with a knowledge of social and economic history as well as the principles of co-operation (Woodin, 2011, pp.78-95; Vernon, 2016, pp.69-89). Later in the 20<sup>th</sup> century, the college became increasingly dependent on funding from the co-operative wholesales, which tended to push the college towards provision which was directly relevant to their interests. Moreover, as the movement struggled with collapsing market share and failing co-operative societies, there was a tendency to see the requirements for an effective manager as lying in the mainstream training generic throughout the retail trade and private business, with far less emphasis upon specifically co-operative education. Nonetheless, the College continued to

provide courses for co-operators and managers throughout this period, though by the 1990s, it ceased to be a provider of courses and became more a brokerage service enabling co-operative societies to secure training elsewhere. But its role within international co-operation grew in importance. Working with UK and other central government agencies, it began to provide – and still provides – support for co-operators and co-operative organisations overseas, especially in Africa, in the form of both collaborative research and practical projects, as well as through advice and technical support in education (See: <https://www.co-op.ac.uk/Pages/Category/international>). To some extent, this overseas engagement was a legacy of the immediate post Second World War period, when the assistance of the co-operative movement, and especially the college, was sought by the Colonial Office, which had been tasked with promoting colonial economic development, largely in order to promote the dollar earning capacity of Britain's declining empire (Webster, 2019, pp.135-136).

The UK consumer co-operative movement also positioned itself as the paramount defender of consumer rights. From the time of the Rochdale Pioneers, a key principle had been that co-operative societies would sell only safe, good quality goods at fair prices. This indeed became one of the key selling points promoted by societies, and by the CWS and SCWS. A major development in this aspect of the movement's reputation was its representation on the Consumer Council set up by the British government after the First World War. In this capacity it campaigned tirelessly to defend consumer interests at a time of great economic difficulty in the domestic economy (Robertson, 2009, pp.222-239). The movement also campaigned fiercely against Resale Price Maintenance (RPM), the legal instrument by which manufacturers were able to compel retailers to sell produce at a minimum price, and which obstructed the movement's policy of offering a dividend on such sales (Black, 2009, p.34). Indeed, the movement campaigned right up to RPM's abolition in the early 1960s, by which time the wider

problems faced by British consumer co-operation undermined any advantage it derived from the reform. There is no doubt that the ‘co-op’s’ reputation for honest dealing continued to be an advantage for the movement, even during the period of contraction and decline in the later 20<sup>th</sup> century. Indeed, with the Co-operative Bank’s adoption of a policy of ‘ethical banking’ – a refusal to invest or provide financial services in activities of questionable ethics (such as the arms trade) – in the 1980s presaged a revival of its ethical trading credentials in the 1990s, especially in the area of ‘Fair Trade’ (Wilson, Webster & Vorberg-Rugh, 2013, pp.319-322). This was to become, once again, one of the movement’s key unique selling points.

In the international field, the movement’s record certainly offered examples of co-operative solidarity, which often combined ethics with self-interest. Perhaps the most spectacular early example of this was the successful relationship struck by CWS and SCWS with the Danish co-operative sector, especially the network of farmers’ creamery co-operatives which came to dominate Danish butter production in the late 19<sup>th</sup> century, in the process making Denmark the dominant exporter of butter across Europe.<sup>3</sup> In 1881 CWS established a branch in Copenhagen, and insisted on dealing directly with the Danish farmers as well as the brokers in the city, much to the chagrin of the latter (Grocery & Provisions Committee Minutes of the CWS (GPCM), 1881). The first manager of the CWS Copenhagen branch, John Andrew, worked assiduously to build links with the Danish co-operative movement. He became a close personal friend and collaborator with the President of the Danish CWS, and developed a modest

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<sup>3</sup> There is an extensive literature on the Danish creamery sector. See: I. Henriksen, “Avoiding Lock in: Co-operative Creameries in Denmark 1882-1903” *European Review of Economic History* 3 (1999) 57-78; I. Henriksen & K.H. O’Rourke, “Incentives, Technology and the Shift to Year Long Dairying in Nineteenth Century Denmark” *Economic History Review* 58:3 (2005) 520-524; D.M. Higgins & M. Mordhorst, “Reputation and Export Performance: Danish Butter Exports and the British Market, c1880-1914” *Business History* 50:2 (2008) 185-294; I. Henriksen, M. Lampe & P. Sharp, “The Role of Technology and Institutions for Growth: Danish Creameries in the Late Nineteenth Century” *European Review of Economic History* 15 (2011) 475-493; and M. Lampe & P. Sharpe, “How the Danes discovered Britain: The International Integration of the Danish Dairy Industry before 1880” *European Review of Economic History* 19 (2015) 432-453.

but useful line of commerce between the two bodies (GPCM, 4 March 1885, 2/0/5, 182; 16 December 1885, 2/0/5, 404). But it was with the Danish farmers with whom the links were most important, and a steady supply of butter was purchased by CWS from the Danish farmers, an act of solidarity, but also a shrewd commercial reminder to the Copenhagen brokers that they could not impose unfavourable conditions on CWS. In 1884, some 30 per cent of CWS purchases by the branch was directly from Danish creameries and farmers, and though this was a high point, the exercise of market power was well understood by all parties (Co-operative Wholesale Society Board Minutes (CWSBM) 29 August 1884). The relationship between the British co-operative wholesales and the Danish creamery co-operative movement persisted well into the 20<sup>th</sup> century.

After the First World War, further successful international co-operative collaborations were with New Zealand and Australian farmers. In February 1920, CWS established a joint company with the New Zealand Dairy Association, the New Zealand Produce Association (NZPA), to sell New Zealand butter and other produce in the UK (CWSBM 11 February 1920). The banking department of the CWS provided credit to enable NZPA to trade (CWSBM 7 October 1920; 19 August 1926; 7 October 1927; 13 October 1927; 21 July 1927). By the later 1920s, operations were extended into meat exports from New Zealand (CWSBM 21 October 1927). In Australia, from the early 1920s, wheat farmers in western and southern Australia embarked on a co-operative strategy of co-ordinating production to exert some control over prices through the formation of wheat pools. The Western Australia pool handled 15 million bushels of wheat annually, and was the largest organisation operating in that state (*The Western Australian* 23 June 1922). But such arrangements required access to a large volume of credit to enable farmers and the pools to weather the time lag between planting, harvest and sales, a facility which Australian banks initially refused to extend to them (*Co-operative News*, 20

February 1926). The CWS bank stepped into the breach, offering very large amounts of credit from the mid-1920s to the mid-1930s, when the Australian banks finally relented and took over the provision of credit, led by the Commonwealth Bank of Australia (CWSBM 14 August 1934; Report of CWS Deputation to Australia, Tasmania and New Zealand, 12 October 1935 to 11 March 1936). The amounts involved were very substantial indeed. Amounting to between £1 million and £3 million per annum (CWSBM 18 March 1926; 22 October 1926; 17 December 1926; 13 April 1927; 13 October 1927; 27 September 1928; 29 October 1929). A briefer relationship with the south Australian wheat pool involved the provision of CWS bank credit of £1.5 million in 1927 (CWSBM 20 January 1927). The British CWSs benefitted from both interest and the supply of wheat which these advances generated. CWS also struck up an enduring relationship with Westralian Farmers, a farming co-operative in Western Australia, established in 1914 which supplied farmers with tools, warehousing, retail supplies and a range of other services (The Midlands Advertiser Western Australia 7 November 1913). CWS agreed to lend money to them to develop the provision of tractors to members (CWSBM 25 November 1926; 20 January 1927). The Great Depression hit Australia hard, and falling commodity prices caused severe financial difficulties for Westralian Farmers. Nonetheless, CWS continued to lend to the organisation, throughout the 1930s, and agreed to reduce interest on the loans from 5.25 per cent to 5 per cent in May 1933 (CWSBM 30 May 1933). Such policies also dovetailed with the prevailing government policy of the 1930s of giving preference to imperial trade (Webster, 2019, pp.100-111).

There were also numerous instances during the interwar period of CWS helping overseas co-operative organisations through loans, especially in states either recovering from war or newly established as a result of the Treaty of Versailles or other outcomes of the First World War. In April 1919, £100,000 in goods on credit, as well as a loan at 3 per cent interest

was granted to the Belgian CWS. This was followed by credit of £600,000 to two Polish CWS federations, £400,000 for the Rumanian CWS, £20,000 for the Finnish CWS. £200,000 for the Serbian CWS and £100,000 for the Czech CWS. Some of these were at least partly guaranteed by the governments of these countries, demonstrating that these loans were part of post war state recovery and state formation strategies (CWSBM 17 July 1919; 22 August 1919; 20 February 1920). But some of these organisations – and their state backers – proved unreliable. CWSs in Poland and Rumania proved to be very unreliable debtors, even with government backing, and their debts were only repaid by the early 1930s (Webster, 2019, p.107). As will be seen, this was to have important and negative consequences. In 1934, the French CWS and its co-operative bank was also rescued by a CWS bank loan of £100,000, which was promptly repaid (Co-operative News 30 June 1934, 12; CWSBM 28 April 1934; 1 October 1935). When it could be, the British movement was often generous in its obedience to the principle of co-operative solidarity.

There was also a strong tradition in the movement for supporting the economic development of the poorest British colonies, especially in Africa. This was emphatically displayed in West Africa in the late 1930s, where the CWS had maintained depots and businesses purchasing cocoa and palm oil since 1913. Several of the major companies agreed a cartel arrangement, whereby they collectively imposed lower prices for the cocoa they purchased from the planters. CWS refused to join this, and when the planters (some of whom were organised into co-operatives) took action to curtail the supply of cocoa, the colonial government became involved in the dispute (Co-operative News 29 October 1938, 1; 5 November 1938, 13; The Producer December 1938, p.321). In February 1938 an official investigation by the colonial government led to the end of the cartel, and in its wake a much closer relationship emerged between the Colonial Office and the CWS, with the latter being

consulted for advice on the promotion of co-operatives in West Africa as a tool of economic development (Webster, 2019, p.150). The episode proved prophetic in two ways. Firstly, it in many ways reinforced the reputation of the movement for honest dealing, especially with those poorer or weaker. In many ways, the roots of later initiatives by the movement such as ethical banking and support for Fair Trade are evident in the West African episode (Wilson, Webster & Vorberg-Rugh, 2013, pp.320-325). Secondly, it helped overcome some of the suspicions held in the civil service that co-operation was a leftist and dangerous philosophy, paving the way for the British co-operative movement to be invited into state institutions to help shape colonial development policy. This gathered momentum following the role of the co-operative movement in supporting state wartime policies in the areas of rationing and overseas food procurement, and the election of the Labour government in 1945 (Rhodes, 2012, pp.243-251; Webster, 2019, p.135). While the involvement of the co-operative movement and the Co-operative College gradually diminished with the retreat from empire, there was still a role for the movement in an advisory capacity in the 1960s, a presence which has not altogether withered, as evidenced by the work done by the Co-operative College which continued into the 21<sup>st</sup> century (Rhodes, 2012, pp.300-305).

But inevitably, the wholesales did not and could not continually live up to the values and principles of the movement. The demands of a highly competitive domestic retail market in the UK, and the need to satisfy the demands of member societies, equally pressed by competitive pressures, and whose loyalty to the wholesales could not be taken for granted, contributed to the compromise and occasional disregard for the most fundamental tenets of the movement. One early victim was solidarity between different forms of co-operation. The 1870s saw numerous attempts to develop workers co-operatives as well as consumer co-operatives. There were notable successes among these, especially in the cotton industry (Toms, 2012,

pp.855-882). But there were also ill advised and poorly executed co-operative experiments which failed disastrously. Most noteworthy was the ill-fated Ouseburn Co-operative Engine Works Company established in Newcastle in 1871 in the wake of a major strike in the industry. Inspired by prominent local worthies such as the Reverend Dr Rutherford, the co-operative operated until 1875, by which time escalating losses revealed a woeful lack of managerial expertise (Jones, 1894, p.446-458). The English CWS was affected, incurring substantial losses on loans to the co-operative (Jones, 1894, p.446-458). It was the first of several such disappointments. Co-operative collieries proved to be notably unsound enterprises which absorbed CWS Bank loans, only to have to be taken over by wholesale to save them from liquidation (Webster, 2012, p.892). In 1881 this precipitated an almighty row in the quarterly meetings of the CWS, when it emerged in June of that year that the English wholesale had written off £32,000 in losses on co-operatives it had taken over. The revelation sparked an abortive bid to forbid CWS loans to producer so-operatives, and accelerated the development of the wholesales as industrial producers in their own right (Webster, 2012, p.892). The legacy was a tendency for many consumer co-operators to see their own control over production as inherently superior to exclusively worker control. It was a division within the British movement which persisted well into the 20<sup>th</sup> century and sits uneasily with the notion of solidarity between different co-operative forms.

This somewhat jaundiced view of the ability of workers to run their own enterprises acted as a bar to the idea of worker representation in decision making, either in the local retail societies or the wholesales. By 1939, only 80 local societies had worker representatives on their management committees, but the wholesales and the bulk of the movement resisted this (Cole, 1944, pp.347-351). It also served a deep suspicion in trade union circles that retail societies and the wholesales in practice were little better than other employers in how they paid and

treated their workers. Some even accused the CWS as being an employer of sweated labour (Cole, 1944, p.346). There were also major industrial disputes involving the CWS and other co-operative societies, especially in the 1920s (Carr-Saunders, Sargent Florence & Peers, 1938, pp.44-45). This friction with the wider working movement, including the Labour Party has been examined by other historians, and it does reflect a wider uneasiness about the co-operative movement's commitment to its principles. One consequence was that the co-operative movement enjoyed only limited success in persuading the Labour Party of the benefits of a wholehearted co-operative approach to the reorganisation of society, which remained firmly committed to the concept of state socialism (Whitecross, 2016, pp.131-150; Manton, 2007, pp.306-333; Manton, 2008, pp.269-286; Manton, 2009, pp. 756-778). Nonetheless, the movement remained loyal to its alliance with Labour, partly out of the strength of local factors, such as the fact that many active co-operators were also Labour members and activists, and that a strong sense of working class community held co-operators, trades unionists and Labour members together, notwithstanding differences (Robertson, 2010, pp. 218-221). Indeed, it was strong enough to ensure that the co-operative movement remained loyal to Labour even during the split which created the SDP in the early 1980s, notwithstanding the misgivings about the leftward turn in Labour after 1979 (Stewart, 2011, pp137-156). But Whitecross makes the point that it was the co-operative movement's inability to effectively formulate and consistently press for an alternative vision in the 1930s which also limited its impact on the development of Labour Policy. It was a trend which was reinforced by the autonomy of local retail societies, whose attitudes to the relationship with Labour varied hugely. It was, in its own way, a further illustration of how the structure of the movement hindered the development of a consistent and commonly held position of principle, and its capacity to translate its principles and values into Labour policy (Whitecross, 2016, pp.144-145).

More seriously, there was one episode in which the British wholesales came into direct conflict with other co-operators in the UK over a key issue of co-operative values and principles. The CWSs began purchasing large quantities of Irish butter in the 1860s, to supply a growing appetite for the commodity amongst British co-operative members. It opened branches to buy butter in Limerick (1868), Armagh, Waterford (1873), Tralee (1874) and Cork (1877) (Webster, 2019, p.35). As shown, from the early 1880s, Denmark became a preferred source of butter for the wholesales, on grounds of reliability of quality and supply. But the growing popularity of Danish butter on the European market meant that the price was rising steadily (Webster, 2019, p.61). The ideal solution was for Irish farmers to imitate their Danish peers and form dairy creameries, and in 1889 Horace Plunkett and Robert A. Anderson launched their campaign to make this a reality, forming the Irish Agricultural Organisation Society (IAOS) in 1894, and by the following year it led 33 new dairy co-operative societies in south west Ireland. But the growth of co-operative creameries in Ireland was a slower and more erratic process than had been the case in Denmark. CWS initially welcomed Plunkett's efforts, but by 1895 disillusion had set in. The near failure of a co-operative creamery at Castlemahon in 1895 prompted CWS to buy it and commence a policy of acquiring other creameries so that it could produce its own Irish butter (Bolger, 1983; CWSBM 25 January 1895). The lack of faith in Irish dairy co-operation to some extent repeated the dim view of producer co-operatives generally displayed in 1881, and underlined the extent to which British consumer co-operation could at times appear to be weak in its support for other forms of co-operation. The upshot was a running battle between the CWSs and the IAOS, as the latter protested ferociously that the British consumer movement was undermining the Irish movement (Doyle, 2019, pp. 61-65; Webster, 2019, pp.61-65). The battle raged for over ten years, and was fought out in meetings and conferences of the Co-operative Union, the private offices of government and officials and occasionally in the form of direct protest against

proposed CWS creameries, which threatened IAOS, supported creameries. The CWS presence certainly became significant, and by March 1905 it ran 38 main creameries and 50 smaller, auxiliary creameries. But the IAOS soon outstripped it, boasting in 1901 of representing 236 co-operative creameries with 26,577 members (Co-operative News 2 November 1901). In addition, there was fierce competition from the private sector (Henriksen, McLaughlin & Sharp 2015, p.424). Ultimately IAOS won the battle, and after 1909, CWS gradually disposed of its creameries, selling many of them to Irish co-operators (CWSBM 22 January 1909). But this was not a decision borne of any late twinge of co-operative conscience. Rather it reflected the fact that the experiment had proved a major financial failure. Difficulties in procuring milk at competitive prices, an inability to persuade Irish farmers to innovate in the field of winter dairying as well as problems of management all contributed to losses of £52,000 by March 1908 (Manchester quarterly meeting March 1908; Co-operative News 21 March 1908, p325). In the end it was commerce rather than co-operative principle which dictated British consumer co-operation policy.

Overseas interests also especially led the CWS into decisions which did not conform with co-operative principles and values. Relations with the ICA and British consumer co-operative attitudes to some of its key initiatives in the inter-war period, proved to be especially problematic. The most ambitious ICA plan was the creation of an International Co-operative Wholesale Society (ICWS), which would be funded by national consumer co-operative wholesales, and supply intelligence about market conditions to both wholesales and local retail societies across the world, as well as selling produce to them. The idea was that by buying in even greater bulk, the ICWS could dramatically enhance the competitive of co-operatives across the globe, also in the process strengthening international solidarity within the movement. The idea emerged in 1919, and was given powerful impetus by the formation in July 1918 of

*Nordilsk Andelsförbund* (NAF), a joint wholesale society for Denmark, Norway, Sweden and Finland (from 1928) which supplied co-operative societies in these countries, with conspicuous success (Hilson, 2017, pp.121-129). But while the CWS and SCWS supported the establishment of an ICWS, they tended to see its role as advisory rather than commercial (CWSBM 28 August 1919; 6 November 1919). In 1928 they came out decisively against ICWS becoming a trading organisation (CWSBM 5 October 1928). The reasons were purely commercial. The British wholesales were concerned that British retail societies might choose to buy from ICWS rather than them – a concern that had always dominated CWS and SCWS thinking. But primarily, the difficulties the British wholesales had encountered in securing repayment of loans to European wholesales persuaded them that foreign co-operative movements were often unreliable business partners. There was a suspicion that as the largest and wealthiest consumer movement in the world, the British would end up bankrolling an international enterprise which, if successful, might undermine their own position in the domestic co-operative market; and which if not, would be likely to incur massive losses. Ultimately perceived commercial self-interest trumped international co-operative solidarity. Of course, the economic and political fallout of the Wall Street Crash and the ensuing global economic depression would have almost certainly have made the creation of an effective ICWS trading organisation extremely difficult if not impossible, as Europe especially lapsed into protectionism and authoritarianism. But it is important to note that British resistance predated this. CWS refused to support a new attempt in 1938 by ICA to revive the trading ICWS idea through a proposed new body, the International Co-operative Trading Agency (ICTA) (CWSBM 14 June 1938). The British CWSs would not always be so adamantly opposed to practical international co-operation, if real commercial advantage was perceived. In 1973 CWS joined EUROCOOP, an organisation of national co-operative wholesale organisations committed to promoting international trade between co-operative movements within the EEC;

but a widespread crisis in European consumer co-operation in the 1970s and 1980s, which ultimately destroyed some national institutions, ultimately limited the effectiveness of this organisation (A. Sugden to senior CWS management 26 September 1972).

But the inter-war international sphere saw even more controversial episodes for CWS. The rise of Nazi Germany after 1933 and growing Japanese aggression towards China in that decade prompted passionate debates about CWS trade with these two countries. The establishment of the virulently oppressive Nazi regime in 1933, which was as aggressive towards German co-operation as it was to other liberal or left institutions, prompted strong calls from the wider labour movement in the UK for a boycott of trade with Germany, not least from the TUC, the Co-operative Union and even local retail societies in Southampton and Dudley (CWSBM 15 August 1933; 19 September 1933; 18 July 1939). But CWS refused, and continued to trade with Germany – albeit on a small scale right up to July 1939 (Webster, 2019, p.120). Similarly, there were major demands for a boycott of CWS trade with Japan following the latter's attack on China in July 1937 (CWSBM 12 October 1937). Again, CWS refused. The reasons CWS gave in both instances are instructive. In both cases, CWS pointed to the fact that some member retail societies depended on trade with these countries, and that as the servant of its member societies, CWS was compelled to serve all of them. If individual societies wanted trade boycotts or other sanctions, it was up to them to implement their own actions (CWSBM 12 April 1938). It was a vivid illustration of the structural challenge of enforcing adherence to co-operative values in a movement in which 1200 separate retail societies, with different commercial needs, attitudes and priorities, were sovereign. The CWS response in Spain in the late 1930s was strikingly different. The civil war there forced CWS to abandon its department in Denia, and with it most of its trading interests in the country. This allowed CWS to respond positively to Republican calls for aid and in 1937 it sent medical supplies and food

(*Co-operative News* 22 August 1936, p10; 6 March 1937, p.1). But the key point was that no material commercial interests were at stake for the British consumer co-operative movement.

But arguably an even more controversial development was the emerging political and commercial relationship between the British movement and the new Soviet regime in Russia. The situation in Russia following the Bolshevik seizure of power in 1917 until the early 1920s was fast-moving, confusing, and often unclear to western observers. The attitude of British co-operators to the Russian crisis was shaped by two considerations. Firstly, the existing Russian co-operative movement was large and strong (26,000 consumer societies as well as many dairy and other co-operatives) but was believed to be hamstrung by the authoritarian nature of the Tsarist regime (Birchall, 1997, p.52). Secondly, there was a general perception that the Bolshevik regime was a legitimate one which represented working class interests in Russia, a perception which won it an initial popularity among many British co-operators and leaders. As a result, in early 1919 the *Co-operative News* published some pro-Soviet articles and voiced opposition to any potential British intervention in the Russian civil war against the Bolsheviks (*Co-operative News* 4 January 1919 pp,1-2; 8 February 1918 pp.98-99). In July 1919 CWS was also exploring the possibility of commercial links with the Rostov-on-Don Co-operative Society (CWSBM 25 July 1919; 8 August 1919). But very quickly disturbing intelligence arrived from Russia, that the Soviet regime – then in the throes of its deeply repressive policy of ‘War Communism,’ in which the state was seizing control of much of the economy - was effectively nationalising the Russian co-operative movement. Both *Centrosoyus* (the All Russian Union of Co-operative Societies) and the *Moscow Narodny Bank* (the Co-operative Bank) were taken into state control (Birchall, 1997, p.52-53; Stencel-Lensk, 1920). The deep hostility of the communist regime to an independent co-operative movement was underlined in the following year, when 11 leaders of *Centrosoyus* were jailed for a total of 125 years in

prison for alleged anti-soviet activities (Letter from E.O. Greening, *Co-operative News* 9 October 1920 p.4). Edward Owen Greening, a leading co-operator took up the case of the imprisoned Russian co-operators in the co-operative press and movement, and for several months there was real confusion within the British movement about how the Soviet regime should be judged (Letters from E.O. Greening *Co-operative News* 27 November 1920 p.1; 4 December 1920 p.1; 11 December 1920 p.1; 18 December 1920 p.3). But decisively, in spring 1921 Lenin announced the regime's New Economic Policy (NEP). To enable the Soviet economy to recover from the desperate crisis bequeathed by the civil war and war communism, the regime now permitted a measure of free enterprise, including, ostensibly, the establishment of independent co-operatives (Service, 2011, p.314). The British wholesales, eager to seize advantage of the opportunities Russia offered for trade in a wide range of commodities, especially wheat and butter, took NEP at face value, notwithstanding the fact that Russia's co-operators were forced to accept effective control of the movement by the Soviet state (Webster, 2019, pp.100-101). In the decade that followed, the CWS Bank lent money to a wide range of Soviet institutions, conducted an extensive trade with the regime and even helped set up and finance the Russo-British Grain Company to conduct trade with the USSR. This commerce continued into the 1930s, even when Stalin's policies of collectivisation were wreaking havoc and starving millions. While after 1933, commercial relations with the USSR cooled, as the regime began to take a much more suspicious and hostile view of the western powers, it was the Soviets rather than the British movement which backed off first (Webster, 2019, pp.199-120). It would be unfair to accuse the CWSs and the British movement of deliberately ignoring the repressive nature of Soviet policies in the 1920s and 1930s; they were, together with many others, unwitting victims of soviet propaganda and the difficulties of securing reliable intelligence about what was happening in the country – at least until the ghastly spectacle of the show trials in the late 1930s. But it has to be said that it was slow to question Soviet actions

and motives, even in the wake of Greening's warnings in 1920. The commercial temptations – as well as the romantic notion of helping build the world's first workers state – clouded ethical judgements.

When surveying the later 20<sup>th</sup> century history of the British co-operative movement it is clear that co-operative values and principles had little room to exercise much purchase on decision making in the movement. The declining profitability and failure of societies, the falling active membership and the structural instability of the movement described in the second section, all acted to undermine any consistency in decision making or in the conscious application of principle. This was partly reflected in the tendency to try to imitate the operations of the non co-operative retail sector, as well as to recruit more managers from outside the movement, with little deep understanding of, or commitment to, co-operative values and principles. One incident in particular reinforced the impression of a movement in deep ethical trouble. The CWS and SCWS had owned tea plantations in India and Ceylon (now Sri Lanka) since the early years of the 20<sup>th</sup> century. They had always prided themselves that working and living conditions were among the best offered by the tea planters. Then in September 1973, the Granada ITV documentary series *World in Action* broadcast 'The Cost of a Cup of Tea' which comprehensively condemned the treatments of workers on the wholesales' Ceylon estates (Anderson, 2008, pp.26-30). While a robust defence was mounted against the allegations, it received little public attention (Webster, 2019, pp.161). It seemed to epitomise a once great ethical business movement which had long ago lost its way.

## **Conclusion**

It is of course impossible to offer any calculated balance between the virtues and vices outlined in the last section. Several points however are clear. Firstly, that where ethical choices were possible, and no serious commercial interests were impaired, the movement could and usually did do its best to adhere to its principles – at least in the period before the severe decline set in after 1945. Secondly, commercial interests, however, did frequently trump ideals, not only because of the fiercely competitive domestic retail market in the UK, but also because of the intense internal pressure upon the wholesales to satisfy member societies able and willing to shop around competitively for supplies. Thirdly, the structures of the movement in the first century after the formation of CWS in 1863 made it very difficult to ensure that co-operative principles and values were adhered to; it was an inverted structure of over a thousand retail societies – a thousand masters – to which leading co-operative institutions such as the wholesales and the Co-operative Union had to defer. These were so diverse in their interest, and frequently so preoccupied with local and narrow self-interest, that no clear ethical view on issues were necessarily apparent. Fourthly, the situation only worsened in the later 20<sup>th</sup> century as the commercial plight of the movement became more acute, active membership declined, managers were imported with a limited grasp of co-operation as an ethical concept, and the movement's structure became even less coherent and strife-ridden as a result of mergers and other changes.

But this is not to say that all idealism was dead. There remained those in the movement who saw in co-operative values an opportunity to fashion a new niche in an increasingly competitive market; as a unique selling point rather than an encumbrance to be abandoned in favour of mainstream commercial strategies. The first shoots of this were evident in the emerging policies of the Co-operative Bank in the late 1980s, as it increasingly stressed its ethical credentials in only investing in ethically sound activities (Wilson, Webster & Vorberg-Rugh, 2013, pp.319-322). In the 1990s, other branches of the movement would follow similar

approaches, and structural changes within consumer co-operation would lead to a renaissance of co-operative values and principles. The telling of that story will form the basis of a further article.

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