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NEXT, The Internet
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Cover Photo
We sourced our cover photo, along with many of the images that appear inside this issue, from Stocksy United, a platform cooperative owned by artists and dedicated to changing the perception people have of stock photography.

Cover Photo: Stocksy
Cooperatives are always a good idea, but the need for cooperative principles at the heart of business is perhaps greater today than ever. People feel disconnected from their economies and their communities. They wrestle with deep issues around equitable opportunity, the environment and workplace security. We know that one of the best ways to obtain a truly inclusive economy is for people to own and control their businesses through the cooperative business model.

So, what happens when more and more business takes place on the internet? This issue of the Cooperative Business Journal explores the intersection of cooperatives and the platform economy. The modern platform economy has revolutionized the way business is done and how people engage in the economy—as service providers, consumers and workers. Amazon, iTunes, Uber and Airbnb have radically disrupted and transformed their sectors. As they translate from a physical to a digital space, cooperatives are poised to again disrupt this environment so that technology-based businesses can reflect the values of the people who use them.

The Winter 2018 edition of the Journal examines the role cooperatives can play in free and open internet access, how co-ops can transform the exploitative gig economy and how music sharing platforms could embrace true ownership. Our feature article unpacks the potential of a “cooperative internet” that is people-centered and democratically controlled. It is our hope that these articles inspire conversation and exploration of the next frontier for cooperatives.

On behalf of the Journal editorial staff, I want to thank all of our 2017 contributors for taking a deep dive into the topics, ideas and perspectives that are informing the national discussion on cooperative business and its impact on economies and communities worldwide. In 2018, we look forward to continuing to advance critical conversations on how cooperatives can build a better world through a more inclusive economy.

In Cooperation,

Doug O’Brien
President & CEO
NCBA CLUSA

“As they translate from a physical to a digital space, cooperatives are poised to disrupt the environment so that technology-based businesses can reflect the values of the people who use them.”
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For a sizable portion of the people running the established cooperatives in the United States, I’ve found, the internet is still regarded as a kind of alien invasion, an ever-bewildering source of trouble. Along with the hassle of building and maintaining a website, the internet has brought new competitors—especially venture-backed startups that love nothing more than to disrupt the kinds of intermediary roles in value chains where co-ops have held niches for decades. And many co-ops seem stuck playing catch-up. They buy the latest software and hire expensive consultants, but it’s never quite enough. The disruptions keep coming.

Playing catch-up is never the role co-ops are best suited for, anyway. Co-ops are at their best when they’re doing another kind of business—finding value that investors don’t see and meeting needs that Wall Street doesn’t bother figuring out how to meet.
This is what a new generation of cooperative entrepreneurs is doing. I’d like to introduce you to some of them, and to some of the ways that they’re doing better than catching up to the internet of venture capitalists and aspiring monopolists. They’re letting co-op values and principles guide them to a vision for a different kind of internet economy. As they do, they’re also rediscovering the competitive advantages of cooperation—old strategies, really, that powered this model in generations past, but are too easily forgotten.

First, take a foray with me into the mind of one of our eminent internet overlords. Consider it a survey of the terrain.

In February 2017, as Facebook CEO Mark Zuckerberg was still coming to terms with the previous year’s election cycle, he published a post called “Building Global Community”—a manifesto of sorts. “In the last year,” he wrote, “the complexity of the issues we’ve seen has outstripped our existing processes for governing the community.” Then he admitted, remarkably, that he couldn’t rule a platform shared by billions of human beings out of the wisdom of his own head.

And so he called for something that sounds almost like democracy: “Building an inclusive global community requires establishing a new process for citizens worldwide to participate in community governance. I hope that we can explore examples of how collective decision-making might work at scale.”

As autocracy and oligarchy run aground, Zuckerberg reluctantly falls back on democracy, then announces it as if it were the latest software update. Should we or should we not tell him that cooperatives have been practicing forms of “collective decision-making at scale” for a long, long time? Perhaps they have something to teach him. Perhaps they can do what Facebook’s investor-owners can’t.

**Business model innovation**

The designers of the internet didn’t set out to build infrastructure for cat-meme-sharing on social-media monopolies. Paul Baran, who conceived of the “packet switching” system by which the cat memes and all else travel from server to server, was concerned about a Soviet missile attack. In the 1960s, Baran worked for the RAND Corporation, which was helping to build the military communications tool that would later evolve into the civilian internet. The system relied on a complex collaboration among peers to avoid any single, vulnerable point of failure.

Radically centralized systems like Facebook are a departure from the network’s underlying structure.
They arose not for technical reasons but economic ones—to deliver the profits that early investors demanded. Centralizing Baran's distributed scheme has been a gradual, expensive process. Much more akin to the internet's design are standards-setting organizations like the World Wide Web Consortium, which balance the needs of diverse stakeholders.

The internet, like a co-op, is built for federation.

Over and over, we have seen old, cooperative practices imitated online. Take the wonders of crowdfunding, which enable businesses and products to launch without the need for loans or profit-seeking investors; well, co-ops were the original crowdfunding. When people needed something the market wasn’t furnishing, they pooled their money and built a cooperative to provide it. And they got more than one gets in the usual Kickstarter: real ownership and accountability.

Around half of U.S. households have an Amazon Prime membership, which delivers convenience to customers and loyalty to the company—but, again, without shared ownership and accountability to back it up. The internet giants are getting by with a pale imitation of what co-ops have in their bones.

The technology has added something new, however. When we talk about the online economy, we’re not just talking about slapping websites on existing business models. The real disruptions have been bigger than e-commerce; they’re happening through platforms. Platforms are a kind of business model that the internet has supercharged: multi-sided markets that generate value through interactions among users, not just through what the company provides to them. The canonical and over-used examples are platforms like Airbnb, the hotel chain that owns no hotels, and Uber, the taxi company that owns no cabs.

Once again, cooperatives got to it first. When rural electric co-ops were forming across the U.S. in the 1940s, they depended on their members' collaboration and sweat equity to build a shared asset. Marketing co-ops have enabled independent producers to set the terms on which they sell and even compete. For decades, Italian “social co-ops” have maintained balanced markets between care providers and patients who co-own their companies together.

With age, however, many co-ops have conformed themselves to the business models of their corporate competitors. They’ve come to focus on the value the co-op can deliver to members, not on the unpredictable interconnections it might facilitate. It’s service more than sharing. The rise of online platforms thus presents itself as a terrifying disruption, when it should be an opportunity for co-ops to take the lead.

The investor-owned platforms have been ambivalent creatures. In come Amazon’s conveniences, and out go the local retailers that co-ops enabled to thrive. In come flexible schedules on gig platforms like TaskRabbit, and out go protections and benefits that workers have fought for centuries to achieve. Inequality and conglomeration accelerate. And there’s no going back; the perks are too irresistible. But what if co-ops could face those disruptions on their own terms, with their own strengths? What if they invested in a new generation of cooperative innovation instead?

Silicon Valley likes to have us believe that innovation is the purview of its investor-driven formula. But when you look at a lot of the most successful companies there, they didn’t begin with a miraculous invention. From the GPS behind Uber to Google's original search algorithm, the tech often comes from publicly funded research in government and universities. The Silicon Valley magic, more often, lies in spinning up a seamless interface and the means to monetize it.

According to Fred Wilson, a renowned investor at Union Square Ventures, “Business model innovation is more disruptive than technological innovation.” What innovations can the co-op model deliver?

The rise of platform cooperativism

I’ve been dwelling in abstractions so far, and please forgive me for that, because what I’m talking about is not an abstraction at all. I came to notice the potential that cooperative business might have
for reinventing the online economy not through theoretical reflection but as a reporter—by noticing how people were already making it happen.

Starting around 2014, hiding behind the fanfare and controversy surrounding “sharing economy” platforms like Airbnb and Uber, I began coming across startups that were trying to build a real sharing economy. This usually meant adopting cooperative models. They were working in isolation, not aware of one another and with little in the way of mentoring or co-op-friendly financing to support them. But there they were. By the end of that year, I was publishing about what I’d found, and one of my sources, the New School media professor Trebor Scholz, put a name to it all: platform cooperativism.

The following year, we organized the first conference on the subject in New York, and more than a thousand people came. Even The Washington Post called it “a huge success.” Something real was indeed afoot.

At first, we had the idea that we could simply copy the Ubers and Airbnbs of the world, slap a co-op label on, and the world would switch over. But the more I’ve watched this platform co-op ecosystem grow, the more I get excited about how cooperation allows these businesses to do things differently. Cooperative ownership isn’t just some add-on mutation, it’s another sort of genome.

**Quality, not monopoly**

One of the earliest, most successful platform co-ops is Stocksy United, a Canadian stock photo platform owned by its photographers and employees. Its founders were executives for a much bigger platform who concluded investor-ownership was stifling the photographers and hurting the quality of their work. The founders realized that if they made their startup accountable to its photographers, they

The internet giants are getting by with a pale imitation of what co-ops have in their bones.
could prioritize quality. After just a few years, the company is thriving in a crowded industry.

Stocksy also breaks a cardinal rule for tech startups. You’re supposed to achieve scale at all costs, but the thousand-or-so photographer-owners have been cautious about accelerated growth. They don’t want to dilute what they offer. They’re growing, but only at their own pace and far slower than they could. They’re making their own rules.

**Control over what’s ours**

It has become an implicit social contract of life online that—in exchange for useful services like Gmail and Uber—we give up heaps of data about ourselves to who-knows-who for who-knows-what. But for platform co-ops, this trade-off tends to disappear. Users really can be the owners of their data from start to finish. There’s no more need for all the funny business hidden in the legalese that no one reads.

MIDATA, for instance, is a Swiss co-op for personal medical data funded through the voluntary use of that data for medical research. Users get a convenient repository over which they have full control. Savvy Cooperative, based in New York, is a platform where medical researchers and startups can benefit from the data of patient feedback—on the patients’ terms, because the patients are the owners. Farmers are doing something similar through the Grower Information Services Cooperative, which allows them to benefit from the data their ever-more computerized machines produce without relinquishing it to third parties.

**Federation not centralization**

Social.coop brings that kind of user control to social media. It is a small experiment that operates an open-source alternative to Twitter called Mastodon—a federated system in which people can keep their data with a provider they know and
trust, while still interacting with the wider network. Federated social networks like this are great for privacy, and the technology has been around for a while. They’ve just lacked a business model, since investors have so much to gain from highly centralized networks. Co-ops might be uniquely suited to change that.

Social.coop is unusual in other ways. It’s not legally incorporated; instead, it operates through Open Collective, a co-op-friendly platform that enables groups of people anywhere to collect money and distribute it without their own bank account. Accounting on Open Collective is public, for all to see and inspect. Social.coop members make decisions about how to use those resources and more on Loomio, a decision-making platform built by a New Zealand-based worker co-op. Most of them—well, us—have never met each other in person. We’ve built the trust we need to cooperate through transparency.

Trust on a trustless network
When the Bitcoin digital currency system first appeared in 2009, it promised the possibility of “trustless,” pseudonymous transactions over a network that would rely on no central authorities like Visa or the Federal Reserve. Companies like Goldman Sachs and Walmart are now adopting the underlying “blockchain” technology. So are credit unions. A project called CU Ledger uses blockchain technology to better manage, secure and share data about credit union members’ identities. The credit unions, that is, are applying Bitcoin’s software to purposes nearly opposite from what others have in mind: to build on institutional trust and to better collaborate.

As the blockchain economy grows, co-ops may be poised to play a vital role. RChain, for instance, is built on a supposition that the co-op model can solve some of the technical bottlenecks that Bitcoin and its cousins have faced. In Berlin, Seedbloom puts the co-ownership back into crowdfunding with blockchains. Already, it has aided the development of Resonate, a music-streaming cooperative co-owned, over its own blockchain, by fans and musicians alike. Moeda, starting in Brazil, is a co-op that uses blockchains to help credit unions expand financial inclusion and to finance its own growth.

One of the most important developments in recent years has been to see co-op veterans start to embrace and support this new generation of platform cooperators.

Venture capital as cooperative bank
For this platform co-op ecosystem to grow, it will have to develop its own means of financing, just as co-op sectors of the past have done. Already we’ve started to see developments like Purpose Ventures, a new fund designed to grow long-term with its startups, not to sell them off for a quick buck. It’s co-op compatible; in some respects, it even resembles an old-fashioned cooperative bank.

The old and the new come together. They converge. And they need each other. One of the most important developments in recent years has been to see co-op veterans start to embrace and support this new generation of platform cooperators.

We’ve done this before
The conditions that have given rise to cooperation in the past are appearing in new guises—workers barely getting by on gig platforms, or customers not sure whether they can trust the companies they nonetheless rely on. It’s not enough for co-ops to tack websites on existing business models. We need co-op business models designed in and for a networked world.

I must confess, however: When I’m in a room full of leaders from big, established co-ops, I’m not sure these kinds of innovations will come from them. I bet most of them would agree. But what we need isn’t coming from the small, experimental platform co-ops I’ve mentioned either. They’re not enough. We need both. We need experienced co-op mentors stepping in to support the new, risk-taking co-op entrepreneurs who will help keep this sector vibrant.

How can that happen? First, it needs to be easier for startups to see the co-op model as a viable option—with tech-oriented co-op incubators and seed capital, as well as outreach to existing startup communities. Second, established co-ops can find ways to pool their funds to invest in promising new co-ops, then share dividends back to their members.
Finally, we need to identify the financing and policy tools to help existing platforms that should be co-op converts. Too many online platforms we depend on are stuck trying to meet investor demands when they should instead be accountable to their users.

I’m a reporter, so I don’t like to make predictions. But based on the experiments out there, I’ve noticed some patterns that may become more common in the co-ops of the future.

They will create value not just with the services they offer to members, but with the connections they enable among members—and the efficiencies their members discover together. Their specialty will be in fostering trust on trustless networks, federating local communities across the globe. And they will build on the long cooperative legacy with forms of online governance that are more transparent than both the competition and co-ops past.

Open software and open data could help co-ops cooperate with each other more deeply than ever. Open supply-chains could display, for customers to see, their commitment to the highest quality sourcing. If they’re doing their jobs right, greater transparency will only make the cooperative difference more evident. And that difference matters.

I meet more and more people all the time who are warming to the co-op idea—and not because they’ve already worked for co-ops or studied co-op history. For the most part, they haven’t. They’re looking to co-ops because they want an online economy that is less monopolistic, more human-scaled, more sustainable and more worthy of sustaining. A cooperative internet might seem utopian, but they hope for it anyway.

I don’t think it is so far-fetched. Cooperatives brought electricity to rural America when no one else would, and they’ve given Main Street a fighting chance against the big boxes. They help millions buy homes. They pioneered the local, organic revival and the means of delivering fair-trade products from across the planet. Next, the internet. We have done this already, and we can do it again, even better than before.

Nathan Schneider is an assistant professor of media studies at the University of Colorado Boulder. With Trebor Scholz, he is a co-organizer of the platform cooperativism conferences at The New School and co-editor of Ours to Hack and to Own: The Rise of Platform Cooperativism, a New Vision for the Future of Work and a Fairer Internet. His third book, a guide to the new generation of the cooperative movement, is forthcoming in 2018 from Nation Books.