

# THE COOPERATIVE YARDSTICK

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Consumer cooperation today is causing more controversy than ever. Unfortunately, the controversy has been waged for the most part in an atmosphere of acrimony that has left the layman utterly confused. Attacks upon the system frequently have been marked by a virulence untempered by any trace of objectivity. Business groups, feeling the pinch of cooperative competition, have spearheaded an attack backed by the money of business men who in many cases have been aroused to bitterness by inflammatory material regarding cooperatives with which they have been inundated. Too many congressional investigations have been carried on in the same atmosphere of acrimony.

Viewed in relation to the whole field of free enterprise, the consumer cooperative movement is almost inconsequential. According to the best available information, consumer cooperatives account for about one per cent of the total national volume of business. While the growth of consumer cooperative business has been great in the past few years, it has not appreciably added to its share of the total business done in the United States. During the war and post-war years cooperatives have expanded. But so have all other types of business.

However, inherent in cooperative philosophy and practice are certain implications that are out of all proportion to the volume of business done. Perhaps it is the recognition of these implications that has sharpened the bitterness of the attacks upon cooperatives. Up to the present time the aforementioned attacks have had a dual result. On one hand these attacks have drawn upon cooperatives increasing pressure of investigations. On the other hand, the publicity given the attacks has undoubtedly brought cooperation to the attention of thousands of consumers who have hitherto lived in complete ignorance of the existence of the movement.

The controversy centered about cooperatives poses certain questions that demand clear answers. What is the role of the cooperative in a system of free enterprise? Do cooperatives constitute a threat to orthodox business?

In attempting to evaluate the cooperative movement it is well to consider certain psychological fundamentals. The whole history of American development is also the history of cooperative effort. From the earliest pioneer period up through the settlement of the West and the final emergence of a truly American economy, cooperation was the basic rule of progress. The early American colonists were forced

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to cooperate in order to survive. Only through close cooperation could the perils of the frontier be met. The early frontier settlement was a closely knit cooperative unit. Later, as the settlement of agricultural lands spread more rapidly, it was absolutely necessary for the farmers to cooperate at seed time and harvest. Barn raising was a cooperative job. In the texture of American life the thread of cooperation was of basic importance.

While there is little connection between these primitive forms of cooperation and the present economic structure of cooperation, the fact remains that the ingrained habit of cooperation made for an easy acceptance of cooperative economic action by the American farmer.

Such efforts of groups to cooperate for the common good were not confined to America. The history of civilization is as much a history of cooperation as was the history of American colonial development. When faced by any crisis that affected the settlement or the tribe, primitive man was always driven to cooperate to meet the crisis. But throughout the centuries no one had reduced this basic human urge to a formula of action.

When such a formula did appear it came as a result of a crisis demanding cooperative action. A little over a century ago the masses of workers in England were in desperate straits. Wages were pitifully low. Prices were too high in relation to wages and quality was unknown. Out of the urgent need for some sort of reform came the consumer cooperative movement. For the first time in economic history the problem of supply and demand was approached from a consumer standpoint.

In Rochdale, England, twenty-eight weavers propounded the theory that, since the whole economy functioned for the consumer, it was only just that the consumer have some say as to price levels and distribution costs. The result of their thinking was the set of rules that have since become known as the Rochdale Principles. The basic attempt was the age-old one to achieve distribution based on cost of production. Behind the Rochdale weavers lay a whole series of failures to achieve such an end by an approach through production. The factory or mill that attempted to sell goods at the bare cost of production found itself without funds to meet emergencies and therefore failed.

The Rochdale weavers now approached the problem from the angle of the consumer and laid down their rules for the functioning of a consumer's economy. Capital necessary for a consumer business enterprise must be furnished by the consumers. The Rochdale weavers therefore pooled about \$140 as their initial capital and launched the first truly cooperative store.

About this \$140 of capital was woven a set of revolutionary rules governing the use of capital. Since these weavers envisaged a consumer society, they were quick to realize that the society must be divorced from all political, religious, or racial concepts. Membership in a cooperative society was open to all. No one could be barred because of race, creed, or color.

The Rochdale concept of the cooperative society was strictly democratic. The share of stock in the cooperative was placed on the same basis as the worker in a factory. Capital, like labor, was to be paid a wage. The money invested in the share of stock was paid a fixed rate of interest and had no share in the profits of the business. Further, the member, not the share of stock, had the vote. Regardless of the number of shares of stock he might own, the cooperative member had but one vote in the election of directors and officers and in the meetings where decisions were made by vote.

It was ruled that all goods handled by the society should be sold at current market prices. All trading should be for cash. At the end of the year any surplus over and above the cost of doing business should be returned to the member consumer in proportion to his purchases. In view of the many charges now being leveled against these so-called patronage returns, it is just as well to diagnose clearly the function of the society in relation to the consumer members who own it.

Contrary to many loose charges leveled against cooperatives, this surplus returned to the consumer at the end of a fiscal year should not be construed as a profit. This surplus has been called a patronage refund, a dividend, a saving. Actually any such surplus is an overcharge and must be returned to the consumer owners.

A cooperative is not a business in the traditional profit economy sense. The cooperative is an agency set up by consumers. The directors and management are men hired by the consumers to run their business affairs. These men have no powers beyond those vested in them by consumers. They have entered into a contract with the consumers to buy goods for them at cost of production. To the original cost of the goods the cooperative management adds a margin to take care of overhead, fluctuation of prices, all the contingencies that any business faces. At the end of the year the cooperative management makes a report of its stewardship. Any surplus shown on the books of the cooperative is the property of the consumer owners and must be returned to them as a definite overcharge.

In this respect it might be pointed out that orthodox business has again and again set up such organizations to cut production and distribution costs. The Associated Press, paying no taxes, having exactly the same rights and privileges as those accorded to consumer cooperatives, is a non-profit cooperative. It is highly amusing, therefore, to read a direct attack on consumer cooperation in the pages of a newspaper that is a member of the cooperative, non-profit newsgathering agency. The same rule applies to the so-called mutual insurance companies, and also to a wide range of trade associations and wholesale buying groups.

The above discussion briefly outlines the economic idea set forth by the Rochdale weavers. In the past century the consumer cooperative movement has spread all over the globe. The outbreak of World War II found it with well over a hundred million members. In Great Britain consumer cooperatives dominated the retail trade of the British Isles. In the Scandinavian countries consumer cooperation was

an integral and dominant part of economic life. In Sweden, for instance, it was the one powerful yardstick of the consumers. Through their cooperatives the Swedes checkmated trust after trust and brought hitherto strictly controlled prices down to an economic level fixed by the cooperatives.

The rise of Nazism in Europe wiped out the democratic cooperatives in many countries. In Russia the Communist Party took over the urban cooperative movement and converted it to the uses of the state. World War II practically destroyed the cooperative movement in many more countries. However, today the cooperative movement in Europe is once more on the march.

But it is with cooperation in America that we are directly concerned. For, in many respects, the movement on this continent presents the most interesting picture. It is on this continent that consumer cooperatives have risen in such strength that in many cases they represent a direct challenge to monopolistic groups and to economic practices that the layman has been led to believe are fixed and inviolable.

To gain a true concept of consumer cooperation in America and the implications inherent in its philosophy, we must first glance briefly at the scene upon which it has appeared. Only then can we grasp its implications and begin to understand the attitudes of consumer members who today are being aroused to potent indignation by many phases of the attacks upon them.

It is a generally and widely accepted fact that the rise of industrial efficiency in America was responsible for the creation of the highest standard of living known in the world. From the greatest corporation down to the smallest private business, success depended upon the ability of management to cut costs of production. As costs of production were cut prices went down and wages went up. Such a trend meant a wider distribution of goods and services, employing a growing number of people as it put a wider and finer range of goods into the hands of consumers.

Probably the greatest single factor contributing to this trend was the general acceptance of the fact that muscle power, in whatever form it is used, is the most inefficient form of power. The great revolution in American industry was the revolution in the use of power. Into the hands of the workman on the production line, in factory and mill and mine, was placed highly efficient power machinery. It was because of this that the American workman became the unit capable of the greatest production per man-hour in the world.

This revolution in production was brought about mainly by the concentration of great pools of capital to make possible a balancing concentration of power in the hands of the individual workman. In this respect the great corporations such as General Motors played a magnificent part in the American productive miracle.

The years following World War I saw the greatest surge in this direction of mechanized industry. The production lines in the great automotive industries were in the forefront of this drive. Production costs were cut and cut again. The price of the automobile and of great masses of home labor-saving appliances came down to meet the rising earnings of workers.

This was true only in the urban industrial centers. Outside those centers the reverse was true. The coming of the tractor to the farm found most American farmers using methods little advanced beyond the methods used in ancient Egypt. In contrast to the industrial worker, in whose hands were placed thousands of dollars worth of power machinery and tools, the farmer still plodded behind his horses and mules. In most instances his methods of farming were about the same as they had been in the time of his grandfathers.

Several things were happening to the farmer at the same time. The vast industrial change was reaching the farmer in the form of lower-priced mechanical goods, but his income was not rising in proportion to that of the urban industrial worker. Soil depletion was forcing him to use more and more commercial fertilizers to keep his soil productive. Insect pests and diseases of plants and animals unknown to his grandfather were demanding greater and still greater expenditures of cash. The coming of the tractor and mechanized equipment added to his financial headaches while it lightened his labor. Fuel for his horses and mules had been grown on his acres. Fuel for the modern tractor and truck must be paid for with cash.

Actually, the trend of mechanization had caught up to the farmer and found him totally unprepared to adjust himself and his economy to that change. Now he was in the same position as the owner of the industrial plant in the urban centers. He must cut costs of production or shut up shop. He must, by some readjustment of his economy, make the family owned farm a solvent economic unit or give way to the vast corporate agricultural organization that could put agriculture on a par with the urban industrial unit. No such basic industry as agriculture, the key industry upon which the whole economy rested, could hope to survive in a state of inefficiency.

To the farmers of America, particularly those of the Middle West, the consumer cooperative technique appeared as one workable answer. Again it must be remembered that among these farmers primitive cooperation still functioned to a certain extent. Cooperation in one form or another was traditional with them. Long before the idea of consumer cooperation was presented to them these farmers had been marketing their products cooperatively with more than a little success. Now marketing, while still a basic problem, was not in itself enough. If the farmer was to survive he had to find some process by which he could cut his cost of production. For the high cost of production was now his number one problem and, at that time, a seemingly insoluble problem.

The price of almost everything the farmer bought was fixed by powers and circumstances beyond his control. He was in the position of being forced to sell all his products at wholesale and buy everything he needed at retail. In theory the prices of such commodities as gas and oil, feed and fertilizer, machinery and equipment were fixed by competition. But highly organized and efficient industry had already advanced far beyond ruinous competition. It was much more sensible

for the fertilizer companies, for instance, to meet in Chicago and arrive at an agreed-upon price for fertilizer. This naturally allowed the fertilizer companies to take into consideration their own problems of production, sales, credit, dealer organizations, and the like. Filling station and tank-wagon prices for gasoline and oil were similarly controlled. In the scheme of things at that time there was no possible way for a farmer to reach beyond that strictly controlled retail price and make any appreciable savings. His actual cost of production, therefore, was something that he could not cut appreciably.

The end result was to breed within the farmer a spirit of rebellion. It was this state of affairs more than anything else that widened a breach between the farm and the urban community. The rebellion found its outlet in political revolt. The farm bloc in Congress fought to obtain special privileges for farmers and farm groups. Only thus, it seemed, could any relief be obtained for the farmer. The great farm problem of the United States was actually considered insoluble from a purely economic standpoint and the farmer was kept from bankruptcy by loans, grants, and special privileges that kept him at least partially solvent.

Consumer cooperation had already acquired a foothold in America, but it was, at the close of World War I, little known to the American farmer. Consumer cooperatives had been set up for the most part by language groups such as the Finns of Minnesota, Wisconsin, and Michigan, who had brought the idea over with them from the Old Country. Until forced toward the consumer cooperative idea by driving necessity, the native-born farmers of the Middle West looked on these cooperatives as un-American foreign importations.

But a few farm leaders were beginning to study these consumer cooperatives with real interest. To the far-seeing leaders the consumer cooperative technique offered a method whereby the farmer could cut at least a few of his costs of production.

The early attempts made at cooperative purchasing were begun on the most modest scale. In Ohio and Indiana a few Farm Bureau members began to buy fertilizer in wholesale lots. Fertilizer then was selling at \$35 a ton. In that price the farmer saw mirrored his own unhappy position. Fertilizer prices had climbed to that peak during World War I when the price of farm products had risen correspondingly. But, when the prices of farm products crashed, the fertilizer interests were well enough organized to peg prices where they believed they belonged. The early stages of the battle between the farmers and the fertilizer interests were not pretty. Terms like "scab farmers" were coined to label those farmers who were attempting cooperative buying. Freight cars loaded with fertilizer were later found sidetracked in yards, boycotted by union workers who believed in the "scab" signs marked on the cars.

Such tactics only made the aroused farmers more determined to continue their experiments. They bought more and more fertilizer. The price of fertilizer dropped from \$35 a ton to \$21 a ton. And the farmers kept on buying cooperatively. Today

fertilizer factories owned by the farmers dot the agricultural areas from coast to coast. From that start in fertilizer the farmers have branched out into the milling of feed, into the ownership of factories turning out milking machines, refined petroleum products, and farm machinery. They own their own pipe lines, oil wells, and fleets of trucks.

To view this phenomenon merely as a victory for a few determined farmers is to miss the point entirely in terms of our over-all national economy. Viewed objectively, this was an instance in which the farmers did succeed in cutting a basic production cost. In terms of our basic economy it was much more far-reaching than the mere saving of a few dollars a ton on a basic commodity.

The fertilizer operations of these farmers have grown until today, combined, they offer a definite and workable yardstick that governs fertilizer prices. In Indiana and Ohio alone these farm cooperatives handle between 10 and 15 per cent of the total fertilizer business. In many other states the percentage is about the same.

If to fertilizer savings we add the savings made on purchases of petroleum products, feed, farm machinery, farm equipment, and supplies of all kinds, we can begin to understand the impact of consumer cooperation on the agrarian economy of the country.

The story of the cooperative yardstick in petroleum is even more important and dramatic. In 1921 the first cooperative filling station in America was opened at Cottonwood, Minnesota, by a group of farmers who thought they could save a few cents a gallon on their gasoline and oil purchases. That first gasoline station was highly successful; so much so that the idea spread like a prairie fire across the West. From retailing the farmer cooperatives advanced into wholesaling, then into oil blending, and finally into refining and the operation of oil wells and pipe lines.

The history of the Consumers Cooperative Association, of Kansas City, Missouri, represents as fine a case history as is available. In 1929 CCA was doing business in a two-car garage with capital of about \$7,000. This cooperative was extremely fortunate in having, on the management side, Howard A. Cowden, the man who has come to symbolize the cooperative advance into the field of petroleum. The robust growth of the cooperative idea was made to order for Cowden. Local cooperatives affiliated with CCA spread out over the nine-state area about Kansas City. From retailing and wholesaling CCA advanced through compounding and blending until in 1939 it built the first cooperative refinery in the United States at Phillipsburg, Kansas. In rapid succession, as the Phillipsburg refinery proved a resounding success, CCA acquired three more refineries, a few hundred operating oil wells, and a few thousand acres of oil leases.

At the annual meeting in November, 1947, CCA made public some thought-provoking figures. In the fiscal year then ending, CCA had a volume of business in excess of \$38,000,000. During that year it had made savings for its members of nearly \$4,000,000. The figures on savings were up more than two million dollars over the previous year, when the gross volume had been over \$26,000,000.

Again the figures must be viewed in a wider perspective than that of savings made by a regional cooperative. In making the report the management of CCA pointed out to its owner-members that the savings were made possible by rapidly advancing prices. In this respect CCA emerges as a yardstick whose findings must be studied in any scrutiny of petroleum prices or in any argument that seeks to explain or justify such price advances. It is as a yardstick, therefore, that the CCA figures are of paramount importance to every user of petroleum products in the United States.

A few months before these figures were published there had been a general advance in petroleum prices. About the time the figures were made public another advance in prices was posted. To what extent were these price advances justified? All arguments pro and con are purely academic until we find a yardstick that can yield some sort of actual proof as the CCA yardstick has done.

One of the charges leveled against CCA by its enemies is that it has grown too big. It is charged that its ramifications are too vast. However, when CCA figures are compared to those of some of the major oil companies, the charge of bigness becomes ridiculous. For the first six months of 1947 Standard Oil Company of New Jersey, for example, reported profits of \$140,000,000.

CCA, in company with several such regionals in the petroleum field, is rapidly approaching the position attained by the cooperatives dealing in fertilizer. The time may come when the major companies, in fixing retail prices on a nationwide scale, may be forced to invite the cooperatives to sit in on their conferences just as the fertilizer interests today make no price advances without first consulting the cooperatives.

In the case of CCA, as of all the other large regional purchasing cooperatives, it has been contended by the enemies of cooperatives that when the business of a farm cooperative proceeds from the mere purchasing of farm supplies to the operation of factories, mills, refineries, oil wells, and pipe lines, the cooperative is clearly exceeding its original purpose. Such a claim is economic nonsense. No yardstick would be of any use that did not measure values in every field of operation, from the raw material to the finished product upon which the consumer depends. Mere wholesaling of gasoline and oil proved nothing in the whole field of petroleum operations. But having made considerable savings on such wholesaling, the farmer, through his organization, moved naturally straight along the line toward production, proving at each step, to his own satisfaction, that the current price could be brought into line with production costs.

To be completely realistic the major units in the petroleum industry must look upon the cooperative refinery in this light. It stands as a test unit to determine what constitutes a fair and economic price. To look upon the production unit set up by organized consumers in any other light is to attempt to sway judgment by mere opinion.

In his purchasing cooperative the farmer believes that he has found an economic

technique that gives him a voice in the fixing of true prices. The average cooperative farmer is mainly concerned with his major problem, the cost of production. His own farm, as an economic unit, must succeed or fail on this basis. If foodstuffs cannot be produced as cheaply on the family-owned farm as on the corporate farm, then the family-sized farm is doomed. Such is the inexorable law of economics. In the other direction the law works just as inexorably. If the farmer, through his cooperative, can produce feed, fertilizer, or petroleum products more cheaply than can privately owned industry, then the cooperative idea will continue to flourish.

In the wider economic sense the consumer cooperative is one of the healthiest signs on our economic horizon. Every practical businessman or industrialist wishes to keep state interference in business at a minimum. The basic thesis of the proponent of free enterprise is that it should remain free. Such a proponent dreads the incursion of government. He maintains quite logically that business must be judged by the strict laws of economics.

If we accept the thesis of free enterprise we must naturally accept the above conclusion. However, industry itself in many instances flouts this thesis. Combines are formed with monopoly as a goal. Again and again the state has had to step in to break up monopolies and trusts whose ambition was the fixing of prices at an arbitrary level. Such interference in the past has been necessary in the protection of the rights of the people, the consumers. Yet if free enterprise is to continue to function without such interference, that might in a time of crisis approach socialization, free enterprise must find some way of governing itself. It must find some way to rid itself of monopoly and keep true competition alive and free.

The consumer cooperative movement is one functioning body within the system of free enterprise that fills this need. In whatever field of production it enters it stands as the laboratory set up by the consumers to ascertain what constitutes a fair price for a given commodity. When, as such a functioning unit, it proves by the percentage of the dividend that the present price level is too high, it can and does force adjustment. The law of free competition is then allowed to function. In order to halt the too rapid growth of the cooperative unit, the profit units within the system of free enterprise must bring prices down to a level that will attract consumers from their cooperative to the competing unit of free enterprise. Competition in the past has always forced such price declines. When competition does not operate freely, the state is forced to step in and take action to break up a monopoly.

Consumer cooperation in its present healthy state of growth in America is part and parcel of the system of free enterprise. In the cooperative the citizen is exercising his inalienable right to reject one form of business and try another. The consumer cooperative thus is invariably the expression in concrete form of the consumer's dissatisfaction with prices or quality or both. The cooperative is the

substantial appearance of his belief that it is possible for the consumer, through cooperative organization, to do a better job for himself than is at present being done by profit enterprise.

There is not a single successful consumer cooperative functioning in America today that was not brought into being for this purpose. The rebellion of the mid-western farmers against high prices of feed, fertilizer, petroleum products, farm machinery, and other commodities found its expression through cooperative action. Viewed in this light, the consumer cooperative has done a signal service for the system of free enterprise. For, had the farmer rebellion against high prices had no such practical outlet, there is hardly a doubt that the voices of organized farm groups would have been raised in demand for more and more government control, even to the demand for socialization in fields where monopoly was most flagrantly powerful.

The present trend of the consumer cooperative movement in the urban field is highly significant in view of the present spiraling of prices. Prior to World War II many urban groups owned and operated successful urban cooperative stores. But in the wide field of food merchandising there had been no strides taken comparable to that taken by the rural groups in the production and distribution of such commodities as petroleum products, feed, and fertilizer.

For one thing, the great systems of chain stores had reduced retail and wholesale margins to such an extent that only the most efficiently managed cooperative store could show any savings whatever. A few groups scattered across the continent had been successful in operating cooperative stores. But the urge toward a wide development of cooperative stores in urban areas was absent because of the highly efficient job of distribution being done by the chains.

World War II saw the end of this complacent attitude toward urban retail prices. In the industrial areas particularly, where organized labor had succeeded in gaining wage increases, this spiral of rising prices closely followed the rise of income. Labor groups, watching wage increases being swallowed by increased living costs, rebelled as openly as farm groups had earlier rebelled against the price of farm commodities. The result was a definite and well-organized turn toward the cooperative technique by many of the large labor union groups.

In the vast industrial area extending roughly from Chicago and neighboring cities east through the highly organized areas of South Bend to the Detroit area, a wave of cooperative organization and expansion got under way. Highly successful cooperative markets at Waukegan (Illinois), Chicago, Flint, South Bend, and other points, became focal points of study by the labor groups. At this writing a wide campaign of cooperative organization is going forward within large unions affiliated with both A. F. of L. and CIO.

The number of groups now organizing cooperative stores proves conclusively that a revolt on the part of the urban consumer comparable to that staged by the midwestern farmers a decade earlier is now definitely under way. This revolt

is not confined to the establishment of cooperative stores but includes a widespread entry into housing, hospitalization, and other fields.

Viewed objectively, this present activity on the part of urban consumers is of the utmost importance. These groups operating in the urban retail and wholesale field are in exactly the same position the farmers were in a decade earlier in their farm purchasing organizations. Just as the farm cooperatives at that time had not yet reached the stage of production, and thus fell short of constituting a yardstick, so the urban groups have done little beyond make narrow retail and wholesale savings.

The farm purchasing cooperatives found that real savings were to be made in the field of milling, fertilizer manufacture, the production and refining of petroleum products, and the manufacture of certain farm supplies. When the farm purchasing organizations moved into this field the savings became greater and of more far-reaching importance.

The farm groups entered these fields when, through their retail and wholesale units, they had organized enough buying power to justify their entry into production. This is the point toward which the urban movement is definitely headed. Today the American public is aroused by the rapidity of price rises. Fear of inflation is actively present. About this subject of prices a controversy is raging. There has been an open demand on the part of many groups for a return to government price control and even rationing of certain commodities.

Are these current price rises justified? How can unwarranted price rises be curbed? These are questions vexing the public mind. In the case of organized labor the move is definitely toward consumer cooperation as a real yardstick to answer these questions practically.

This present rush of organization under way among consumer groups will force as deep an incursion into the field of food production as that forced by the farmer revolt ten years earlier. Already large groups operating cooperative stores and wholesale outlets are asking some pertinent questions. They are definitely questioning prices as compared to costs of production in the fields of packing, canning, and other processing activities. To question in the growing cooperative movement is to act. Action comes naturally when purchasing power has been organized on such a scale that the consumption of the output of a modern packing plant is assured. Then, and then only, can the consumer have his questions answered on a sound economic basis.

There is no question that this will be the trend in the years ahead. The rush of labor groups into cooperatives is making the advance into cooperative processing of food products absolutely certain.

In housing, for instance, the situation is made to order for cooperative action. With the existence of a critical housing shortage the cost of new housing has gone sharply upwards. Several groups, notably the UAW-CIO cooperative at South Bend, Indiana, have gone far enough to prove to their own satisfaction that hous-

ing costs can be cut appreciably. The success of such a group will inevitably bring into being other cooperative groups, just as the success of CCA in its experiment with the first cooperative oil refinery brought a major rush of other farm cooperative groups into that field. The same will be true of packing, canning, or any other process at which the experimenting cooperative marks up a signal success.

All this constitutes the true meaning of consumer cooperation in America. To view it from any other angle is to confuse the issue and entirely miss the cogent meaning of the consumer cooperative movement today.

It has been charged that cooperatives, paying no income taxes, have an unfair advantage over private business. Let us examine this charge. Cooperatives do pay taxes. They pay all taxes, federal, state, and local, levied upon other types of business. They do not, however, pay income taxes on the savings made. Enemies of the cooperatives cannot seem to grasp the fact that no organization is called upon to pay a tax on a profit that does not exist.

What is a profit? In the final analysis it is a charge imposed by a form of business that accepts a responsibility and performs a service for the consumer. Profit is derived by the entrepreneur by selling or producing goods or performing a service for a second party. When that party decides to buy the goods or perform the service for himself, the profit disappears. A consumer may make a saving by accepting the responsibility and doing the job for himself. But he cannot make a profit. A consumer cannot make a profit by buying. The profit must be made by selling.

Here is the basic difference between cooperation and other forms of business. All private enterprise is based on what we might call a seller's economy. Throughout history the economy of the world has been a seller's economy. In the cooperative we find a complete shift from the seller's economy to a buyer's economy. This seems to be the one point that orthodox private business has been unable to perceive or accept.

Any individual or corporation in business today has the same rights accorded to cooperatives. Any overcharge rebated to his customers is allowable. He can and does deduct that from profit and pays no taxes upon it. If he wants to return all his profit to the consumer he may do so. Having no profit, he is then in the same position as the cooperative and is tax-exempt.

The charge that cooperatives are communistic is absurd. Consumer cooperation is the antithesis of communism, for it is the concrete expression of a desire on the part of free citizens to accept the responsibility of serving themselves. The one force that can utterly destroy cooperation is statism in any form. Therefore cooperators have an even livelier fear of absolute statism than does the orthodox business man. The growing cooperative movement in America is the strongest bulwark between free enterprise and the state, for the cooperative that functions efficiently in any field can correct abuses that would otherwise have to be corrected by state interference with free enterprise. The cooperative yardstick, when it is

applied, constitutes a system of self-government within the economic system, something that has hitherto been tragically lacking. It measures prices solely by cost of production, a cost that cannot be economically cut except by greater efficiency and elimination of waste in both production and distribution.

The appearance and meaning of the cooperative movement must be gauged in pure objectivity. To attempt to judge it by the inroads it may make in any given field is to judge by criteria of personal gain or loss. Only in the market place of free enterprise will the extent of the growth and value of the cooperative movement be decided.