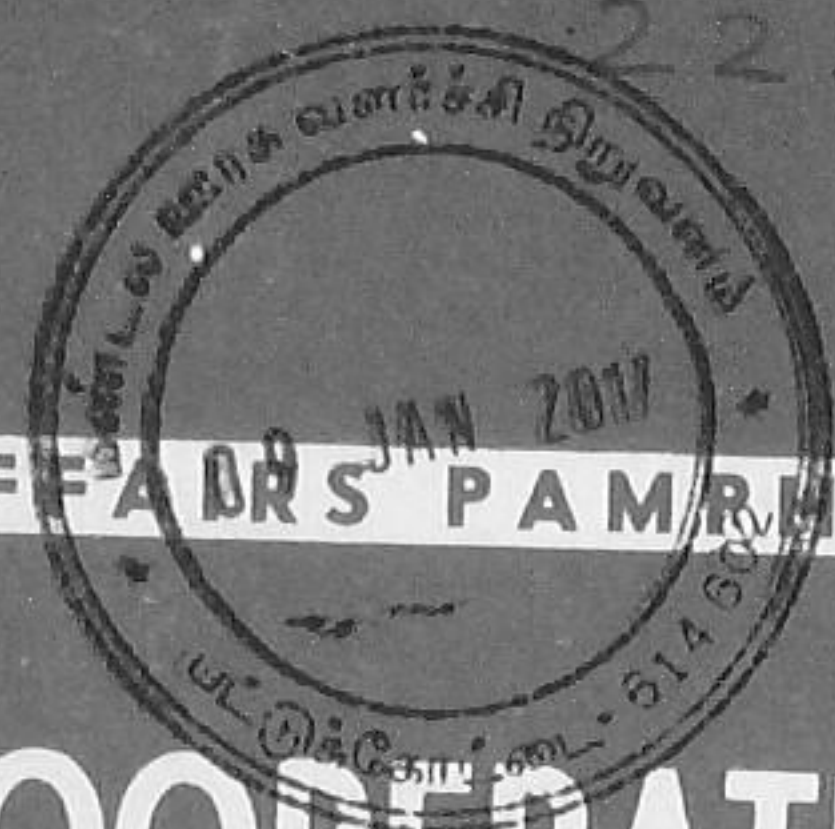


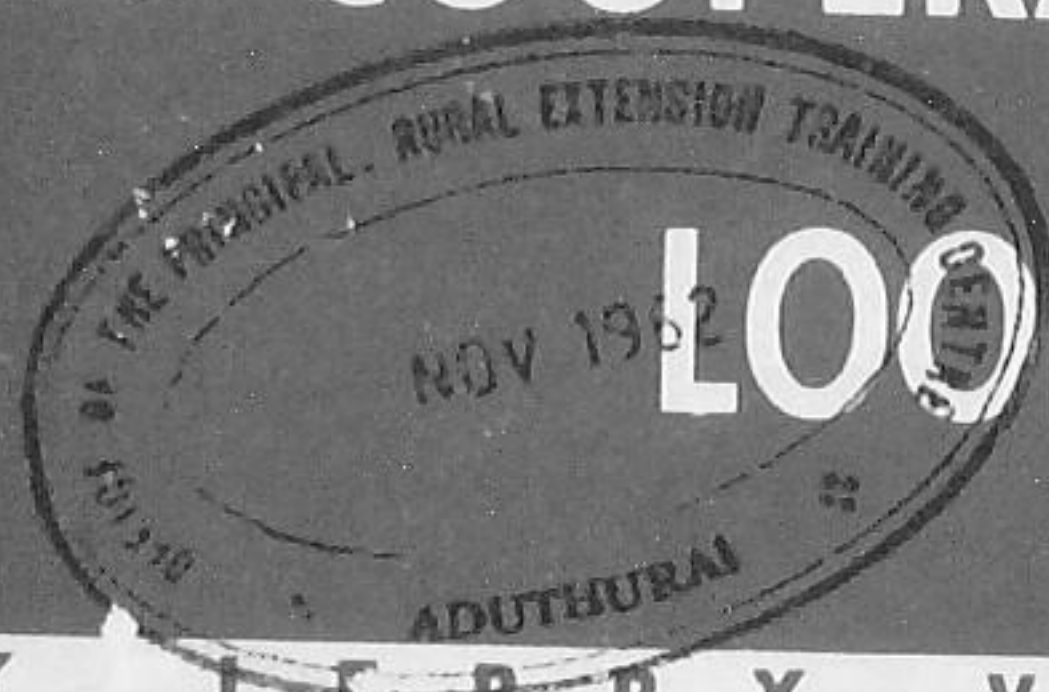
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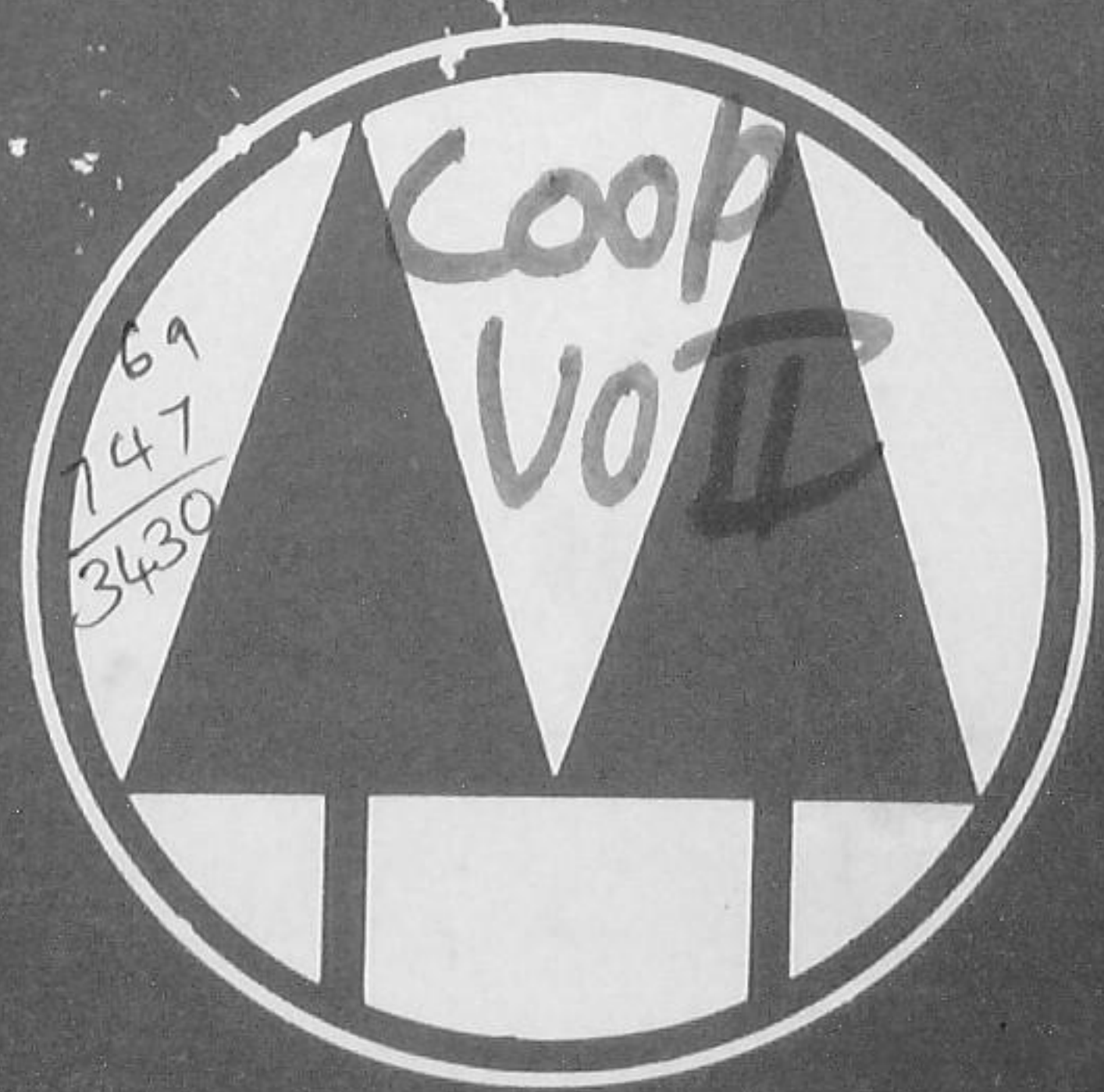


PUBLIC AFFAIRS PAMPHLET No. 32

THE COOPERATIVES LOOK AHEAD



BY JERRY VOORHIS



HIGHLIGHTS IN THE ACCOMPLISHMENTS OF AMERICAN COOPERATIVES

1. Rural electric cooperatives are largely responsible for bringing the benefit of electricity to nearly 90 per cent of all American farms.
2. About 16 per cent of the petroleum products used on American farms and 22 per cent of those used in the Middle West are distributed through cooperatives.
3. Between 15 per cent and 25 per cent of the fertilizer used on farms throughout the nation is produced and distributed by cooperatives.
4. Consistently through the years about 25 per cent of all farm crops are marketed cooperatively and about 25 per cent of farm supplies are purchased cooperatively by American farmers.
5. About 5,000,000 heads of families in the United States are members of credit unions in which they deposit their savings, and from which they have a ready source of loans in time of need. Altogether the credit unions have assets of over \$1,000,000,000 and do about 12 per cent of the small loan business of the nation.
6. Among the fastest growing mutual insurance companies in the United States are some of those with a definite cooperative (or genuinely *mutual*) point of view.
7. Some 15,000 persons own their own homes cooperatively in New York City and have thus created for themselves true neighborhoods in the midst of America's largest city.
8. A 1950 survey of voluntary health plans in the nation found that the persons insured for medical and hospital services by some 184 cooperative plans represent the only persons who have comprehensive protection against medical costs.
9. The number of successful city consumer cooperative stores is increasing slowly but steadily.
10. All in all, somewhere in the neighborhood of 10,000,000 different families in the United States have membership in one or more cooperatives.

Lest some of the figures just given in our Highlights be misinterpreted, it may be well to put them in the framework of their relation to the economy as a whole. For example:

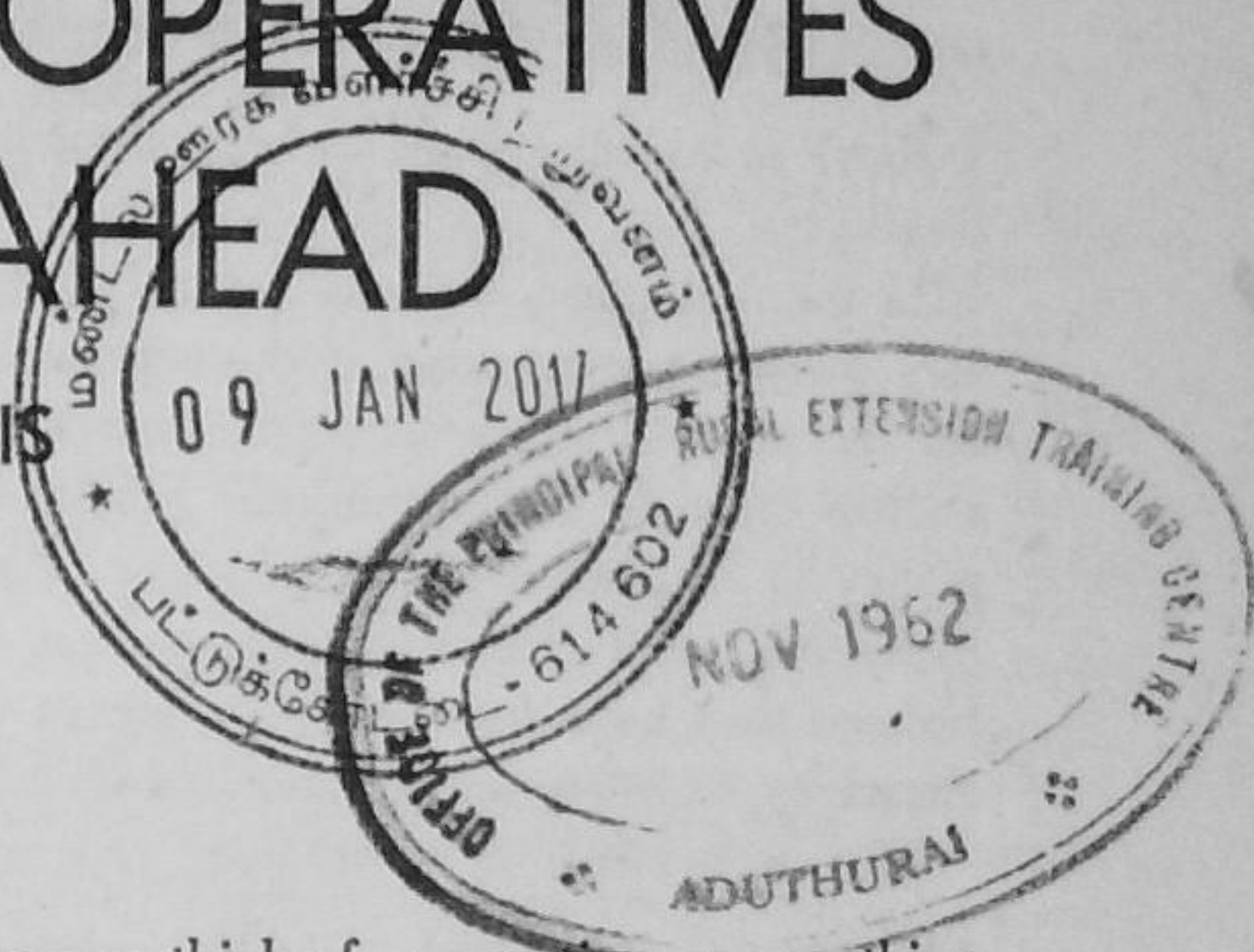
1. Important as cooperative petroleum development is in rural mid-America, all cooperatives produce only about one per cent and distribute about 2 per cent of American Petroleum products.
2. Substantial as the \$1,000,000,000 of assets held by the 13,000 credit unions appears to be, nevertheless this sum is only about one-sixth of the assets of a single New York City bank — the Chase National.
3. Although cooperatives are an integral part of America's rural economy, only about 1½ per cent of the total investment of farmers is in their cooperatives.
4. Fast-growing as are some of the insurance companies having a cooperative orientation, their combined assets are only about 1¼ per cent of the assets of the Metropolitan Life Insurance Company.
5. It is probable that the total business of all cooperatives in the United States constitutes no more than 2 or 3 per cent of the nation's business.

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THE COOPERATIVES LOOK AHEAD

By JERRY VOORHIS



THE American city dweller may think of cooperatives as something they have in Scandinavia or as institutions that "don't pay taxes."

But his country cousin knows better. He knows better because he has seen cooperatives of one kind or another at work in his rural community . . . especially if it's in the Middle West. He is likely to have read in his local weekly that a co-op is the biggest or close to the biggest taxpayer in his county.

Consumers cooperative stores, which constitute the most important single element in the distribution systems of Great Britain and Scandinavia, are comparatively few and far between in the United States. Cooperative housing, confined to New York City and a few thousand families elsewhere, hardly compares with the whole islands towering with beautiful cooperative apartments that are seen in Stockholm.

But there is probably not another nation whose people have developed so broad a diversity of cooperative enterprises as have the American people. And cooperation is as deeply rooted in the social and economic life of *rural* America as it is in the *rural* life of any other nation, with the possible exception of Canada and Denmark.

Jerry Voorhis, the author of this pamphlet, was formerly a Congressman from California and is now Executive Secretary of The Cooperative League of the U.S.A.

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WHAT IS A COOPERATIVE?

TODAY in America there are several methods of economic organization in use.

In the first place, we have several types of businesses—individually owned, partnerships, and corporations—which are organized for the purpose of producing or distributing goods or services and selling them to the customers. Stockholders do not invest their money in an electric utility company or a chain store because they themselves need electricity or groceries. They invest their money because they hope for a financial return as a result of the sales of electricity or groceries to *other people*.

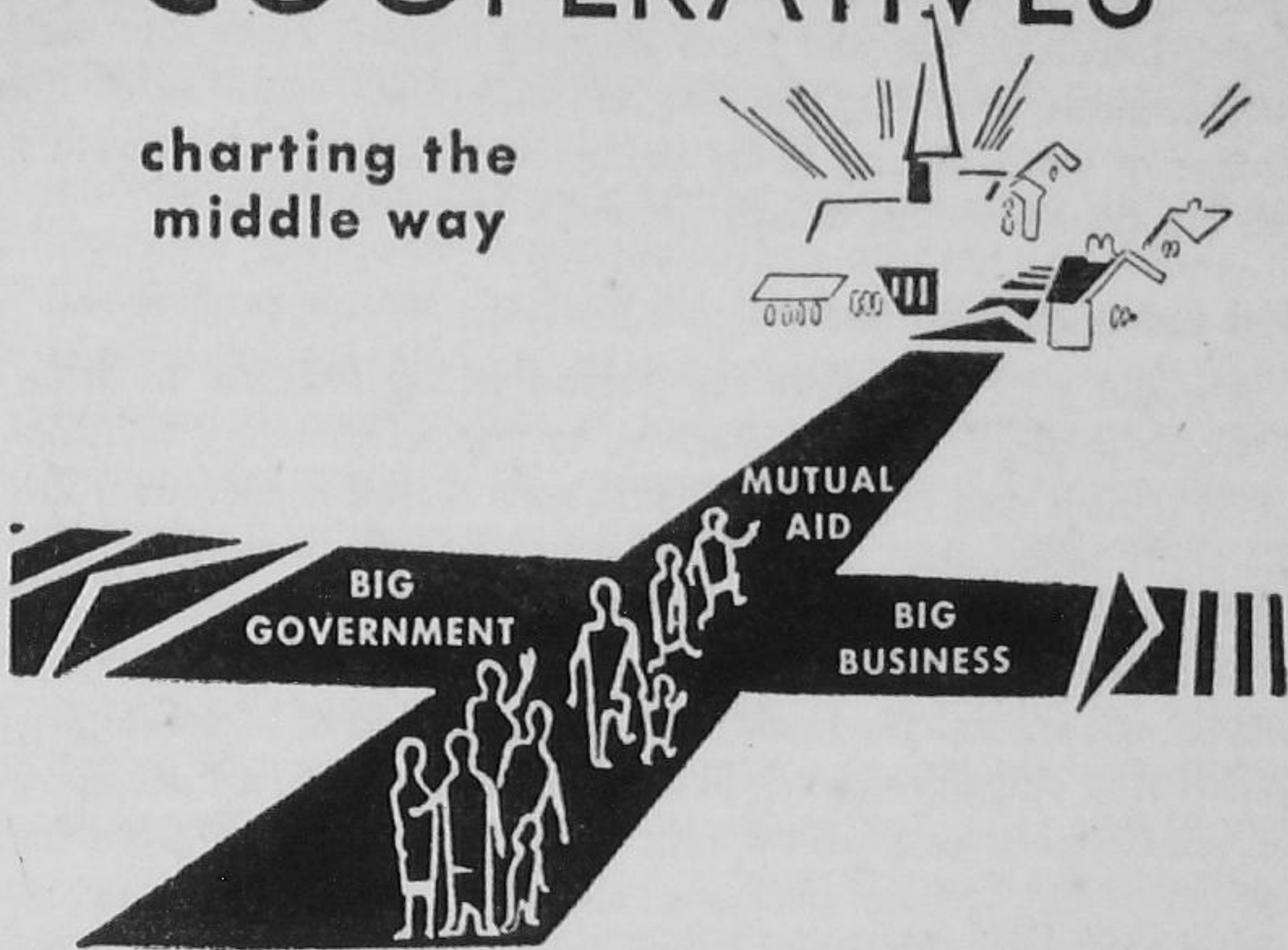
The cooperative is a different type of economic organization. It works the other way around. A cooperative comes into existence when a number of people invest their money, not to sell goods or services to other people, but because they need those goods and services for their own use.

In the early 1920's farmers, particularly in certain Middle Western states, were unable to obtain fertilizers either in sufficient quantity, or at prices they could afford, or of satisfactory quality. The fertilizer they did buy, moreover, usually had to be accepted "on faith" as to its contents. No analysis or formula was furnished to the purchaser.

Some of these farmers decided to start a new business—a cooperative business of their own. At first its operations were very simple ones. The farmers began by pooling their funds for the joint purchase of fertilizer where it could be bought on the best terms. Even this simple operation resulted in a 10 per cent drop in the price of fertilizer. As time went on, however, the farmers found it difficult to get enough high analysis open-formula fertilizer at a satisfactory price. Consequently, the local "farm supply" cooperatives, working through such regional wholesale organizations as the Ohio and Indiana Farm Bureau Cooperatives and other wholesale cooperatives in other states, began to acquire their own production facilities. Before this could be done, farmers had to be willing to invest capital funds in their cooperative enterprises. By purchasing at least one share of capital stock, they became *members* of the cooperative. Thus the farmers' money built the farmers' fertilizer plants to produce fertilizer for sale to these same farmers. There was, of course, no reason why they should not turn out the very best

COOPERATIVES

charting the
middle way



fertilizer that could be produced, since it was for their own use. The quantity of open-formula, high-analysis fertilizer was greatly increased as a result of the entry of cooperatives into the business of fertilizer production. Today such quality fertilizer of known content is general throughout the trade.

A cooperative, then, is a group of people faced with a common need, who decide that the best or only way to meet that need is by organizing a new business to supply it directly to themselves. This they do by joining voluntarily together to pool their capital investments and thus to own, control, and patronize their own enterprise.

Cooperative Principles

The larger the number of people who participate in both ownership and patronage of the cooperative, the better off all of them will be. If the farmers who start a cooperative fertilizer business can obtain twice as many members to own and patronize the enterprise, the volume of business will double and all will benefit. Consequently, the cooperatives have opened their membership without regard to class, creed, color, or conviction. This is Principle Number One. To buttress this, the cooperatives maintain strict neutrality in sectarian religious and partisan political controversy.

Cooperatives exist to meet the needs of the *people* who form them rather than to provide a high return to invested capital. So, Cooperative Principles Two and Three logically follow. These are: each member-owner shall cast one vote and only one, regardless of the number of shares he may hold; and invested capital shall receive a fair but limited return, usually around 4 per cent a year.

The Patronage Refund

It would make little sense for farmers selling fertilizer to themselves or consumers selling groceries to themselves to try to make profit at their own expense. For this basic reason cooperatives are nonprofit businesses. And the Fourth Principle provides for a "patronage refund." This is a device whereby cooperatives accomplish their purpose of providing goods or services to their members and patrons at cost. The funds remaining at the end of an accounting period after all costs of doing business have been paid, all necessary or prudent reserves provided for, and an allowance set aside for education and welfare purposes, are the "net savings." In an ordinary business this would be net profit and it would be divided among the stockholders in proportion to their investment. But since cooperatives do not exist to make profit either for themselves or their stockholders, all net savings *must* be distributed among the patrons in proportion to their patronage. That is, each patron receives the same percentage of the net savings as his purchases bear to total purchases. The patronage refund idea was the unique contribution of the pioneers of Rochdale, England, when they started their little store in Toad Lane in 1844. William E. Gladstone, the great liberal prime minister, called it the "greatest economic invention of the 19th century."

So much for the basic principles. Their application to a business enterprise distinguishes a cooperative from businesses organized for different purposes and under different conditions.

Special Practices

There are also certain practices which cooperatives are supposed to follow, and which most of them do follow. The first practice is cash trading. This is logical for any business that wants to save its customers money, because the extension of credit is a costly matter. The nation is dotted with cooperatives which do not even come close to observing this cash trading policy. But most of them would be better off if they did so.

Second, cooperatives usually, as a matter of prudent policy, sell their goods and services at the market price and then return any surplus through the patronage refund. The cooperatives might have failed in their early years if had they tried to sell at an estimated cost price. They might have guessed wrong and suffered critical operating losses. They found it better to give members the benefits of business at cost *after* rather than before the costs were known.

Third, cooperatives can hope for success only when they are expanding in a healthy manner. "Dead level" operations are more dangerous to a cooperative, which necessarily depends upon the interest and loyalty of its members, than they are to ordinary businesses. Constant expansion is recognized as a highly desirable cooperative practice, and the most successful cooperatives have been built on it.

Fourth, continuous education has been found by long experience to be essential to the business success of cooperatives. Unless their members—and the general public—understand their methods of operation and are able to evaluate them fairly and properly, there is certain to be difficulty, especially when margins are small.

Here, then, are the cooperative principles:

1. Open membership and political and religious "neutrality."
2. Democratic control—one vote for each member-owner, regardless of the number of shares held.
3. Limited return on invested capital.
4. All net savings distributed in proportion to patronage.

And here are the cooperative practices:

1. Business for cash, not credit.
2. Sales at going market price.
3. Constant expansion.
4. Continuous education.

U. S. COOPERATIVE DEVELOPMENTS

COOPERATIVE organizations are as varied as the economic life of the United States. The Associated Press and the American Railway Express are cooperatives belonging respectively to the newspapers and the railroad companies. At the other extreme, perhaps, would be a tiny burial cooperative to which a handful of farm families in an isolated rural area belong. There is hardly an economic or social need of man which some cooperative somewhere in the United States is not endeavoring to meet for its members.

Not all of them are successful ventures. They lead no charmed lives and bear no immunity from the mortality that afflicts private enterprises generally. They represent attempts by groups of people to solve problems by their own joint efforts.

CREDIT UNIONS

WHEN a family bread-winner dies or a child goes to college, or the washing machine breaks down, or illness strikes suddenly, the average family needs a source of credit to tide it over the crisis. Credit unions have grown out of this need. Before the introduction of the credit union it was possible for families to borrow. But legitimate banks were not, generally, willing to make small loans on the personal notes of people having little security — the very people whose need for the credit was the greatest. The alternative was the finance company which often charged a very high rate of interest, or the illegal loan shark for whom the sky was the limit.

The credit union idea injected into this situation was the soul of simplicity and the essence of cooperation. Although no one family had any chance of bringing down the interest rates of finance companies or of inducing the banks to provide a small loan service, a considerable group of such families—even poor ones—did have means of solving the problem *if they joined together to do so*. This was done by combining the need for credit with the practice of regular savings. By utilizing the people's own savings, it became possible for the whole group to meet the credit needs of individual members as they arose. If enough people in a group are willing to purchase \$5 shares in a credit union, then when any one of them is in need of a loan he can borrow from his *own* group at reasonable rates, repay his own group, and receive his share of the earnings.

The membership of a credit union is built around some common interest of the group such as the same employer, membership in the same church, labor union, or other organization, or residence in the same neighborhood. All credit unions are supervised and examined by either federal or state authorities, their investments checked and limited to securities that will assure financial soundness.

In 1921 there were only 199 credit unions in the United States. At mid-century, credit unions in the United States were more than 10,000 in number with a membership of about 5,000,000 and assets of close to \$1,000,000,000. One thousand new credit unions were organized in the year 1950 alone.

MUTUAL INSURANCE

ALL insurance is essentially a cooperative activity. It involves the pooling of the savings of a considerable number of people so as to spread the risks in the common hazards of life. No one person can have an insurance company; only a large number of persons can make possible a successful one. Insurance is conceived to provide people as members of a group with greater security than they can possibly gain individually.

But not all insurance companies are organized along mutual or cooperative lines, and many mutuals are so managed as to belie their designation. There are, however, some mutual insurance companies which (1) attempt to develop as much active control by policyholders as possible, (2) keep overhead costs at the lowest figure consistent with good operation, (3) return to policyholders either in dividends or in reduction of premiums as much of their money as possible while maintaining sound actuarial practices, and (4) pursue investment policies, in so far as the law allows, which attempt to put the people's money to work in their own direct interest. Such companies may be called "cooperatively-minded" insurance companies. Most of them have been organized by and for the purpose of meeting the insurance needs of a group of people already organized around some other common interest. Some were originally, many still are, based wholly upon the membership of farm organizations or labor unions. Others have grown directly out of the need for insurance of commodity cooperative organizations or credit unions. Some are still essentially fraternal in nature.

The Bureau of Labor Statistics listed 2,000 insurance companies in its 1948 catalogue of consumer cooperatives and estimated their total number of policyholders at more than 11,000,000. Some 1,800 of the 2,000 companies listed are small county "farmers mutual" fire insurance companies. After a half century of operation, they remain as a rule under the direct control of the policyholders and are operated solely for their benefit.

The Insurance Conference of the Cooperative League includes some dozen companies as members whose "mutual" point of view is strong indeed. These companies had, in 1950 about 4,500,000 policyholders, \$1,000,000,000 of life insurance in force, premium income of \$85,000,000 and about \$130,000,000 in admitted assets among them. Some of these, like Farm Bureau companies (Ohio) and CUNA Mutual, are the fastest growing companies in their class in

the nation. As a rule these companies are less directly tied to the commodity cooperatives than is the case with similar companies in some European countries. The Mutual Service Insurance Company of St. Paul, however, is sponsored by regional wholesale cooperatives in that area.

COOPERATIVE HEALTH PLANS

MEDICAL science has made brilliant advances in recent decades. But the average American family still lists the payment of doctor bills as its most dangerous financial hazard. Only a fraction of the population is in a position to take advantage of—that is, to pay for—the full benefits which doctors are equipped to bring them.

Cooperative health plans have grown out of the need of groups of people for better medical care. The need may be for a hospital or clinical building in a community where none has existed, or for a satisfactory inducement to doctors to come to a community where there has been no doctor at all. Usually, however, the need is for a *budgeted method of paying* for medical care which the average or lower-income family can manage. There is still another need—for preventive medical care to keep people out of hospitals.

The development of voluntary group health plans has been retarded by opposition from organized medicine, on the one hand, and by the possibility that national health insurance might be enacted by Congress on the other. Nevertheless, the years since World War II have seen a very rapid growth in the membership of consumer-sponsored health plans. None of them has been in existence very long. The Cooperative Health Federation of America, national organization of such plans, was founded in 1946. The pioneer plan was a cooperative hospital at Elk City, Oklahoma, organized and built during the early years of the great depression.

From this beginning there has grown a wide variety of cooperative and similar voluntary group health plans. They provided at mid-century the major portion of the medical care needs of upwards of 750,000 persons. To this figure we might with considerable justification add some 4,000,000 or 5,000,000 members of labor unions who have the benefits of various types of health services either through union funds or through health and welfare funds to which employers contribute. Some of these are direct service plans entitling the union member to hospitalization and comprehensive

medical care. But strictly speaking, they can hardly be called "cooperatives," despite certain cooperative features.

How They Work

A typical cooperative health plan is one in which a group of people pay agreed-upon monthly dues to an association which they control and receive in return agreed-upon medical services through a staff of doctors and nurses giving part or all of their time to the care of that particular group. Within this broad definition there have developed, in accordance with the American practice of free experimentation, many different sorts of plans.

These plans do not, as do other cooperatives, pay patronage refunds to their members. Instead, they operate as nearly at exact cost as possible, and if a surplus is shown either the benefits are broadened or the monthly dues reduced, the staff enlarged, or its compensation increased. The member of a cooperative health plan gets his "patronage refund" in the form of more health care rather than in cash. Such plans stress prepayment, group practice, comprehensive and preventive care, and democratic control. Among the more successful plans in the country are Group Health Cooperative of Puget Sound, Group Health Association of Washington, D. C., Health Insurance Plan of Greater New York, and the Labor Health Institute of St. Louis.

Cooperative and similar types of voluntary group health plans have been called the "middle road" between the present costly fee-for-service system of payment for the doctor's care on the one hand, and state-controlled systems on the other.

Obstacles to Growth

Perhaps for this reason, the principal obstacles to their more rapid growth are found: (1) in legislation and (2) in the attitude of organized medical societies. The laws of nearly a score of states directly or indirectly forbid citizens to form voluntary health plans at all.

Even where this is not the case, the main problem has been one of getting doctors. Not that many doctors were not interested. They have been. But they have been fearful of being refused membership in medical societies if they were associated with voluntary prepayment plans sponsored by consumers.

1951 and 1952 saw a turn for the better for cooperative health plans. The Illinois legislature followed the lead of Wisconsin and

passed a fairly good enabling act. And a series of legal actions—in Seattle, San Diego, and Elk City, Oklahoma—resulted in sweeping victories for the group health plans and in bringing discrimination against their doctors to an end in those areas. Strong precedent against such discrimination was established.

COOPERATIVE HOME OWNERSHIP

AMERICA'S middle and lower income families do not have nearly enough decent housing. A great amount of building has been going on since the close of World War II. But much of it has been for the profitable "luxury" market. The need of millions of families for good homes remains unmet.

This need can be met by cooperation. But only to a very minor extent has this been done. Successful cooperative housing associations may be found in many parts of the country and in many different types of neighborhoods. A number of veterans in Naperville, Illinois, for example, built their individually owned homes out of materials cooperatively purchased and constructed them one at a time by the labor of the *whole* group. At York Center near Chicago, a cooperative association of families of modest income struggled through several years of work on their homes before they finally received FHA approval for their subdivision plan. They were thus enabled to receive, individually, FHA guaranteed loans. When those loans are paid off, title will revert to their cooperative association to be held in joint ownership, just as the land is now held. At Dayton, Ohio, Dallas, Texas, and South Bend, Indiana, several hundred families organized cooperative home-ownership associations to buy from the government war-built housing that would otherwise have remained in public hands. In Los Angeles, "Community Homes" is building several hundred houses for its members on a beautiful site acquired by joint purchase some years ago. At Circle Pines near St. Paul, Minnesota, a public-spirited construction firm is developing a whole new subdivision, selling the houses *and shares* in community property to families who will compose a cooperative association when the development is completed. Many other examples could be given.

Only in New York City has cooperative housing as yet made any substantial contribution to the need of the people for modest-priced homes. In America's greatest metropolis some 15,000 people now live in cooperatively owned homes, mostly apartment houses. Ten

thousand of these are member-owners of the three "Amalgamated" projects, sponsored by the Amalgamated Clothing Workers Union. "Queens View," "Bell Park Gardens," and some smaller projects make up the other 5,000.

Amalgamated Homes

Amalgamated Homes in the Bronx dates from 1926 and makes the proud and justifiable boast that 75 per cent of the families now living in its attractive apartments are either the same families or the children of the families who moved in originally a quarter century ago. Here is an island of social stability in a sea of metropolitan transiency. A true *neighborhood* has been created around the common ownership of these homes by these 1,400 families. They own their own consumer cooperative shopping center, have their own credit union, organize summer camps for their children, provide their community with forums, lecture courses, and dramatic classes.

At Greenmont Village in Dayton, and to a lesser extent in some other cooperative housing groups, the experience of Amalgamated has been repeated. But in general, cooperative home-ownership has hardly scratched the surface of its possibilities in America.

STUDENT COOPERATIVES

COLLEGE students have to eat and sleep like other people. Most of them have to do it as cheaply as possible. Some 50,000 of them in 500 cooperatives provide their own rooming houses, feed themselves at their co-op cafeterias, buy supplies at their own stores. Such ventures are not always successful. But on many campuses the "co-op houses" are an important and respected element in the college community and save students considerable expense. About sixty of the student cooperatives are members of the North American Student Cooperative League. This organization receives a modest subsidy from the Cooperative League and the two organizations work closely together. Otherwise, relationship between the campus co-operatives on the one hand and the cooperative movement as a whole has been varied. On the Pacific Coast and in the Missouri Valley, regional wholesale cooperatives have not only given valuable support to student cooperatives but have made a practice of employing graduates with campus co-op experience. In most parts of the country, however, there has been surprisingly little contact between the student co-ops and other cooperative ventures.

COOPERATIVE BURIAL ASSOCIATIONS

IN March, 1947, some 111 miners lost their lives in a mine accident near Centralia, Illinois. Faced with this tragedy, the families of these miners were forced to endure, in addition, extortionate costs in burying their husbands and fathers. The average cost of these 111 funerals was \$732.78.

Had these miners lived in certain Minnesota or Iowa communities where cooperative burial associations were in operation, the maximum cost of their funerals would have been \$200 and the average cost around \$150. Had they been members of a certain church in Seattle, Washington, and had their families desired a cremation ceremony, the cost could have been as low as \$50 per funeral under a cooperative plan developed by the minister of that church.

Here is a need which the comparatively few cooperative burial associations in the country have demonstrated can be met at great saving to their members. In 1950, one Minnesota association with 2,000 members built its own chapel at a cost of some \$20,000. Yet in 1950 there were probably no more than half a hundred such associations in operation with about 40,000 members. Legal problems resulting from state laws regulating "sale of professional services" and from local zoning laws have been a barrier to more widespread development of this type of cooperative. Another factor has probably been the reluctance of families to contemplate the death of their members or to make plans for it.

CITY CONSUMER COOPERATIVE STORES

THE cooperative stores of Great Britain and Scandinavia are among the largest and most attractive stores in those countries. In Stockholm, the finest department store belongs to the co-ops.

Chain store merchandising has made little headway abroad. It was, in fact, against the law in Norway until September, 1951, for any company to operate more than one store in any community. The competition which the well-integrated Scandinavian and British co-operatives face is, consequently, that of a multitude of small "shops." The distribution system is lacking in efficiency. Competitors' capital is small. Margins are generally high.

In the United States, the situation is, to say the least, different. Competition is intense; margins, especially in retail trade, have been

squeezed to 1 per cent or 2 per cent by the nationally integrated chain store systems. Tremendous capital is available to these chains, and, they have achieved a high degree of efficiency in distributing the commodities in which they deal. For many years the trend in the larger cities has been to larger and more attractive super-markets.

As a result, six out of every ten grocery stores have been going out of business, either through failure or absorption by larger competitors, every four years. The consumer cooperative store, with small capital, has had a hard row to hoe. It has had to struggle to keep prices competitive with the chains and also to pay patronage refunds. A number of the smaller co-ops have, along with other small stores, had to go out of business.

In general the larger, better established consumer cooperatives blessed with good management, enough capital, and good sources of supply have gone steadily ahead. Especially has this been true where they have succeeded in becoming true neighborhood institutions.

Common Ties Useful

But the problem has been one of building a large enough volume of business in natural trade areas to make really efficient cooperative wholesaling and some processing possible. The successful urban consumer cooperatives are scattered across the nation in all sorts of communities and among all sorts of people. Most frequently success has been achieved where the membership has had common ties of national origin or in educational centers where the membership has taken a longer-range view of the purpose of their enterprise.

In most cities it is hard to show that more food stores are needed. But it is altogether evident that the consumers of the nation stand in great need of stronger bargaining power in the economy as a whole. Such bargaining power can come only when a significant volume of business has been built up. Until that time comes, the consumer cooperative store must attempt to provide its patrons with above-average quality of goods and to offer other unique attractions. One of these is a friendly atmosphere in which to shop. Another is the development of products of unusual value to consumers such as the widely-demanded "co-op triple rich" bread, developed by Dr. Clive T. McCay of Cornell University and first made available through the consumers cooperative at Ithaca, New York. "Co-op" labelled merchandise has achieved a good reputation for quality, and the informative labeling which all "co-op" labeled items carry is of obvious help to consumers.

At mid-century, despite some outstanding examples of success, the weakest link in the American cooperative chain remained the city cooperative food store. Nonetheless, about a thousand such stores were in operation with probably half a million members and an estimated annual trade volume of upwards of \$100,000,000.

FARM SUPPLY AND RURAL CONSUMER COOPERATIVES

THE sheet anchor of the American cooperative movement is the 3,000 farm supply and rural "general store" cooperatives which are found in most mid-western towns of 5,000 population and less and in many such towns in other parts of the country. With a membership in 1950 of more than 2,500,000 and a business volume of approximately \$2,000,000,000 these cooperatives supply 20 to 25 per cent of the major farm and home needs of America's rural population.

A typical cooperative of this type will do business in an area covering all or a major part of a county. It will operate a general store, a feed, seed and fertilizer warehouse, a petroleum bulk plant and filling station, and frequently a farm machinery display room, and a coal yard. Located generally in the principal trading center, it may operate branches in some of the smaller outlying communities.

Linked with strong state or regional wholesale cooperatives, these 3,000 rural cooperatives provide an assured source of high-analysis fertilizer, dependable good-quality seeds and stock feed, hardware, farm machinery, building supplies and paint, electrical appliances, petroleum products and fuels, insecticides and sprays, and frequently groceries, clothing, and many other items. About a quarter of the mixed feeds, about a fifth of the fertilizer, and about 16 per cent of the petroleum used on farms in the United States are supplied by these cooperatives.

Most of these commodities, unlike groceries, are "high-margin" items. Consequently, the cooperatives have been able to show fairly consistent records of paying patronage refunds and of keeping prices down for the benefit of rural people. Since their expansion began in the late 20's, the rural cooperatives have been able to build up a substantial volume of retail and wholesale business.

This has encouraged the regional wholesale cooperatives to move more and more into production. Feed is mixed, seed cleaned and

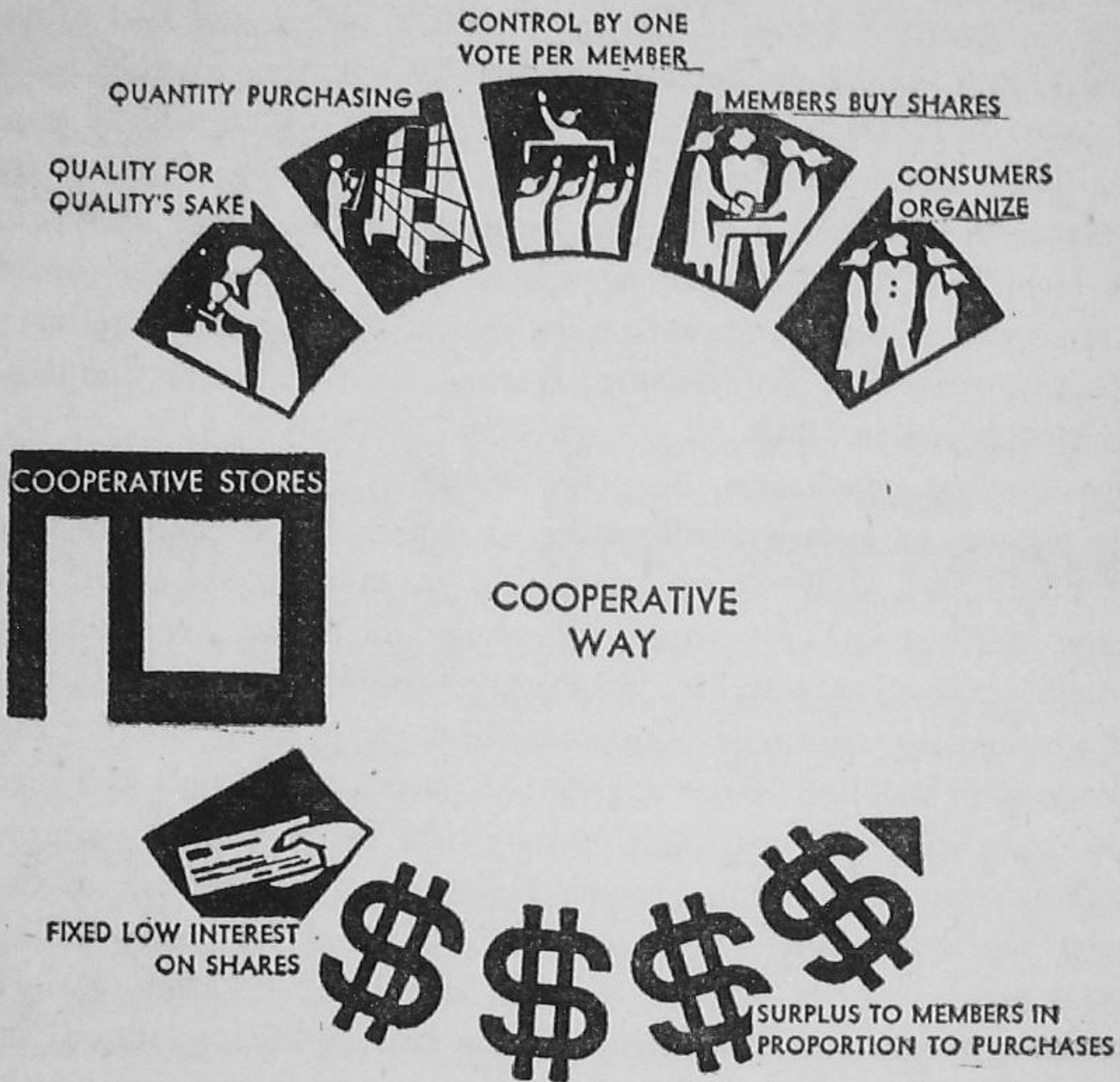
processed, fertilizer produced in hundreds of cooperatively owned plants across the country. In 1950 the regional cooperatives were operating nearly a hundred general fertilizer plants and had established fifteen for the production of super-phosphates. Lumber mills and paint factories provide cooperative patrons with building supplies from their own establishments. Petroleum production by cooperatives increased nearly 100 per cent from the close of World War II to 1950. In that year there were 2,000 cooperatively owned oil wells and twenty co-op refineries, including the pioneer refinery built and opened at Phillipsburg, Kansas, by Consumers Cooperative Association in 1939.

By entering production, cooperatives have been able to provide their patrons an assured, full source of supply of commodities that had often been difficult or impossible to obtain. Moreover, far greater savings in cost could be made for cooperative patrons through production activities than were possible through retailing and wholesaling combined. Cooperatives engaged in production can provide their members more substantial patronage refunds and give them more property ownership than would be possible by simple merchandising of products produced elsewhere. Indeed, one of the largest regional wholesales found, in 1948, that for every \$1 of savings made for its patrons through simple wholesaling, it had been able to make a \$19 saving on the commodities produced in its own factories.

One reason farm purchasing cooperatives came into being was to enable farmers to do exactly what industry had done long before—to reduce costs of production. Farmers cannot control over any extended period, either through marketing cooperatives or government programs, the prices their products will bring on the world market. But they can, through cooperative production, purchase, and distribution of their supplies and equipment, control their production costs. This is certainly in line with typical American thinking and practice. And it no doubt accounts in considerable measure for the progress of the farm supply cooperatives.

Despite some increasingly recognized problems, the farm supply and rural consumer cooperative is a well-established institution in most of agricultural America. Nearly half the farm families in the nation are members of these cooperatives.

A CONSUMERS' COOPERATIVE

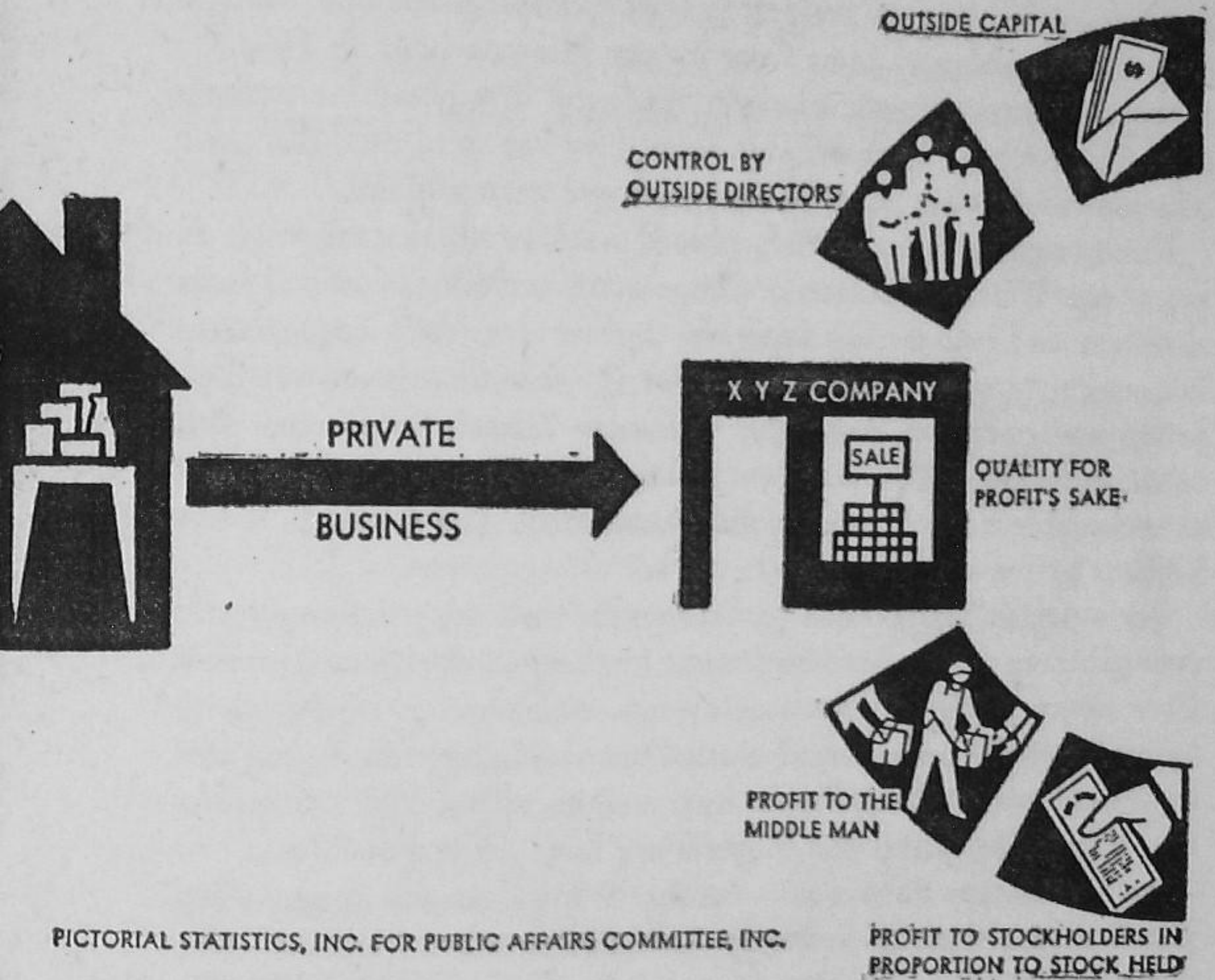


RURAL ELECTRIC COOPERATIVES

EIGHTY-NINE per cent of America's farms had no electricity in 1935. They needed it. Farm families had been endeavoring for many years to get it, but without success. Power companies, after studying the practicability of extending service to rural America, concluded that farmers could not conceivably pay the costs of electric service.

The Rural Electrification Act of 1935 provided that any competent borrower willing to furnish service to all farms desiring it in an area might apply for low-interest, long-term government loans. The sponsors of the bill, including Senator Norris of Nebraska, expected most loans to go to commercial power companies. Cooperatives, it was thought, would play a minor role.

A PRIVATE BUSINESS



What actually happened was that nearly all the applications for loans from the Rural Electrification Administration came from cooperatives, which sprang up all over the country. Hardly any applications came from commercial power companies. The cooperatives were not people looking for government hand-outs. They were assuming heavy and irrevocable obligations. And the record shows that the loans were repaid either on schedule or ahead of schedule in practically all cases. The government has made money out of its REA program.

In a decade and a half—from 1935 to 1950—the percentage of electrified farms rose from 11 per cent to more than 80 per cent. And cooperatives did the lion's share of the job.

Cooperatives act as yardsticks of true economic costs. After they brought electricity to Ohio farms, power rates *generally* in that state

state were cut in half—not for co-op members only, but for all rural consumers. One loan to a cooperative of New Mexico farmers to build a power line to their irrigation pumping stations brought down power company rates from 3¢ per kilowatt hour to 1½¢.

When the rural electric cooperatives found it impossible to obtain a supply of energy at reasonable rates, they began to establish their own *source* of power; that is, their own generating plants.

When construction materials proved hard to obtain and high in price, the Wisconsin Electric Cooperative undertook central procurement and engineering functions for rural electric cooperatives in some thirty states. After World War II, when aluminum was high priced and restricted in supply, Wisconsin Electric contracted with one of the smaller aluminum companies to furnish this essential metal at reasonable cost. A monopolistic bottleneck was cracked, if not broken, by the co-ops.

For every dollar invested by farmers in their cooperative electric systems, three dollars have been spent by them on electric appliances. Over eleven years of operation, average consumption of electricity by members of one Iowa cooperative increased eleven-fold. All this represents *new* business for dealers, manufacturers, and transportation companies, which the cooperatives have made possible.

At mid-century there were some 1,000 rural electric cooperatives distributing electricity to nearly 3,500,000 members. Annual payments by members for electric energy ran close to \$225,000,000. Some commercial power companies sought to discredit the rural electric cooperatives and to induce Congress to prohibit their development of generating facilities. But so essential to the economy of rural America have the electric cooperatives become, that such attacks have been unsuccessful.

COOPERATIVE FARM CREDIT

ESSENTIALLY cooperative in nature are the 1,200 national Farm Loan Associations and the 500 Production Credit Associations with their nearly 500,000 members. In both cases, government capital was provided in the beginning. But especially in the case of Production Credit Associations, this government capital is being rapidly replaced by member capital, so that they are becoming genuine co-operatives, financed and controlled by their members, and offering their members opportunity to borrow from and pay reasonable interest to their own institutions.

In 1950, Production Credit Association had outstanding loans amounting to nearly \$1,000,000,000. Most of these were short-term loans to finance crops in process of production.

AGRICULTURAL MARKETING COOPERATIVES

COOPERATIVES for the marketing of agricultural crops developed around the turn of the century. They were formed to protect farmers against the harsh effects of the speculative market. Before the coming of the cooperatives, the farmer was forced to sell his crop—frequently to but one or two available buyers—at whatever price the buyer was willing to pay and under whatever conditions the buyer laid down. The larger the crop, the lower the return. Farmers had no way of storing their crops, or avoiding a temporarily glutted market. They received none of the advantages of rises in prices which so frequently took place after the crop had been purchased by middlemen or processors. They needed their own storage facilities and marketing agencies. Marketing cooperatives were the result.

Marketing cooperatives have brought better and far more stable prices to farmers, and it is doubtful that costs to consumers have been increased as a result. What has happened has been that a larger share of the consumer's dollar has found its way back to the farmers and the rural community. Furthermore, the marketing cooperatives have helped to improve the quality of food products reaching the consumer. They have stressed grading and labeling and by this means have raised standards of the food distribution system all along the line. A hundred trade-names of cooperatively marketed farm products—such as oranges, milk, raisins, potatoes, eggs, poultry, butter and cheese, to mention only a few—stand today for dependable quality wherever American consumers find them.

The largest business volume done by any type of cooperative in the United States is done by the 7,000 agricultural marketing cooperatives. At mid-century that volume was running close to \$8,000,000,000 a year. About a fourth of all farm crops are marketed cooperatively. Four million farmers are members of marketing cooperatives, two-thirds of all farm operators in the country.

There is a natural difference in viewpoint between marketing cooperatives and consumer cooperatives of any of the types just described. Consumer cooperatives are established by their members to *supply themselves* as abundantly as possible with goods or services. The larger the volume of general production and distribution

and the greater the number of its patrons, the better for the consumer cooperative. Marketing cooperatives, however, exists to *sell* its members products to other people. From its viewpoint there can be too many producers of that product and more production than can be readily marketed in orderly fashion.

While this probably accounts for some marketing cooperatives being reluctant to identify themselves closely with other cooperatives, it is certainly no reason to regard marketing cooperatives as "monopolistic" enterprises or as anything but highly desirable institutions. Like labor unions, they enable large groups of producers, who individually would be economically helpless, to protect their incomes, living standards, and purchasing power.

COOPERATIVES OF INDEPENDENT BUSINESSES

FARMERS and consumers are not the only people in the United States who use cooperatives to attack their problems. In 1950 some 500 retailer-owned cooperative wholesale businesses were in operation in the United States. They observe the one-member, one-vote rule. They limit return on capital. They divide all net receipts among the members in proportion to patronage.

As early as 1887 a group of New York druggists decided to pool their orders for a barrel of Epsom salts. As the chain store systems began to menace the independent merchant's position, more and more cooperative retailer-owned wholesalers were established. Today, 100,000 grocers, 80,000 druggists, and thousands of hardware dealers, bakers, confectioners, furniture dealers, lumber and feed dealers, and many more are served by these cooperative wholesalers. Through joint purchasing they give the independent business one of the advantages of the nationally integrated "chain" company.

The purpose and viewpoint of these businessmen's cooperatives is somewhat different from that of consumer cooperatives. But in an economy marked as is our by a high degree of monopolistic concentration, cooperatives become not only a help to the consumer, but also the "little businessman's" hope of successful competition, be he family-sized farmer or local merchant.

Other examples of business-owned cooperatives are: The American Railway Express and Underwriters Laboratories; and the Associated Press—a nonprofit cooperative owned by some 2,000 newspapers to provide its news service to its member-owners at cost.

AMERICAN COOPERATIVES AT MID-CENTURY

(ALL FIGURES ROUNDED)

PEOPLE'S NEED	KIND OF COOPERATIVE FILLING NEED	NUMBER OF SUCH COOPERATIVES	THEIR MEMBERSHIP	ANNUAL VOLUME OF BUSINESS
Thrift, Credit, Financial Security	Credit Unions	13,000	6,000,000	Assets \$1,000,000,000 Loans \$700,000,000
Security	Cooperatively-minded Mutual Insurance Companies	13	4,500,000	Life Ins. in force \$1,000,000,000 Admitted Assets \$130,000,000 Premium Income \$85,000,000
Adequate Medical Care	Cooperative Group Health Plans	70	750,000	\$15,000,000 worth of medical care rendered
Farm and Rural home supplies	Farm Supply Rural Consumer Cooperatives	3000	2,500,000	\$2,000,000,000
Light and Power	Rural Electric Cooperatives	1000	3,500,000	\$225,000,000 annual payments by members for energy
Communi- cation	Rural Telephone Co-ops	5000	300,000	\$5,000,000
Food Production	Production Credit Associations	500	450,000	\$1,000,000,000 loans
Household supplies	Urban Consumer Cooperative Stores, Fuel Cooperatives, Other	1000	500,000	\$100,000,000
Home Ownership and Housing	Cooperative Housing Associations	50	15,000 to 20,000	\$9,000,000 to \$12,000,000 payments by members for their housing (annually)
Education	Student Cooperatives	500	50,000	\$10,000,000
Decent Burial	Funeral Cooperatives	45	40,000	\$500,000
Fair Return to Producers	Agricultural Marketing Cooperatives	7,000	4,000,000	\$7,800,000,000
Chance for the Small Business Man to Compete	"Business Men's Cooperatives" Retailer-Owned Wholesales	500	100,000 Grocers 80,000 Druggists Corresponding numbers in other trades	\$300,000,000 for one such concern. Total volume unknown.
The News	Associated Press	1	2,000 newspapers	General Reserve 1946 \$18,000,000

Other Cooperatives

WE have been able to describe only the major types of cooperatives in this short pamphlet. There are in addition many other kinds. There are cooperative irrigation systems, cooperative stock breeding associations, rural cooperative telephone systems, cooperative athletic clubs and recreation societies, cooperative freeze-locker plants. While their percentage of total trade is small, nevertheless cooperatives have become an integral and established part of the American economy and are to be found in almost every nook and cranny of it.

THE PATTERN OF COOPERATIVE ORGANIZATION

THE heart of the cooperative "movement" is in the thousands of local associations, be they credit unions, hospitals, consumer stores, farm supply businesses, or electric distributing systems. Cooperative have their roots in human need. The need is among the people, not in a central office.

But if cooperative organization stopped at the local level, there would be few, if any, cooperative mills, factories, or refineries; no sources of wholesale supplies; little educational activity; and few publications.

Once a number of local cooperatives have become established in an area, they readily see the advantage of pooling investment to establish their own wholesale source of supply. The wholesale (and production) cooperative belongs to the local cooperatives in the same manner as the local cooperative belongs to its individual members. Only the local cooperatives may hold voting stock in the wholesale. They elect its board of directors and, through the board, control its policies.

In a few instances, individual members own the wholesale directly and through it the local retail outlet which they patronize.

There are more than a score of major regional wholesales in the United States. Largest in point of volume are Cooperative Grange League Federation Exchange (\$250,000,000 in 1950) and Southern States Cooperative (\$114,000,000). Figures in both cases include large-scale marketing and both wholesale and retail sales, since retail outlets are owned by the wholesales. Other large centralized wholesales are Illinois Farm Supply Company, Eastern States Farmers Exchange, and Farmers Cooperative Exchange of North Carolina.

Of the regionals which do only a wholesaling and production business and are owned by independent local cooperatives, the largest are Indiana Farm Bureau Cooperative Association (\$100,000,000 volume in 1950, more than half in marketing); Consumer Cooperative Association of Kansas City (1950 volume, \$52,000,000); Farmers Union Central Exchange of St. Paul (1950 volume, \$38,000,000); and Midland Cooperative Wholesale of Minneapolis (\$30,000,000 volume in 1950). All these wholesales do their major business in farm supplies. Many of them, however, handle groceries, home appliances, and other consumer items as well. And Eastern Cooperatives, Inc., Central Cooperative Wholesale of Superior, Wisconsin, Central States Cooperatives of Waukegan, Illinois, and Associated Cooperatives of Oakland, California do most of their business in consumers' commodities.

In somewhat similar fashion the local farm marketing cooperatives have often joined to form central terminal marketing organizations such as the Farmers Union Grain Terminal Association, the California Fruit Growers Exchange, and many more.

Regional Wholesales Strength of Movement

In many respects these regional wholesales are the principal centers of strength of the American cooperative movement. They carry on production, publish newspapers, maintain staffs of commodity salesmen and educational workers, carry on training programs for their own and local cooperatives' personnel.

A score of the regional wholesales banded together to set up National Cooperative at Chicago and a like number formed United Cooperatives at Alliance, Ohio. These are nation-wide procurement agents for some of the commodities handled by regional wholesales. One of the country's principal milking machine factories (Universal) is a branch of National Cooperatives.

Two national organizations serve the agricultural cooperatives in the educational, legislative, and public relations fields. The American Institute of Cooperation, supported by most of the marketing and farm supply regionals, encourages the teaching of agricultural cooperation in schools, colleges, and universities. It conducts educational "workshops" throughout the country, works closely with 4-H and Future Farmer organizations, carries on research activities, publishes a year book, and conducts an annual institute where cooperative leaders gather from all over the nation. Its headquarters are in Washington, D. C.

National Organizations

The National Council of Farmer Cooperatives, like the American Institute, has as members most of the agricultural marketing and farm supply regionals. Some 26 state "cooperative councils" are affiliated with the National Council. The National Council looks after the interests of the farmer cooperatives in Washington. In this connection it distributes a weekly multigraphed commentary called *The Washington Situation*. It also holds a large annual meeting where problems of all sorts affecting farm cooperatives are discussed. And where the required unanimity can be achieved, the National Council develops policy for agricultural cooperatives, particularly as it affects national legislation.

The National Federation of Grain Cooperatives is the public relations and legislative agency for the grain marketing cooperatives and does vigorous work in these fields. The weekly newsletter of its executive secretary contains a wealth of information valuable to anyone concerned with American agriculture.

In another field, the National Milk Producers Federation does a similar type of work for the cooperative dairymen.

The credit unions have formed state credit union leagues in most states. These provide aid to new groups desiring to form credit unions, as well as advice, encouragement, and guidance to established credit unions; legislative work at the state capital; and public relations work. Capstone of the credit union movement is the Credit Union National Association, popularly known as CUNA, with headquarters at Madison, Wisconsin. CUNA publishes the national magazine, *The Bridge*, supplies most of the credit union literature, and watches the action of Congress whenever credit union interests are involved. Associated with CUNA is CUNA Supply Cooperative, the central agency for the procurement and production of all necessary accounting forms, deposit books, loan application forms, and other material required by credit unions. And CUNA Mutual Insurance Company provides to credit unions and their members, at remarkably low premium rates, loan protection insurance, life savings insurance, and straight life insurance.

The structure of organization of the rural elective cooperatives is very similar to that of the credit unions. In nearly all states there are "state-wide" associations. These in turn are grouped into districts and each district elects the directors of the National Rural Electric Cooperative Association with headquarters at Washington, D. C. N.R.E.C.A. carries on the legislative work with Con-

gress, publishes monthly the Rural Electrification Magazine, and does general informational and educational work.

Most of the more important group health plans and cooperative health associations in the country are members of the Cooperative Health Federation of America. The CHFA publishes and distributes literature covering the field of group health activities, provides consultative service to new groups seeking to organize, sponsors an annual national group health institute, publishes a monthly *Information Letter*, works to protect doctors associated with group health associations against discrimination, and carries on legislative work aimed primarily at removal of restrictions against organization of voluntary health associations.

The Cooperative Finance Association was chartered in 1943 with several of the regional wholesales as members and with the purpose of carrying on central financial services for them. But it has as yet not been particularly active.

The Cooperative Food Distributors of America is a lively and vital national organization for the protection and promotion of the retailer-owned cooperative grocery wholesales. It publishes a magazine, *The Cooperative Merchandiser*, and carries on public relations work.

The Cooperative League of the United States was founded in 1916 and chartered in 1922 for the purpose of promoting consumer cooperation in all its forms throughout the United States. With passage of the years, the scope of the League's work was broadened. Headquarters are in Chicago, with an office also in Washington, D.C.

Its membership, consists of a number of the major regional wholesale cooperatives, several mutual insurance companies, the Credit Union National Association, the National Rural Electric Cooperative Association, Wisconsin Electric Cooperative, National Cooperatives, and several smaller cooperatives.

The League sponsors and to a degree subsidizes the work of its Insurance Conference, the Cooperative Health Federation of America, the North American Student Cooperative League, Rochdale Institute, the Cooperative Finance Association, and the Council for Cooperative Development, an association of consumer cooperative and labor union representatives whose purpose is the advancement of cooperatives in the cities. Coordination and informational work for cooperative housing associations is carried on by the League.

The League is the United States member of the International Cooperative Alliance, the federation of cooperatives in some 25

nations, with total membership of more than 100,000,000 persons. The League is also a member of the Cooperative for American Remittances to Europe, popularly known as CARE.

The Cooperative League is therefore, a common meeting ground and service agency for nearly all types of cooperatives in the United States.

The work of the League includes the conduct of the Cooperative News Service, central newsgathering agency for the cooperative press of the country; the publication and distribution of literature, and the production of films; the coordination of public relations activities of cooperatives; the maintenance of contact and joint activity with religious, farm, labor, and other national organizations; and legislative work. The League provides annually a program of conferences, institutes, and meetings aimed primarily at the development of improved professional standards for the work of cooperative managers, editors, educational and personnel workers.

PROBLEMS AND TRENDS IN AMERICAN COOPERATIVES AT MID-CENTURY

THE American cooperative movement is coming of age. It still suffers growing pains, but it stands on the threshold of a fruitful maturity. The days of the pioneers, the days when cooperative members were regarded as "a little strange, but quite harmless," the days when some co-ops were content to be smug little clubby affairs, those days are gone forever. Before cooperatives now are days of conflict, of struggle to gain an accepted and significant place in the economic, social, and cultural life of the nation.

By mid-century cooperatives were beginning to realize that their continued growth, like that of other businesses, is dependent on how well the general public understands them. They recognized too that such public understanding would not be forthcoming automatically. For their very progress had made them objects of vigorous, well-financed public attack by their competitors, led by the "National Tax Equality Association."

Most such attacks were so clearly extreme and unrelated to the facts as to have little effect. But general lack of understanding of the true tax status of cooperatives, together with the nation's growing "tax consciousness," made the oft-repeated insinuation "Co-ops don't pay taxes" a real menace to the public relations of cooperatives.

Cooperatives have fought back with vigor and with such resources as they could command. Their spokesmen point out that quite the opposite is the truth; that the only tax exemption any cooperatives have ever had was that contained in section 101 (12) of the internal revenue code and for which only a minority of purely agricultural cooperatives attempted to qualify under its highly restrictive provisions. They point out further that this exemption was virtually wiped out by action of the 82nd Congress—an action, incidentally, which few cooperatives opposed.

Cooperatives Pay Taxes

The central fact, co-op spokesmen point out, is that *cooperatives pay all taxes, including federal corporation income taxes, under the same laws and at the same rates as apply to other businesses*. Except for 101 (12) organizations, co-ops and their stockholders are subject to so-called “double taxation” of dividends, the same as other corporations.

It is true, of course, that patronage refunds, which cooperatives are legally obliged to repay to their patrons, are not taxed. But neither are the patronage refunds of any other business taxed. It is not a question of any difference in tax status, say the cooperatives, but only a choice of method of treating one's customers. As *Fortune Magazine* once observed: “Any company may, if it so specifies in advance, rebate all or part of its profits to its customers without paying a tax on the money thus rebated. It does not need to call itself a cooperative in order to gain tax exemption on its contractual obligations.” And when opponents argue that patronage refunds are not always paid in cash, but sometimes in stock, and that cooperatives are thus enabled to “expand on tax-free earnings,” cooperatives reply that if their patrons decide to *re-invest* their own money in this way instead of taking it in cash, it is their right to do so, and furthermore, that no business is required to pay income tax on money invested in its stock.

All of this has been argued pro and con before Congressional committees and thus far, at least, action by Congress has indicated its agreement with the cooperatives' position. Proposals of Senator Williams of Delaware, which the cooperatives contended would have violated the principle of the nonprofit nature of patronage refunds, were defeated by the Senate 72 to 7 in 1951. And the cooperatives on their part generally agreed to other changes in the law, as it affected them, which Congress enacted at that same time.

The task remains ,however, of clearing misconceptions from the public mind. Cooperatives, probably for the first time, are fully awake to this task.

In addition to answering attacks from without, cooperatives must prove to the American people by day-to-day performance without losing any of the dynamic of their basic idealism that they can meet the practical test of business success from the efficient management of a city grocery store to the operation of a large-scale refinery.

Failures Hurt But Are Few

There are unmistakable evidences of a more mature attitude toward success, failure, and the economic facts of life. Recent years have seen a number of small cooperatives, particularly small urban grocery stores, go out of business. They have also seen regional and national wholesales in severe financial trouble. Some of the failures have been due to under-capitalization, some to poor management, some to the fact that the cooperative should never have been started at all at its particular location and in its particular type of business. All these failures have hurt. They have hurt more than ordinary business failures because a larger number of owners are involved in the loss. But they have probably been somewhat less frequent in proportion than have failures of commercial businesses in the same lines—groceries, for example.

At times there was talk of abandoning the grocery business entirely in cooperative councils. But those cooperative leaders who saw furthest ahead opposed such a drastic move on several grounds. The first was that the reasons for the difficulties were quite apparent and subject to correction. And the second was that food is, after all, the primary essential of life and the greatest single need of all people as consumers. If the buying power of a significant proportion of the American people—say a seventh or a sixth of it—is ever to be organized in the people's own interests, then the strong rural cooperatives must be balanced by a corresponding urban development.

Need for Competent Personnel

Increasingly, it is being recognized by cooperatives that a highly competent personnel is required. There is less willingness to accept the convinced idealist as necessarily competent to manage a cooperative business or even to direct its educational program. "Management development" has become almost a watch-word among cooperatives. Management conferences are frequently held, both on a

regional and a national basis. Nor are these mere "sharing of experience" sessions. Top-flight management consulting firms are engaged at substantial fees to provide leadership for such conferences. Many of the larger regional wholesales like Midland Cooperative Wholesale, have contracts with these firms for advice regarding their operations and organizational structure. The conviction has grown that, like other business before them, cooperatives must make up their minds to develop to the full their own personnel, rather than expecting to "pick up" from the "outside" ready-made managers able to step into difficult situations.

New Methods Being Introduced

Orderly methods of promotion are being introduced, thought given to the necessity of offering efficient cooperative employees fuller opportunities for worthwhile life-long careers, involving advancement not only within departments, but from local co-op to regional and from smaller regional to larger one. It is being recognized that the successful cooperative manager must not only be a good merchandiser and business executive, but also a leader of people in a democratic organization. The course is being set to develop such men. Culminating this trend, the Cooperative League brought together in 1951 a number of mutual insurance companies and regional wholesale cooperatives to launch the Cooperative Management Development Program as a long-range year-in-and-year-out plan to introduce and assure the practice of sound modern business practices all up and down the line in the participating organizations.

This trend has not stopped with management. State cooperative councils have brought together conferences of directors to encourage a more professional attitude toward their key responsibilities. Technical conferences, training sessions, and schools for cooperative finance officers, newspaper editors, educational directors, personnel directors, service station operators, salesmen and other workers are held more and more frequently.

Incident to their growth, cooperatives confront more and more the problem of adequate capitalization and financing of their operations. This, too, has become the subject of conferences and research.

Unlike their European counterparts, American cooperative members have not yet developed the habit of investing the *bulk* of their savings with their cooperatives. Even American farmers, who have used cooperatives most, have placed only about 1½ per cent of their total investments in their cooperatives.

At the root of the financial and other problems lies the lack of information and understanding of their own business enterprises on the part of all too large a proportion of the members of cooperatives. Iowa State College studies have revealed that 40 per cent of the co-op members interviewed have never attended an annual meeting and that only 15 per cent try to persuade their neighbors to join and invest in the cooperative. In all too many cases, members have been expected to subscribe "on faith" to capital fund-raising drives, without being given the basic reasons for it. "Continuous education" is one of the fundamental practices of good cooperation. But it has been too frequently neglected.

Increased Educational Activities

Increasing awareness of these factors is leading to more emphasis on member-information and member-activity programs among cooperatives. Two-week summer schools with a program of developing a *profession* of cooperative educational work have been launched by the Cooperative League and affiliated organizations.

Some retail cooperatives have seemed to need "education" too—at least from the standpoint of building wholesale volume of business. In some regions the proportion of purchases by retail cooperatives from the wholesale cooperative has run as low as 30 to 35 per cent. For want of better and stronger wholesale-retail relationships, two-thirds of the potential advantage of pooling the buying power of the cooperative's members has been lost. Corrective measures both in wholesale services and retail attitudes are called for—and increasingly are being applied.

In a word, cooperatives are becoming more an integral part of American community life, nationally, regionally, and locally. For example, the credit union movement began, on New Year's Day, 1952, the sponsorship of a nationally known news commentator. Consumer Cooperative Association embarked in 1951 on the most costly production facility ever undertaken by a cooperative—a nitrogen fertilizer plant—and did so not alone because it represented sound business judgment, but because it could minister to a critical need in its area. Hype Park Cooperative on Chicago's South Side has demonstrated its character as a true neighborhood institution by taking leadership in the community council whose purpose was, and is, to unite all groups in that section of the city around a program to prevent property deterioration, improve public facilities of all sorts, and promote redevelopment and conservation programs. And

in many a rural community "co-op days" are being held to which everyone is invited, where emphasis is placed on patronage of all locally-owned businesses, whether or not they are cooperatives, and where the value of cooperatives in "keeping money at home," creating a better business environment, preserving competitive conditions, and developing local ownership is stressed.

Co-ops and Defense

Cooperatives have repeatedly given evidence, by resolution and by action, of their full readiness to support and work for the success of the national defense program. They have gone further in pointing out the vital importance of a constructive approach to the economic problems of most of the peoples of the world. They have urged expansion of the Point 4 Program, and assistance to people in underdeveloped areas in establishing their own locally-owned needed economic institutions, especially those calculated to improve agricultural production and distribution. Working closely with Economic Cooperation Administration officials, the Cooperative League appropriated a modest fund to assist European cooperatives in developing projects to improve the efficiency of commodity distribution.

Less dramatic than these "citizenship" activities, but perhaps equally important in the long-run, are certain trends in the day-to-day economic operations of cooperatives. One is the trend toward larger local units, especially in the consumer store field. At the first of what promises to be a series of regular annual business conferences of local cooperative managers, this trend was evident throughout the discussions and decisions. Statistical records of the operations of local cooperatives in region after region showed the larger ones making the greatest savings for the members and the greatest increases in volume, with the smallest ones dropping farther and farther behind.

Does this mean the end of the cooperative that does less than a certain volume of business per week? If they remain relatively isolated institutions it probably does. But in the head of the "Lakes" area of Central Cooperative Wholesale, a new type of "integration" of operations of a number of small independent cooperatives is being tried. A plan was put into effect in 1951 whereby some 15 such cooperatives in one area agreed to centralize their educational work, accounting, pricing, advertising, and purchasing of staples in a general over-all management responsible in part to the regional

wholesale. While no one of them could afford competent—and well paid—management, all of them together are able to do so. Similar advantages are found in the management contract, entered into in some regions between the regional wholesale and the local cooperative which found itself in trouble.

In the production activities of cooperatives there has appeared a clear trend toward greater efficiency and the most up-to-date methods. In petroleum operations for example, this is evident in the addition of catalytic cracking equipment and other improvements. *The Oil and Gas Journal*, organ of the dominant commercial companies, acknowledged in 1950 that petroleum cooperatives were emerging from one of the hardest competitive periods in their history in a “relatively strong position.” Electric generating capacity is being enlarged and improved by the rural electric cooperatives. Warehousing practices are being brought into line with the more modern practices of competitors.

Scope Being Extended

The movement, already so evident in petroleum, toward control of sources of supply clear back to natural resources is gaining momentum. Central Farmers Fertilizer Company, a cooperative jointly owned by several regional wholesales, is advancing plans for the development of phosphate lands in the inter-mountain area. Regionals supplying seed to their members have established their own direct sources of supply clear back to the farms of Canada and the United States where the seed is produced. One Pacific Coast regional wholesale began in 1951 to drill for its own oil for the first time.

The cooperative movement in the United States consists of some 10,000,000 different families who hold one or more memberships in some kind of cooperative enterprise. The full influence of cooperatives upon American life will be felt for the first time when a considerable proportion of these 10,000,000 families realize how large and potentially significant is the movement of which they are a part and begin with purpose to work with others of like mind but different particular interest to protect, defend, and above all, perfect the functioning of the dynamic enterprises which they own.

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