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A Critique of Consumer Cooperation:

'Cheap Cheese' or the Heavenly Kingdom as the Issue That Divides Practical Cooperators from Utopians

By SOL SHAVIRO*

ABSTRACT. *Consumer cooperative* reformers, alone among American co-operators, define *cooperation* in terms of the *Rochdale Principles*. However, to define a cooperative as an organization characterized by owner-user identity is more useful. Cooperation eliminates *profit* motivation, not profit itself, as reformers suggest. Consumer co-operators make invidious comparison between *consumption* and *production* instead of acknowledging their organic relations. They assign to consumers the same role in uniting the world that Marxists assign to the proletariat. They expect consumer cooperation to promote the *brotherhood of man*. A better approach than espousing *utopian* ideals would be to stress the practical benefits and economic advantages of cooperative activity.

I

The Issue: Earnings vs. Ideology

COOPERATION IS A PANACEA for some: it is a mere tonic for others. Some co-operators believe it can regenerate the spirit of man; others claim it merely reduces prices ('Cheap Cheese' co-ops¹). The reformist consumer co-operator scorns the proximate benefits of businesslike cooperatives and opts for utopia. The practical farm co-operator may have the smaller vision but the better argument.

The argument is most clearly drawn between consumer co-operators who preach the gospel according to St. Warbasse² (sic), and the farm co-operators who prefer earnings to ideology. In the United States, farm co-operators dominate in numbers and resources, while consumer co-operators excel in rhetoric. Commentators from farm cooperatives typically discuss history, structure, technology, law and finances. Consumer cooperative reformers are more often concerned with moral justification, ultimate purpose, and proof of their superiority.

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Claims of superiority require scrutiny. Questions about ultimate purpose deserve answers. Is 'cheap cheese' the goal of cooperation, or is the cooperative commonwealth the heavenly kingdom? In our response we define cooperatives, analyze the role of profit, consider consumer primacy, study competition, and examine the nature of cooperative theory as a system divorced from modern thought.

II

Cooperation Defined

THE VARIETY OF COOPERATIVE ORGANIZATIONS and the profusion of interpretations make definition difficult. From the great farm co-ops to the housewives' buying club, from luxury housing to the radical commune, the cooperative designation is considered appropriate. Reformist consumer cooperators often define cooperation as a system of ideas. They cite the Rochdale Principles,³ derived from the founders of the modern cooperative movement, as the warrant for a true cooperative. Non-believers are excluded from the mantle of cooperation by definition.

Unfortunately, the Rochdale Principles are out-of-date and do not provide a sound basis for a unified vision of cooperatives. Patronage rebates, the Principles' pinnacle, lack relevance in cooperatives which never have earnings to pay rebates. The Rochdale Equitable Pioneers did not seek profit in the little store they opened in Rochdale, England in 1844, but they decided to sell at market prices; selling at cost would have invited retaliation by private firms. However, their policy of returning all earnings to members in proportion to patronage, if followed widely, would eliminate internally financed growth and preclude reserves for contingencies. Today, operation at cost is rare. Most cooperatives conclude that the retention of some profit is prudent, despite ideological objections. Patronage rebates are not treated as a device to completely eliminate profits, but rather to affect their distribution.

Another Rochdale Principle, one man-one vote, gives each owner one vote, regardless of the number of shares held, and is often interpreted as forbidding proxies. In practice it fails to achieve full democracy since it allows one vote per family, not per individual. It misses the essential difference between a political election in which life and liberty are ultimately at stake, and an election in a single purpose firm. In the latter, the extent of participation in the cooperative business may be a reasonable basis for modification of voting rights. Moreover, the minimal participation in elections in most large cooperatives casts doubts on whether democracy is an actuality.

Unlike the obsolete but forthright prohibition of interest, the Rochdale

Principle prescribing limited interest is weak, and without precise limits. It has meaning mostly as a declaration against usury. Legal limits on interest, as for cooperatives or for home mortgages in some states, may advance social purposes, but only as long as higher market rates do not dry up sources of funds. Applied universally, limited interest could stipulate an artificially low price for capital, resulting in a misallocation of resources.

The Rochdale Principle requiring open membership is not helpful where membership is necessarily restricted, as in housing co-ops with a fixed number of apartments. More important, the Rochdale Equitable Pioneers did not hold the contemporary view of open membership as opposing discrimination. Their object was not to welcome people regardless of race, sex, or religion, but only to keep membership open to the varied, local, radical dissenters from the political orthodoxy of the time, including Chartists, Christian socialists, and reformers of every kind.

A peculiar principle is the exhortation to educate. Accurately understood, it means preaching the cooperative doctrine and convincing the heathen. Such proselytizing is common to partisans, but even the most dedicated missionary would hardly list his call to serve as a principle, and part of the basic, underlying theology he preaches.

Cooperation between cooperatives, a principle recently adopted by the International Cooperative Alliance, is more a moral entreaty than a current custom. Other principles are no more convincing.

Many consumer cooperators, not insisting on the Rochdale Principles, define the cooperative as a business with a social conscience. They stress dual goals, economic and social, but this duality is not exclusive to cooperatives. Economic and social goals are found in other institutions, such as non-profit and government firms. Today, even profit-oriented firms are being forced to deal with problems of social responsibility. A social conscience is shared by cooperatives and private firms alike.

Such ambiguities suggest that ideology is not a helpful basis for definition. A more productive approach is direct observation and description. Any ideology which emerges will be a consequence of internal structure, not a philosophy superimposed.

User-owner identity

A cooperative, consumer or producer, has been more usefully described as a business owned and controlled by the users for their own benefit. Still more precisely, a cooperative is a firm in which the users and owners are identical; they are members of the same set. Thus, in a housing co-op, the tenants are also the landlords. The members of a credit union are both borrowers and lenders. A food co-op is owned by the customers.

In contrast, the owners and users of a private firm are different individuals. The owners of a public housing project are a set which includes all citizens; the tenants are a small sub-set of the larger group.

This definition emphasizes that the internal harmony found in cooperative firms is achieved, not by empathy between separate owners and users, but by eliminating the separation. Presumably, the goal of a socialist enterprise is the public welfare, while the goal of a private business is the welfare of the owners. The goal of a cooperative firm is the welfare of the members, who are both buyers and sellers, borrowers and lenders, landlords and tenants.

Varying views

The pragmatic view of a cooperative as an autonomous firm is rejected by Emilianoff, Robotka, and Phillips⁴ who argue that a cooperative is not a firm, or separate business entity, but a mere plant, or the locus of activity of the member firms. However, to deny the concept of a cooperative as a firm with a separate purpose of its own does not clarify the nature of a cooperative. The large cooperative is not merely the locus of member activity, but of the sovereignty the members surrendered in their quest for benefits. The co-op is a going concern, aggressively acting to maintain and perpetuate itself even against the interests of individual members. In existential terms, to ignore its existence in the search for an imagined essence is misleading. Clearly, the cooperative is a firm in the ordinary language use of the term.

Differences between producer and consumer cooperatives, often cited by reformers, seem insignificant. Both are composed of specific sets of members who deal with the outside world; producer co-ops sell to non-members and consumer co-ops buy from non-members. Their roles as producers and consumers are not exclusive, as when a farmer buys from his co-op for his personal needs, or when a consumer co-op sells to non-members.

The definition of a cooperative as a firm with owner-user identity rules out second-level institutions as cooperatives in the strict sense. Reformists conceive the cooperative commonwealth as a hierarchy of cooperatives, from local consumer co-ops, to regional institutions, to worldwide basic industries. However, the ultimate owners of such basic industries would be a set of all consumers in the world. The users of the output of each industry would be particular sub-sets of the larger body. The test of a cooperative would not be met. As an example of a true worldwide cooperative, a consumer airplane co-op would be owned entirely by airline passengers, and not by fellow consumers, however friendly, who do not travel.

Perfect cooperation

The most rigorous examination would require the definition of "perfect"

cooperation, the ideal situation, not as a working model for existing cooperatives, but to illustrate unattainable cooperative perfection as a yardstick for judgment. Just as the economists' model of perfect competition includes ideal parameters, the perfect cooperative, a firm with categorical owner-user identity, would require absolutely identical membership interests, selling absolutely identical baskets of goods to members, and banning non-member business. Real cooperatives are violators of such restrictions, dealing regularly with persons outside the set. Co-op supermarkets which welcome non-members as customers also sell varying baskets to each member.

Such departures from the ideal of perfect cooperation affect operating results. The careful, selective shopper at a co-op supermarket enjoys higher benefits than the member who buys all the family's groceries from the co-op. The first favors more "specials," the second a policy of lower margins. The two contribute unequally to the surplus from which patronage rebates are paid. Thus, imperfect cooperation, like imperfect competition, is the rule.

Yet if the perfect cooperative, with absolute owner-user identity, does not exist, in general terms owner-user identity provides a workable definition and reflects, at least, approximate reality.

III

The Failure of the Non-Profit Concept

COOPERATIVE REFORMERS banish profit by incantation. They declare there is no profit in a cooperative, and believe their declaration is equivalent to proof. A more sophisticated view is that with owner-user identity, profit is irrelevant. It is the profit motive which is missing in a cooperative. The member, as owner, may earn a profit, but the profit is of no benefit since he earned it at his own expense as a user.

The insistence that a cooperative is non-profit (without profit), rather than not-for-profit (not seeking profit), is a mistake. In a housing co-op, for example, the member normally pays a rent which covers all costs plus a factor for uncertainty. If costs are lower than expected, a profit has been earned. Whether the profit is rebated, left as a reserve accruing to the benefit of the members, or paid out as a dividend, in economic terms it is a profit.

Several writers have developed an approach based on marginal utility economics. One such view⁵ suggests that the rational member of a perfect cooperative attempts to maximize the total of both profit and consumer surplus.⁶ The two are balanced to achieve the maximum benefit at the optimal equilibrium point usually associated with perfect competition.

Despite such modern economic analysis, the anti-profit mentality is still dominant among cooperative reformers. Reformist claims that cooperatives eliminate profit are often urged as proof of cooperative superiority, drawing on antiquated ideas of profit as evil. The anti-profit mentality has roots in Marxist support for the labor theory of value under which profit is considered expropriation. Marginal theory, making this view obsolete, is ignored by reformers who remain obsessed with profit. For practical analysis, economists find less use in concepts of simple factors such as capital yielding interest and risk-assumption yielding profit, than in more complex factors such as input-output analysis with many resources yielding many returns. Reformers have not learned this economic language and assign too big a role to profit.

Contrast with true non-profit firms

The not-for-profit cooperative can be compared with the true non-profit institution. Firms with non-pecuniary objectives fall into two groups. Some, like cooperatives, earn revenues from the sale of goods arising directly from their main activities, while others, like museums, obtain major financial resources from grants and donations. In the latter case, the "bottom line" of the operating statement is not profit in the conventional sense. However, cooperatives depend on earned revenue, so that the "bottom line" is profit in the ordinary language use of the term.

The profit motive

Attacks on the profit motive, so dear to reformers, are also obsolete. Economists concede profit motivation is based on simplistic assumptions. Business motivation includes the desire for high salaries, bonuses, prestige, security, and avoiding government interference. Profit maximizing has been replaced by profit satisfying (achieving a satisfactory return), and short-run gain by long-term goals, thus denying the critics of excess profits as clear a target as in firms always raising prices to maximize profits.

Psychologists, too, reject simplistic assumptions about profit motivation, arguing that human motivation includes jealousy, love, hatred, self-esteem, and the joys of gamesmanship. The narcissistic gamesman seeks personal satisfaction. The economic man does not exist. The act of seeking profit becomes an end in itself, in which the process, rather than the profit, becomes the motivation.

The objection to the over-emphasis of profit motivation has other grounds. The desire for profit seems an exclusive motive only because other motives are even more ambiguous. Moreover, motivation does not necessarily justify action.

The behavior of profit-seeking managers is not easily altered. Administra-

tors of non-profit institutions, such as museums and colleges, accept profit-seeking behavior as normal. They attempt to operate like profit-oriented firms, following current management techniques, paring costs, increasing revenue, and even adopting the management jargon: 'MBO,' 'PERT,' and 'zero-based budgeting.'

Managers of cooperatives act much like their profit-oriented brothers. They try to increase sales and to minimize costs. They set prices much as in private industry. Often the price structures of private firms and cooperative firms are completely indistinguishable; the supermarket, in which margins are very small, is an example.

Anti-profit policy; an example

An illustration of the attempt by cooperative reformers to eliminate profit may be instructive. Some reform-oriented housing cooperatives control the resale of shares of stock in the organization by departing members. They insist the departing member should not profit at the expense of the incoming member. Presumably, a profit can be earned on resale of shares in recent times because of the increasing value of the shares due to inflation, physical improvements, and various cooperative benefits not available to private renters.

Thus, the profit on resale of shares represents the capitalization of the stream of benefits accruing to cooperative ownership. These benefits exist, regardless of operating rules of the cooperative. Prohibition of all or some resale profits, whatever the internal justification, merely permits the cooperative—the remaining members—to retain all or some of the profit, and prevents the capture of all or some of the profit by the outgoing member. It does not eliminate profit.

The absence of profit is not a crucial difference which characterizes cooperatives.

IV

Alleged Consumer Cooperative Superiority

CONSUMER COOPERATORS consider themselves part of a superior moral order. They extol the virtues of consumerism, though consumer advocates do not always return the compliment. Consumer cooperators often find fault with producer cooperatives, citing anti-consumer activities by farm cooperatives, such as restricting output to raise prices.

The philosophic basis for the claim of consumer superiority can be found in the writing of Horace M. Kallen⁷ on the primacy of the consumer. Kallen notes that we are all consumers from birth to death, but not necessarily

producers. The young, the old, the sick, the unemployed, and the idle rich do not produce. With considerable charm, Kallen compares production as an onerous, day-time activity with the pleasurable, leisure-oriented activities of the night, a refreshing view in a world too concerned with earning a living.

Unfortunately, this clever emphasis on consumer primacy is misleading. Whatever the objections to a magnified work ethic, Kallen is too much consumed with consumer primacy. If Thorstein Veblen's instinct of workmanship is not an inherent compulsion, it is at least a significant, pervasive cultural pattern in Western society, associated with much of the technological progress of that society. Not all work is onerous. Productive activity may not be required of every individual, but it is necessary for human society to persist. Westerners see themselves as active producers of material resources, not as passive consumers. Nor are the parameters of production and consumption clear. They are part of a continuum, and are not exclusive. Even eating is both production and consumption, using up energy as well as producing new bodily substance. A waiter fillets fish. A nurse purees food for an invalid. A doctor administers intravenous feeding. If chewing, swallowing, and digesting have their productive equivalents, it is not clear at what point consumption starts.

Other problems are evident in the producer-consumer dichotomy. Creative work and play do not fit either category perfectly. Consumption is not necessarily good. Overeating, frivolous consumption, the use of harmful substances, and wasteful consumption are examples. Consumption is too often instant gratification to the detriment of future values.

Production is not just a necessary evil. It is an activity enjoyed for itself: witness hobbies. Objection to production is usually directed at unpleasant, difficult, or alienating production. Other objections stem from overproduction or underproduction. Neglecting human inconstancy, Warbasse naively argued that neither overproduction nor underproduction could exist in a cooperative commonwealth where known consumer demand would directly determine the volume of production.⁸

Consumption as an organizing principle

Consumer cooperative reformers, however, are not content to argue only the superiority of consumption. They extend the thesis of consumer primacy to mean that consumption can serve as an organizing principle for the cooperative commonwealth. They suggest that the society of man can be orchestrated into a hierarchy of institutions ultimately owned by consumers.

This doctrine must be rejected. The common role of man as a consumer is insufficient to define the essential humanity of man. The choices man must

make in the human situation far exceed the simplistic notion of consumer primacy. To suggest that people will create a new society based on their role as consumers is reminiscent of the Marxist faith in the power of proletarian identification. So far, workers have not ignored racial, national, religious, political, occupational, and familial ties, and have not organized themselves as members of the working class. To expect greater unity based on consumer identification is completely unreasonable.

The claim of consumer primacy is not sustained.

V

Cooperation vs. Competition

COOPERATION IS OFTEN CHARACTERIZED by reformers as an alternative to a wicked, competitive world. These reformers blame the competitive economic system as the cause of war and aggression in modern society. They insist that cooperation in economic matters will lead to cooperation in all human affairs. Such arguments are not convincing.

Reformers compare utopian cooperation with actual competition. Perfect competition in economic texts refers to an abstract model to which no value judgment is attached. The ills of society, catalogued by critics of our society, are usually associated, not with the academic illustration known as perfect competition, but with existing imperfect competition and monopoly. Reform cooperators contrast an ideal, innocent cooperative romance with the actual competitive conflict in the marketplace. This invidious comparison of unequals makes criticism easy.

Reformers improperly equate competition with conflict, and cooperation with love. Competition is not necessarily the same as bitter conflict, even in the gamesmanship of professional business managers. With the separation of ownership and control in the modern corporation, the professional gamesman plays hard, and plays to win, but he is not the jungle fighter. His object is his success more than the defeat of others. Rivalry does not survive the encounter. At least for the professional manager, competition is less bitter than for the single proprietor for whom loss is utter disaster.

Nor is cooperation always a blessing. It can be observed as collusion, collaboration, and confrontation. Cooperation can take several forms. It can mean having common interests or it can mean working together. The sympathy, affection, and harmony arising from joint exertion, as in the efforts of cooperative fishermen hauling in a net heavily laden with fish, are greater than the interpersonal responses from sharing common interests, as in the activity of detached shoppers separately seeking low food prices in a co-op

supermarket. Mutual interest does not have the same unifying power as joint action in the face of danger. Concepts of brotherly love are thwarted by the psychological nature of man, with his insistence on maintaining his whole personality and acting for himself. Even love can mean self-satisfaction rather than sympathy, sacrifice, and sensitivity to the needs of the other person.

The assumption of identical interests by members of a co-op implies unified opinions by those members. But the human beings who own a co-op reach different conclusions as to where their welfare lies. For example, some years ago a labor union found it easy to negotiate a favorable contract with a housing co-op because political differences prevented cooperative unity at the bargaining table.⁹

Opinions of fellow cooperators are not only diverse; they may be as irrational as the views of other people. In theory, a rational cooperator should consider policy matters both as owner and user. In practice, such rational behavior is unusual. A housing cooperator easily forgets his role as landlord when facing a rent increase.

It is assumed that the conflict between owner and user in the competitive world disappears in the cooperative where one person plays both roles. A closer look, however, reveals that the conflicting interests may move to a different level, within the mind of the individual. The rational member who cannot ignore half of his dual role, perchance as landlord and tenant, may internalize the conflict in schizophrenic dismay. Thus conflict remains.

Sources of antipathy to competition

Reformist opposition to the competitive economy has a historical foundation. The view of competition as conflict started with Darwin, and continued with Social Darwinism which preached that the society of man was continuously improved, like the Darwinian natural world, by a struggle for survival and the survival of the fittest.

Peter Kropotkin, Ashley Montagu,¹⁰ and others discussed the role of co-operation in the survival of successful species in nature. Survival, they found, often depends on joint activities of the group, or in working together cooperatively, as in the case of ants or bees. Reformist cooperators extended the biological lesson to the human realm, just as Herbert Spencer and William Graham Sumner had extended natural selection to human society. The reformers argue that society will make progress when love, altruism, and co-operation replace conflict and competition.

Objections to cooperative superiority

The basic objection to this buoyant vision is that the biological example is not applicable to human society in either case. Even Montagu notes that

in survival of living species, fertility may be more important than either conflict or cooperation. So too, efficiency, productivity, and innovation may be more important to the survival of institutions than cooperation or competition.

In the case of the ants, conflict is not eliminated by cooperation. Ants are predators who wage war against other ants. Their cooperative relationships are formal, and are not based on love, mutual sympathy, or personal empathy. So too with humans. The cooperative spirit does not extend to members of other sets. Conflicts remain in cooperatives when dealing with labor unions, vendors, non-member customers, or other co-ops. As cannibals demonstrate, brotherly love practiced within the tribe is not extended to outsiders.

Psychologically, brotherhood ties may be possible only in the presence of conflict with other groups. Moreover, cooperation still includes, even as it overcomes, conflict.

The competitive spirit which is so odious to the reformers is not so much objective economic warfare in the marketplace, as subjective, psychic discord, experienced by the individual participants seeking personal satisfaction without complete success.

Finally, if aggression is not an inherent attitude, it is certainly pervasive in our society. The leap from self-interest and rivalry to sacrifice and concern for others is too great for the cooperative system alone to accomplish. Cooperatives do not provide a refuge of brotherly love in a world of conflict.

VI

Nature of Reformist Cooperative Theory

COOPERATIVE THEORY FINDS its roots in a wide variety of social, economic and philosophic movements. Cooperatives have wide appeal across the world. They are adaptable to Marxist countries, embraced by conservative American farmers, and supported by Catholic clergymen. Such universality may be its grandest glory and its gravest flaw.

While less diverse than generic cooperative theory, the reformist ideas discussed here tend to be simplistic, dogmatic, unsystematic, utopian, and enthusiastically optimistic about their promise.

In part, reform cooperation is a response to the unfettered individualism of early capitalism. Social harmony is stressed rather than individual freedom. This call for brotherhood has an anti-individualistic bias.

In an attempt to overcome anti-individualism, cooperators emphasize democracy, but democracy implies compromise. Purer individualism would require that society tolerate opposing actions, recognize the limits of mutual

aid, and permit a measure of anarchy. Capricious or idiosyncratic individualism has no place in cooperation.

Nor is the democracy of local societies necessarily applicable to larger units. Participatory democracy cannot be assured on matters affecting large regions or cutting across the spheres of several societies.

The suggestion by reformist cooperators that people will organize as consumers and accomplish the regeneration of man is extreme utopian optimism. To imply that an institutional change in ownership arrangements can change moral conduct is equally sanguine. Just as Adam Smith expected social welfare to emerge from selfish activities, so reformers anticipate the common good will arise from mutual action. Reformers predict social fusion from economic union because it is morally desirable, not because it is possible.

Reform cooperation is also optimistic in claims that cooperation can create a world of peace.¹¹ Unhappily, the perfection of man is not achieved by appeals to virtue. The human spirit cannot be made beautiful by a change in the institutional ownership arrangements. Pygmy guile aside, elephants cannot be hunted with darts.

The optimism of reformist hopes contrasts with a prevailing world-wide pessimism which sees poverty, war, oppression, inequality, hatred, and helplessness everywhere. In facing such intractable problems, people seek psychic solutions, personal satisfactions, emotional gratification, and not utopian economics. Against this *Weltanschauung*, reformist enthusiasm for cooperative ownership forms is curious at best. It suggests too easy and too sure a cure for problems which have resisted solution since human transgressions have been recorded.

The moral teaching associated with reform cooperation seems grafted on the economic base. This may be a consequence of a system which hopes to achieve morality from economic reorganization. Morality is better associated with religious, philosophic, and social movements.

VII

'Cheap Cheese' Revisited

PROBLEMS WITH COOPERATIVE THEORY do not necessarily reflect on cooperative practice and achievements.

Cooperatives have provided many benefits. They often lower prices and provide improved service. They can bring higher prices to farmers for their produce. They usually offer their members honest service. They give members a voice in the operation of the organization. They distribute earnings to those who created the earnings. They avoid excessive profits. They restrain excessive

individualism. They are a vehicle for teaching the virtues of mutual aid. Father Coady,¹² in organizing the Antigonish fishermen, taught social and moral principles at the same time he improved their economic status. The members of a credit union often borrow more easily and more cheaply than borrowers who deal with private lending institutions. The lesson of brotherhood is clarified in a cooperative, even if ultimate fusion among different groups is not achieved.

It is necessary to accept these benefits for what they are, and not seek utopian goals. Reformist cooperators should soften opposition to producer cooperatives, modify anticompetitive morality, reject faith in mutual aid as the supreme antidote to conflict, forego utopian dreams, recognize psychological concepts, abandon hopes for brotherhood arising from ownership arrangements, accept proximate benefits, and practice a more pragmatic approach to economic problems.

The search for utopia is not to be demeaned, but the route lies elsewhere. A first step is an understanding of the boundaries, limitations, and obstacles to full human cooperation. Further steps require a clearer vision and the voice to communicate. Such maturity lies beyond the present reformist consumer cooperative teaching. Until a better theory is found, let us abandon outmoded rhetoric and enjoy 'cheap cheese.'

Notes

1. "In the 1920s. co-ops agreed to an emphasis on food cooperation as the best way to excite an interest in the values and virtues of cooperation. Thus, at the historic base of the current movement is an *idea*. Cheap cheese was not the purpose of the movement. Is your co-op a cheap cheese co-op?" *Co-op Highlights*, Volume 34, No. 6 (Carlstadt, New Jersey: Mid-Eastern Cooperatives, Inc., June 1978).

2. James Peter Warbasse, born November 22, 1866 and died February 22, 1957, founder and first president of the Cooperative League of the USA.

3. See Appendix A for a brief statement of Rochdale Principles.

4. Ivan V. Emelianoff, *Economic Theory of Cooperation* (Washington, D.C.: Edward Brothers, Inc., 1942). Frank Robotka, "Lego-Economic Implications in Cooperation," *American Cooperation*, (Washington, D.C.: American Institute of Cooperation), 1946. Frank Robotka and Richard Phillips, "Cooperative Philosophy," *ibid.*, 1953.

5. Sol Shaviro, "Cooperative Equilibrium", *Canadian Journal of Public and Cooperative Economy*. Volume 4, No. 2 (Montreal, Canada: Canadian International Centre of Research and Information on Public and Private Economy), July-December 1971.

6. Consumer surplus reflects the savings of eager consumers who would have been willing to pay more than market price.

7. Horace M. Kallen, *The Decline and Rise of the Consumer* (Chicago: Packard and Company, 1945).

8. "The co-operative society produces for a known clientele of consumers. The hazards of

overproduction and underproduction do not prevail as in the profit business. . . ." James Peter Warbasse, *Cooperative Democracy* (New York: Harper & Bros., 1936), p. 212.

9. Teamsters Union at Rochdale Village Cooperative, New York.

10. Peter Kropotkin, *Mutual Aid: A Factor in Evolution* (London: Penguin Books, 1939); Ashley Montagu, *Darwin, Competition, and Cooperation* (New York: Henry Schuman, 1952).

11. James Peter Warbasse, *Cooperative Peace* (Superior, Wis.: Cooperative Publishing Association, 1950).

12. M. M. Coady, *Masters of Their Own Destiny* (New York: Harper & Bros., 1939).

Appendix A

The Rochdale Principles

ORGANIZATIONS RESEMBLING COOPERATIVES have existed for thousands of years; perhaps the Esenes of biblical times were the first cooperators. Modern cooperatives are usually traced to the Rochdale Equitable Pioneers' Society, a food co-op established in Rochdale, England in 1844. The twenty-eight pioneers followed a number of principles including:

- (1) Open membership. (Anyone could join.)
- (2) One man-one vote. (One vote per member regardless of the number of shares held.)
- (3) Limited interest on capital.
- (4) Net savings distributed as patronage rebates. (The key principle, returning profits in proportion to purchases.)
- (5) Political and religious neutrality.
- (6) Education in cooperative matters.

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