

The National Agricultural  
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University of Arkansas School of Law

NatAgLaw@uark.edu ☎ (479) 575-7646

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An Agricultural Law Research Article

## **Reflections on Cooperation and Cooperatives**

by

Harold F. Breimyer

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## Invited Papers

# Reflections on Cooperation and Cooperatives

*Harold F. Breimyer*

Cooperation is looked upon favorably because it connotes collective economic organization without duress or exploitation. This conceptualization may underlie most thinking about the place of cooperative organization in today's society and the modern economy. Cooperation organizes economic activity on terms of equality at any stratum in the vertical sequence of producing and marketing farm products. Cooperatives' government must not only be viable and functional but must incorporate democratic values. Boards of directors must be attuned to their members and effectively in control. The only valid defense of cooperatives is that they give reality to all that is good in cooperation.

If agriculture is to continue to prosper under a democratic form of government; if we are to be a nation of freemen of the soil; if we are to avoid coming to what all the older nations have come to—an agricultural peasantry—we must organize our industry, and that means cooperation.

—Dean Beverly T. Galloway, 1915

Does the cooperative philosophy contribute some definite guidance toward the solution of agriculture's part of the problem of America's economic future?

—Edwin G. Nourse, 1952

Cooperation as a word and a concept enjoys almost universal acclaim. Its defenders are many and its detractors few. Something in our national heritage makes most Americans look kindly on the idea of cooperating. They especially do so when their attention is confined to general principles. They can be more circumspect when specification begins.

Why are prevailing attitudes so friendly? Possible explanations span a range from the homespun to the sophisticated. In daily living joint effort is virtually necessary. The author Daniel Defoe found he had to invent Friday as a companion for Crusoe. Mutual aid permeates daily living. Significantly, much of it is voluntary, though rooted in custom; and unrewarded, yet often creative of implicit reciprocal obligation.

The principle of cooperative mutual assistance doubtless originated in the household. It antedates an exchange economy.

At the other intellectual extreme, cooperation is looked on favorably because it connotes collective economic organization without duress or exploita-

tion. This conceptualization, subtle and almost subliminal, may underlie most of the thinking about the place of cooperative organization in today's society and the modern economy. It particularly has appeal to the part of society that holds to traditional middle-class values and ideals.

### The "Co" of Co-operation

Cooperation, to restate, is a principle of *collective* organization. Although the word "collective" is sometimes frowned on, the modern industrial economy is characterized above all else by the intricate linkage among its many parts and their crucial interdependence. A modern economy is collective in nature, and its members fail or prosper, to a greater degree than they will admit, according to the terms of collective association.

A modern economy must be organized. The form of organization to be adopted is the most fundamental issue in economics. Economists address it in terms of comparative economic systems.

Where does cooperation fit into the various choices for organizing the economy in general, or—our immediate concern—agriculture and agribusiness?

Key to an answer is the highly definitive prefix to the word itself—the "co" of co-operation (or coopération, now usually simplified to cooperation). The prefix traces to the Greek word *koinos*, meaning common. That, however, does not help much, for it does not explain the terms of commonality. More meaningful is that co is usually interpreted to imply a lateral relationship. In the geometry of political and economic organization it is a horizontal concept.

Furthermore, in most persons' minds the prefix co suggests equivalence or equality. So it is, for example, that a piece of writing may have two or more co-authors. Sometimes co-authorship is less than exactly equal, in which case the first name listed is regarded as principal author. But when authors are listed alphabetically we assume that the co of co-authorship implies no distinction among the individuals. That is the purest application of co.

A different and less personal example is the co of coordination. Many activities are blessed or burdened by a coordinator, who functions in a horizontal stratum to fit pieces together, as in a jigsaw puzzle. In the puzzle, no one piece dominates the others. The analogy fits.

The lateral focus in cooperation and the near or full equality that goes with it are so significant because in both the economic and the political sphere there are not only horizontal relationships but vertical ones too. The two can be significantly different. The broadly encompassing term for the horizontal and vertical linkages that make our economy collective is integration.

The late Joseph Knapp, a thinker and writer about both cooperation and cooperatives, had much to say about horizontal and vertical integration. He saw cooperation as fundamentally an agent of horizontal integration. It organizes economic activity on terms of equality at any stratum in the vertical sequence of producing and marketing farm products. It does not itself define vertical integration.

## Issues in Vertical Integration

Knapp recognized, though, that the greater challenge or threat to the democratic principle of equal standing arises not in horizontal but in vertical relationships. The latter are the more likely to be hierarchial. In the sequence of moving farm products from the farm to the ultimate household consumer, the textbook thesis has been that the final delivery counts most ("the consumer is sovereign"). The stage of retail delivery to consumers is said to have a hierarchial advantage. All prior stages are subservient.

The idea has permeated the farming community and has sparked much populist discontent among farmers. Farmers have seen themselves as farthest removed from sovereign consumers, lowest men on the economic totem pole, and so on.

More insightful analysis has applied what is known as the principles of industrial organization, which rest on number and size of firms operating at any stage, and the degree of differentiation of their product. According to those principles, if firms at any stage are organized for superior horizontal power, they can exercise significant control over the entire vertical sequence. The stage of control can be anywhere from delivery of raw materials to final sale to consumers.

Joseph Knapp was defensive of traditional farmers and their supply and marketing cooperatives. He wanted those cooperatives to be strong enough to protect farmers' interests in the vertical sequence. His stance was not timid.

## Terms of Cooperation

Terms of cooperation that have meaning not only horizontally but affect vertical relationships also are at the heart of issues in agricultural cooperation today—as, indeed, of cooperation in other sectors as well. How seriously is the prefix *co* to be taken when cooperatives are under stress?

Are ideological considerations of equality to be held to only in good times and to become a casualty when times are not so good?

In agriculture, the increasing skewness in size and economic position of farmers contributes to the dilemma. Yet even the image of a tiered class structure within a farmers' "co"-operative amounts to a contradiction of terms.

But that issue, now familiar and often debated, is not the most critical one in the operating principles and life expectancy of cooperatives in the later 1980s and 1990s. In an opening paragraph it was noted that the idea of cooperativeness implies voluntary action rooted in custom. In older times custom was a powerful force in all human society. It almost displaced voluntarism. Today, custom and convention are less instrumental and have given way to codified obligation—administrative rules within private organizations and statute law externally.

In the cooperative milieu the equivalent of custom has been members' cooperative spirit or sense of loyalty. Long eulogized, it once was a significant binding force, a mucilage. Known to all is its gradual weakening or even disappearance. The question now arises: must the *co* of cooperation be brought about by binding commitment—by farmer members to their local cooperative and by cooperatives to each other?

## Republican (Representative) Internal Government

Finally, the co of cooperation can be misinterpreted in the same way as most Americans, says the columnist George Will, misinterpret the meaning of democracy. We subscribe to democratic values. But we live in a republic, and our governmental system is republican or representative. Impatience with the system's shortcomings has led to extolling the idea of government by plebiscite. Referenda are increasingly resorted to by state and local governments. Will justly rebukes both the thesis and the trend.

The co of cooperation by no means implies town-meeting decision making or invalidates the delegate system of internal cooperative government. On the contrary, cooperatives' government must indeed be representative. For those organizations as for political government, the delegate system is the only practicable one.

Nevertheless, if the co in cooperative is taken seriously the moral follows that the delegate system must not only be viable and functional but must incorporate democratic values. Boards of directors must be both attuned to their members and effectively in control. Quite possibly they bear more responsibility for breadth of understanding and forward vision than do professional managers.

The threat, to be sure, is not that those values will be disavowed or that the representative-delegate arrangement will be dismantled. The greater danger is that they will be disregarded or sidetracked. Operational exigencies can readily be cited as rationale for autocracy rather than representative democracy within an individual cooperative. A different departure relates to interrelationships among cooperatives. Under duress the temptation is to forego cooperative linkage among cooperative firms and instead to merge them into entities that are scarcely distinguishable (except in legal name) from investor-owned firms.

### Selected Inferences

Crux to all that has been written here is that any distinctive quality of cooperatives operationally derives from the exceptional meaning of cooperation conceptually, philosophically. Reject the deep meaning of the prefix co to the word itself, and no cause remains for either farmers' support for, or governmental sanction of, the cooperative business form.

In all human society, the institutions devised to meet a felt human need eventually take on a character of their own and tend to self-perpetuate for their own purposes. The harsh fact about farmers' supply and marketing cooperatives is that supplies would be supplied and farm products marketed even though not a single cooperative were to exist. The only valid defense of cooperatives is that they give reality to all that is good in cooperation, defined as a system of human relationships for noncoercive, egalitarian collective action to meet felt needs.