Copyright 2017, Lloyd Tucker

STARTING A FOOD CO-OP

Introduction

This book is addressed to a person of good will who might like to start a food co-operative in the United States. Odd numbered sections will consist primarily of specific recommendations.

Even numbered sections consist mostly of narratives describing my delightful experiences starting and operating a co-op. They are intended to entertain and to give further background that motivates the recommendations. A few relevant stories are also included in the odd numbered sections. Technical or tangential details in this book are often in smaller print. If you are in a hurry, you might want to skip them. If you are only interested in technical recommendations, you may also want to skip the even numbered sections.

Most of this book was written many years ago. Perhaps, after all this time, early participants in the co-op will not be embarrassed to see personal details of their involvements described.

We will start with a section of suggestions.

Section 1: Objectives

This book will describe ways to organize a food co-op where the first goal is the psychological and physical health of people. Times will get hard, and that is when your leadership will be most valuable. If people's feelings get hurt, your most important job will be to listen and tell everyone they can be worthwhile. Drop everything and deal with people. People are more important than profit, so let the co-op fail if necessary, in order to focus your attention on helping people be positive, ethical and healthy with each other. This "people first" priority may help the co-op to succeed, as the members become healthier and more cooperative.

Second, study efficiency and profit. These subjects are important for success in the general competitive economy, and they will be important for the success of your cooperative organization. But we want health to come first, before financial efficiency. If people get along well with each other, expensive problems may be avoided.

Many of us who are drawn to cooperative endeavors see a variety of ills resulting from working in an economy that is motivated primarily by self interest. For example, we see people working at jobs that don't contribute meaning to their lives, and we see environmental degradation and societal problems of war, famine and disease that are related to economic practices. In particular, natural food enthusiasts sometimes say that the profit motive leads food suppliers to add harmful ingredients to food and to remove beneficial ingredients. We hope to avoid some of these problems by working cooperatively and building an alternative system.

But before we build a better system, we do well to study the old one, which works so well in many

ways. If we are to build a successful nonprofit institution that promotes health, cooperation and peace, it is important to understand efficiencies that produce profit. These efficiencies can make our hard times easier and protect us from burnout, the term cooperative people often use for the exhaustion of our generous energies.

If you have management skill sufficient to earn a good salary in the marketplace, the gentle generous spirit of a mother, a kindergarten teacher or a monk, the social skill and insight of a better than average therapist, and several thousand dollars, then it is reasonable to hope that you can earn nearly the minimum wage in our cooperative endeavor, flowing naturally from your labor. And you may help others to do the same, as they provide healthful food for themselves and for their neighbors. If you don't have all those fine qualities, you may succeed anyway, as I did.

Section 2: An early Co-op in Our Town

A co-operative where people didn't cooperate

In the nineteen-seventies, I grew vegetables in the summers on a family farm near the town where I later started a food co-op. There were three places to buy natural food in town. The least cooperative atmosphere was in a floundering food co-op, located in the bottom floor of an interfaith center. The best variety of natural food was available at a store north of there where our co-op would eventually rent space, but their prices were high. The most congenial atmosphere was at a little store on the south edge of town, but their selection was quite limited, and there was little social interaction there except among employees.

The floundering co-op had about 150 members, and there were more than 150 names on their waiting list. The operation was so hectic on days when food was packaged or picked up that they were not accepting new members for fear of adding to the complexity of the operation. They said that if I were willing to serve as a manager, they might make an exception for me, and they mentioned that the produce manager wanted to be replaced. I visited the co-op on a day when they were packaging food to see if I could tell what was causing the chaos, and to see whether I might be able to help.

Procedures of the failing co-op
Members had placed orders, and someone had calculated how much of each food item had been requested by members, and looked to see approximately how much of that food was on hand. Then if there was need, they placed an order for that food item to be delivered, in a large package, to the interfaith center. After the delivery was made, the packaging manager saw whether enough of that food item had been delivered to fill the orders, and if there wasn't enough, he looked in the refrigerator or in bins of partially empty bags to see if he could find more of it. Then one of the members would package it into smaller amounts to fill the various orders if possible. If the manager had enough time, he tried to use old food from the bins instead of new food from the delivery. Dry food was susceptible to contamination from weevils that lived in the bins.

The manager saved the job of packaging honey in jars for himself, because he liked to lick his fingers when he got honey on them. After he got work assigned to the members who were scheduled,

he talked to me about the co-op as he worked. I eventually suggested that he wash his hands whenever he licked his fingers, but he said he would quit managing the packaging if he had to endure that inconvenience. He loved the taste of free honey, and the part he licked from his fingers was free to him.

Tension was high among the workers. Some food items that were supposed to be in the bins couldn't be found. Some people who were scheduled to work didn't show up. Even without them, there wasn't enough space for people to work comfortably. By the time everyone had finished working for as much time as they had signed up for, not all the food had been packaged.

On the weekend, people arrived to pick up their orders, and the atmosphere was even less congenial. Sometimes there was a sign on the wall explaining that some food items had not been packaged, even though they were on hand, because certain members had failed to show up for the packaging work they had signed up for. Their names might also be listed. It took three clerks to check each person out. There were little piles of packaged food placed with each order form that had been filled out two weeks earlier. If a member had not brought bags for the food, two cents were charged for each paper bag used. A clerk totaled the value of the food available for each order, including the cost of bags and various markups, and deducted that total from the total value of food that had been paid for when the order was placed. The member then received a voucher for the value of the missing food.

The time required to arrange payment for grocery bags used was worth much more than the money that was collected to pay for them. But one influential member of that co-op believed that everyone should always bring their own bags in order to prevent waste and protect landfills. The charge for bags was agreed to in order to placate that member, but it was not a very effective disincentive. That policy was a hierarchical, rather than a cooperative tactic.

During the checkout procedure, each member filled out a new order form for the following delivery. Members would occasionally shout out encouragement to order some particular food so that there would be enough of it ordered to warrant buying it. The markups varied from ten to twenty percent, depending on the category of the item. Cheese, for example, had a high rate of spoilage, so they probably charged a higher markup for cheese than for flour. The value of the new food order was totaled, the value of the voucher was subtracted, and the member would write a check for the difference. This entire process took each member about an hour, and someone still needed to figure out what food to order from the wholesaler for the next delivery.

Nobody seemed to be happy. Members felt that the co-op was draining energies. Some people felt they had contributed to the operation, but they got little satisfaction from their contribution, and there was little indication of gratitude for their efforts. The director of the interfaith center wasn't sure that his organization's contribution to the project was worthwhile. He was thinking of charging rent in the future.

Members might have been happier if they had worked for a couple of hours at some minimum wage job, and spent their earnings at the natural food store north of the co-op. Congenial jobs were available at the little store south of town.

Feasibility of efficient cooperative action

People in this co-op thought that more business would cause more problems, whereas people in stores that were operated for profit think that more business will solve problems. Was cooperation ineffective in larger operations? I hoped not.

Conservative economists in that cold war era would have said that for-profit enterprises harness individual self-interest, and co-operatives attempt to harness collective self-interest, usually unsuccessfully, because each individual finds that his efforts benefit the collective a lot, and benefit himself very little. It is hard get members to do things for the co-op, when they could be doing things for themselves.

But Martin Luther King was successful in organizing cooperative action. Those who participated in the civil rights struggle still commonly describe those days as particularly meaningful and gratifying.

Ironically, some conservatives who advocate self-interest with great zeal feel generous in contributing their time to expound those views to the uninitiated. They, too, are gratified by this cooperative action, even though it may not appear to be in their immediate self-interest. They unselfishly advocate accommodation of individual self-interest, and approve of selfishness.

I hoped that people interested in cooperation might find a way to make it work. You may have already thought of changes in the procedures of the failing co-op that could have made it run more smoothly.

Suggestions for improvement

The next time I visited, I spoke to the packaging manager again. I asked whether part of the problem could be solved if the co-op had enough money to buy everything that was ordered. If money were borrowed for that purpose, interest on that much money would have been about 50 cents per year per member. The manager replied that he didn't dare store more food in open bags because of the problems they had with weevils in the storage bins. Instead, he recommended ordering less, even though members wanted more.

I asked if the problem of contamination could be solved in part by getting caught up on repackaging and then keeping everything packaged in small sealed bags. After the initial effort, the weekly work load would be smaller than before, because repackaging workers wouldn't need to sort through partially empty big bags; only new full bags would be repackaged.

He replied that they wouldn't know in advance what sizes of smaller bags to repackage into, and that there wasn't sufficient energy in the co-op to get ahead on anything, anyway. I asked if I could just do the packaging myself, packaging everything that was on hand in some standard sizes of small bags. He said the board might agree to that suggestion. However, weevils can bore their way through plastic bags eventually, so the small bags would need to be well organized so that they didn't remain in storage for too long. And overcrowding caused their storage space to be disorganized.

I suggested packaging most food in well sealed reusable jars, borrowing money to keep food on

hand, and discontinuing prepayments so that the checkout process would be faster. He said there was no chance that the board would agree to very many of those changes all at once, even if I did the work needed to institute them. I thought it would be easier to build a new co-op with members on their waiting list than to significantly improve the one they already had. I continued to volunteer my time with them occasionally, in gratitude for the time the packaging manager had taken with me to discuss my suggestions, but I concluded that their members might be better off if that co-op were to fail quickly, so that they could then join a better one.

The next section offers suggestions for starting a new co-op.

Section 3: Packaging and Pricing

Advanced purchase of food.

Buy food in advance, as for-profit businesses do. Don't require members to place orders in advance. This policy is economical unless storage space is very scarce. A co-op that can't afford to buy food in advance probably can't compete with for-profit stores. The convenience to members of buying whatever they want without planning ahead is worth more than it costs.

Most co-op members usually don't have enough money to buy food in large quantities in advance. Your financial assistance can be quite valuable to them. Even if you borrow the money that is needed, the interest on the loan will be tiny compared to the benefit that results from the efficiency of having food on hand in the co-op. The main problem with this choice is that if something goes wrong, you may not get your money back. But in case the co-op fails, you can own the food until it is sold. If you do have to take the food, instead of getting your money back, that process will be bothersome, but not catastrophic. Your assistance can be so beneficial to the community that the risk is worth taking.

Poor people, who would benefit most from the savings of buying in large quantities, are least able to do so on their own. As has been observed by others, it is expensive to be poor. For example, if a person is too poor to pay a fifty-dollar electric bill on time and his electricity is cut off, he may have to pay the bill eventually to get it turned back on, and pay another fifty dollar fee for the service of turning it on. Rich people could easily borrow enough money to pay such a bill, at hardly any expense. But it is expensive to lend money to poor people, because they often default. Banks usually won't do so, and if they do, they charge a high interest rate and high processing fees for small loans to poor people.

Other examples of the burdens of poverty include high prices at small neighborhood stores, where people without efficient transportation may need to shop, high heating costs for people who can't buy insulation, and high medical costs for people who go to emergency rooms because they can't afford standard checkups and preventive medicine. Even if those emergency room bills never get collected, the person's credit rating may be damaged, resulting in continuing financial problems. And if someone can't afford to have a tooth cavity filled, an expensive root canal or implant may soon be needed as a result.

If members are willing to buy food in large bags and store it themselves, the need for stocking in advance of members' purchases is diminished. The co-op will then save resources repackaging food, and it may save money on rent, because there will be less need for space in the co-op. In most sections of the country, an established co-op would pay rent consisting of five to ten percent of the retail price of the food sold, so the co-op might sell food for five or ten percent less if members were happy to store big bags in their own homes.

But most people aren't willing to do that. Storage space in homes is not altogether free. Members need their space for other purposes. Stored food may attract bugs and mice. Most people won't endure such inconvenience in order to earn such small savings. And there are some foods that people

want to buy from a co-op even though they can't use an entire bag before it spoils. If your co-op can only buy food that people can buy in large quantities, it will be hard for your co-op to prosper.

In summary, members who are poor may benefit a lot from your capacity to stock food for the co-op, so that they don't have to buy in large quantities. They might not be able to borrow as little as one hundred dollars for the purpose of buying food as easily as you could borrow thousands of dollars for the purpose of stocking a store. If you are thinking of operating a co-op and you aren't yet rich enough to stock a store with minimal supplies, it will probably be easier for you to save up enough money to do so than to arrange for cooperative action among people who want to start a co-op, but are no richer than you are.

Packaging

If food is packaged in large quantities when you get it, repackage it in smaller quantities before selling it, even though the food may cost more if you pay someone to repackage it. Dealing with a large bag at home isn't free. We may have to spend more time with large bags than we would spend with several small bags, purchased as we need them. There is less danger of spillage, spoilage, and contamination if we buy small bags of packaged food than if we store a big bag in our house. It is easier to package food for everyone in a co-op, at a station where scoops and bags are readily available, than to deal with a big bag of food by ourselves.

Some co-ops buy equipment that dispenses food in order to avoid arranging for repackaging. But someone would have to pour the food into the dispensers. The equipment is expensive and spills by customers are common. And they get in each other's way.

It takes as much time for one customer to get a bag of beans as for one worker to package five or six bags of beans for the store, once the packaging station is set up. If customers select their own beans, then the person checking out customers will need to compute the price of each bag.

The policy of selling food in small packages is efficient and cooperative, particularly if personal relationships in the co-op are congenial. If members were resentful of each other, such work might be unpleasant. But in our hypothetical co-op, people will come first, and effective polices will be feasible as a result of healthy relationships.

Convenient pricing

People who make scanning devices and computers may increase middle man expenses. Feel free to think creatively, and cut them out.

Arrange for the price of each bag of packaged food to come out even, to one dollar or two dollars, for example, after the markup, tax, and cost of the bag are taken into consideration. It seems a little bothersome at first to figure out how much of each kind of food should go in a bag in order to make it cost exactly one dollar, but once this computation is done, the checkout counter can run very fast. It is easier to figure out once how much food of a certain price should go in a one dollar bag than to repeatedly calculate the cost of bags of food, including tax, at the checkout counter. We can count up the value of packages of food faster than we can place bags with bar codes on a scanning device.

If there is one small bag of food left over, put a price on it.

The computation required to determine the weight of a one dollar bag of flour, for example, is simple, as I will illustrate, and once the computation is done, the result can be recorded in a table so that it doesn't have to be done again. Suppose the tax on a one dollar bag of flour is two cents and the bag costs two cents. Then we want to put 96 cents worth of flour in the bag.

An algebra student might call the number of pounds of flour needed x, for the time being. If flour is to be sold at 40 cents per pound, then she would reason that 40x is the number of pennies spent for the flour in one bag, and find out what x should be to make 40x turn out to be 96.

It is a pleasure to find a valuable contribution for an algebra student to make. Once the problem is solved for flour that costs 40 cents per pound, it will be easy to solve the same problem for an item that costs 41 cents per pound. The algebra is about the same.

Fast checkout line

Arrange for the checkout line to move quickly. The cost of standing in line is important to the success of a co-op. Suppose we spend ten dollars at a standard grocery store, and stand in line five minutes while checking out. That five minutes may be worth about a dollar to most of us. So the total cost of our food would then be eleven dollars, in time and money. The co-op will be more popular if each customer saves a dollar's worth of time and frustration at the check-out stand, each time she buys something. Sales will increase as a result.

Pennies

Don't bother with pennies. Even if something is already packaged in some small quantity for which the price doesn't come out even when you buy it, set the price so that it ends in zero, or perhaps five, including tax. It usually takes more than five cents worth of time for a customer to find three cents in her purse. Forget the three pennies, as you would with a friend. You might object to this policy, because those pennies add up, but the cost of the time spent counting pennies adds up faster.

This little efficiency is one of the benefits of cooperation. If profit were the sole object of operating a business, people might feel a little less secure about relaxing about pennies. But one of our main objectives in operating a co-op is to help members save money. Neglecting pennies serves that purpose while increasing the efficiency of the operation.

If you don't streamline your operation, eventually you will have to hire another worker. When you have two workers instead of one, you have more than twice as much complexity, because the two workers have to communicate with each other and work out differences of opinion. Complexity causes burnout. So keep the operation simple.

Marketing

Advertisers contribute to middle man expenses. Those are expenses we are trying to avoid. Let low prices, good quality, and a congenial atmosphere be your main marketing tools. This policy benefits members.

It is theoretically possible to spend money on advertising that actually benefits your current members. For example, if you are renting more space than is needed, advertising might help you to enlarge the operation and spread the rent expense over more people, so that each member will pay a little less than before. But how much is extra business worth to your co-op? If you keep your markup low, in order to benefit your members, then when someone spends an extra dollar, the co-op won't keep much of it. In a profit oriented business, where markups are higher, extra sales are more profitable.

Co-op managers often advertise because advertising is standard practice in for-profit stores. But a co-op's markup is lower, so a co-op can't afford to spend so much money attracting business.

\Suppose, for example, that the co-op markup is 25%. Then when the co-op buys food for 80 cents, we sell it for a dollar. Suppose 5 cents of that money goes for rent, 5 cents for packaging, 5 cents for utilities and management, and 5 cents for unanticipated expenses and miscalculations. Then we only get to keep 5 cents of that dollar. If we spend $100 on advertising, then it seems that we will need to retrieve 2000 nickels to recover that $100, and we will need to sell a dollars worth of food to retrieve a nickel, so we will need to sell $2000 worth of extra food. But complexity produces expense, even though it is hard to anticipate exactly how that will happen. We would be lucky to keep five cents of each extra dollar someone spent at our co-op because of the advertising plan.

But if members approve of the co-op they may tell their friends about us, for free. So keep costs low and keep people happy. Word of mouth is the most profitable advertising strategy for a healthy co-op.

If you pay a radio station or newspaper to say your co-op is wonderful, someone who doesn't know whether it is true is likely to have the job of boasting about your co-op. They will get paid for doing so. If you make your co-op wonderful, your members will have good reasons to recommend it, without charging for that service. This practice is a more cooperative way to help the co-op prosper. If you raise prices to pay for advertising, members won't have so much reason to recommend that their friends buy there.

Sales and gimmicks

Don't use sales and advertising gimmicks. For example, don't double the price of something, and then offer a half-off sale. I'm not very enthusiastic about temporarily discounting prices in order to attract business. When we lower the price of something, we notice the increased sales of that item. But sales of many other items that aren't on sale decrease a little as a result of seeming less attractive than the items on sale. This decrease in sales is harder to notice.

I prefer to say that everything in the co-op is priced at an artificially low price all the time, because we are serving our members rather than maximizing profit. Everything sold at the co-op is always a bargain.

So, don't offer sales unless something is defective or in surplus, perhaps because of a looming expiration date. If yogurt is about to expire, sell it at a reduced price or give it away to particularly generous workers or members; don't let it spoil. When yogurt goes out of date, it should still be good to eat. Those dates tell when it should be sold, not when it should be eaten. Nobody knows when yogurt will spoil. If you want to know whether it is still good, you can smell it and taste it.

Profit oriented businesses typically try to keep some prices low to attract customers, but then get people to spend more money than they intend to spend. For example, hamburgers may be sold nearly at cost, and then the customer is asked to add on fries

and a drink, which are priced to be more profitable. If managers are trying to fool their customers into spending more than they intend to spend, they won't want to sell a 98 cent bag of flour for a dollar, with two cents of tax included. They will prefer to sell a one dollar bag of flour, and add the tax on later, so that people may not notice the tax when they are making the decision to buy. Then the manager can hope to sell a little more flour.

Don't use such tactics. Admittedly, co-ops may profit a little from deceptive or manipulative sales gimmicks, just as other businesses do, since if the co-op can increase sales, income from the markup will rise. But these practices are petty and demeaning to a cooperative person, particularly if she notices what's going on, and they have a very small effect on profit. Idealistic policies are profitable, because they benefit morale and efficiency. They also make our lives worthwhile.

Display prices

Display prices of items on shelves, but while your co-op is small, don't mark prices on each item. Ask cashiers to learn the prices and give them a list to check in case they forget. This policy makes a cashier's job a little more challenging, but it also makes it less boring and more productive. It takes a lot less time to learn all the prices in a small co-op than to mark all the packages. If people make mistakes occasionally, they are all between friends. People will probably be helped as often as hurt by infrequent errors if they occur. The trust involved in this system can make a co-op feel more cooperative, and it certainly makes it more efficient.

The members all benefit from efficiency. Even a member who accidentally gets cheated once in a lifetime will probably come out ahead because of the efficiency of not marking prices on each item.

So far as I know, I never made a mistake in counting up order totals. One woman checked my calculations for six months, and found them accurate. Computations at the checkout counter were simple, because most prices were whole numbers of dollars.

Political Differences

If our co-op is to survive and be a positive influence in society, we must be positive first and influential later. Two co-op members may work enthusiastically for opposing political candidates, and you will do well to accept them both. You may even express your own political opinion. But the most important opinion for you to express is that both members are free, and empowered to speak honestly and energetically in favor of their own positions. Encourage them to cooperate fully in supporting the co-op and in their personal lives, even if they disagree about political or philosophical positions.

When differences of opinion relate directly to the operation of the co-op, your tact in promoting positive solutions may be particularly challenging. As an exercise in keeping the primary goal of cooperation in mind, I will describe my own views on recycling, a potentially controversial subject in co-ops. As I proceed, you may agree or disagree. In either case, see if you can envision yourself promoting harmony, if a choice different from your own is implemented in a co-op.

Recycling

If our culture is to survive, eventually we must quit burning fossil fuels and we must put virtually nothing in landfills. How can our co-op work effectively toward this policy? If we put a little less material in landfills, it will take a little longer for the problem to get so bad that people will realize

they have to do something about it. So there's not much we can do. If we start now to deal with the problem, perhaps people will face facts a bit sooner. But it is realistic to have some humility, as we proceed, because all our members, working together, can expect to make only minuscule progress.

We want to minimize problems caused by our waste, most of which will be cardboard. Perhaps the most efficient way to dispose of cardboard would be for members to use it for mulch on vegetable gardens. It can keep weeds down and hold moisture in the soil. But it needs to be weighted down to prevent it from blowing around. Leaves and grass are more convenient to use for mulch, because they fit around the stems of plants more easily than cardboard does.

You might start a gardening co-op, using cardboard for mulch. Perhaps your food co-op could buy surplus production. Gardeners should benefit from free cardboard. In order to make the process sustainable, I recommend that you not subsidize gardeners by paying a premium for their produce on the grounds that it supports recycling. If gardening is a pleasurable cooperative experience, it can be self sustaining. If gardening is not pleasurable, it probably will not be worthwhile.

Use of plastic bags is offensive to us conservation enthusiasts for several reasons, particularly because they take up space in landfills. But plastic bags are a tiny problem, compared to cardboard. Ten years worth of plastic bags will take up less room than a month's worth of cardboard.

Plastic bags deteriorate faster than I expected, and they actually release some beneficial nitrogen into the soil as they do so, although there are probably various contaminants released into landfills by decomposing plastic bags. And cardboard deteriorates slower than I expected. So I have become more tolerant of plastic bags, and I have become more enthusiastic about keeping cardboard out of landfills.

Originally, I was much more worried about putting plastic bags in landfills than cardboard, because cardboard is biodegradable. But one of our members said that current landfill management policies usually require refuse to be separated from the environment so securely that cardboard and paper don't deteriorate; he said newspapers can be read decades after they are discarded. So we can stop most of the co-op's contribution to waste in landfills by recycling cardboard, even if we neglect the problem of plastic bags.

It might be worthwhile for the disposal of all goods to be planned before the goods are produced. If this policy were adopted nationwide, it would be feasible to put bar codes on containers that specified desirable means of reuse. Soft drink companies are already responsible for arranging for the disposal of their containers in many states. Aluminum cans are melted down to make more aluminum products. If all companies had a similar responsibility, they might find it desirable to standardize some containers, so that they could be reused without being re-manufactured, and so that a single recycling method could be used by many companies

Until a workable solution to the general problem of disposal and recycling is instituted, how can we work individually and as a co-op toward ecological goals? My own choice is to work energetically, but moderately. Members who are most enthusiastic about recycling ordinarily find they can't recycle all their waste. If the co-op can avoid more than 90% of their waste disposal problems with little expense, it may be wise to tolerate the environmental degradation caused by our remaining waste until a broader solution is available, rather than expending resources exorbitantly to avoid part of the remaining 10% of our contribution to the problem.

There is a problem of diminishing returns with recycling. Cardboard can be recycled cheaply and efficiently. If we use cars and trucks to recycle glass, we may pollute the air with gasoline fumes in the

process and expend resources for the maintenance of vehicles. Whenever we spend money in the United States, we are likely to cause some pollution somewhere. I only feel entirely secure that recycling is benefiting the environment when the recycling is profitable. When money is being saved, resources are being saved, and the environment is likely to benefit. If we spend money to recycle things, I want to be sure the money we are spending isn't causing more pollution indirectly than it is avoiding.

So my choice is to recycle most of the cardboard and tolerate the use of plastic bags, even though they usually end up in a landfill. I would be more comfortable if a nationwide solution to problems of waste disposal and recycling could be arranged. But until such a solution is found, we can solve most of the problem of waste in our co-op without burdening our limited resources with a total prohibition of non-recyclable material.

Congeniality and broad mindedness

Now let's return to the important question of maintaining a positive response to difficult problems, such as the co-op's recycling policy. Can you find parts of my position that you strongly disagree with? Can you envision a way to tell me that our co-op is going to institute a different policy, without condemning my position?

You might start by summarizing my position, and demonstrating that you understand it well by including the reasons for my choices. Then you could tell me I'm a nice guy, since I've been thinking so much about how to help the co-op run well. That's an honest position to take, even if you don't like my suggestions.

Then you could tell me the opinions of other people, and their reasons for them. Whether they are right or wrong, the most fundamental goal is to promote positive action and cooperation, not to be right. There is not much chance that either of us can always be right. But you can be appreciative of me, and be glad that I am thinking and talking about the welfare of the co-op.

Now can you picture yourself going on to tell me how your taste differs from mine without condemning me? If the prerogative of making the choice is yours, then you must use your best judgment, whether it is right or wrong. You need not conceal your true opinions. You and I agree that you must seek positive solutions to problems, and that we will each be wrong sometimes. We agree that people are more important than co-op policies, so if we disagree about those policies, we may preserve our friendship.

People don't benefit from dishonesty. If you honestly think my choices are not optimal, then we both can benefit from your tactfully revealing that fact, assuming we are both healthy enough to recover from whatever disappointment the communication may cause. Well, I am. Tell the truth, as tenderly as you honestly can. You don't necessarily have to do it the same day as I tell you what I think, if I appear to be vulnerable that day.

Your manner of handling opinions is more important than your opinion. It isn't very important if you disagree with the policy I proposed about tolerating plastic bags in landfills. In fact, I don't feel much enthusiasm for that policy, myself. When I started our co-op, before there were members to express opinions, I chose to package food in reusable quart canning jars, but the choices of our

members eventually prevailed over my own taste.

There are two reasons not to package in quart jars that I hadn't thought of. First, the health department sometimes prohibits the reuse of lids. A lid costs ten times as much as a plastic bag, and it probably does more damage to the environment to produce a lid than to produce a plastic bag.

There is risk of contamination of food in every kind of packaging. We can hardly sterilize all containers as carefully as a surgeon sterilizes surgical instruments. So the health department tries to keep the risk of contamination at a reasonably low level. When jar lids are rusty, it is particularly difficult to sanitize them. When we discarded all lids that were rusty, and didn't reuse lids that had cardboard liners, the health department didn't enforce regulations that prohibited the reuse of lids. But if we ever accidentally let a lid with a little rust on it get reused, there was a danger that the health department representative would go to the trouble of enforcing the ban on reused lids.

The second surprising reason not to package in jars was that, even with a deposit equal to the price of the jar, only about half of the jars were returned. The jars that were not returned could not all have been used for canning; our members didn't can nearly enough to use that many jars. Most of the jars that weren't returned must have been discarded, perhaps ending up in landfills. If so, the volume of landfill space taken up by my first choice of packaging was far higher than the space that would have been taken up by plastic bags. It takes centuries for a glass jar to decompose into sand. And the cost to members of buying food in jars and discarding half of them turned out to be about 10% of the cost of the food those jars contained. Plastic bags cost only about 1.5% as much as the cost of the food.

Still, for myself, I would prefer to buy food in jars. The food can be easily seen and stored, and I do use canning jars for canning, occasionally. I don't discard any jars, and I don't mind washing them or taking the risk of eating food from jars someone else has washed.

In summary, it is important to plan a co-op where confrontational politics are not the norm. Advocate cooperation and the acceptance of differences of opinion. As in this example, both people who advocate plastic packaging and people who abhor plastic packaging may have good judgment. You can facilitate cooperation by accepting people of both opinions.

And how can we make people be cooperative? We can't. We can only encourage cooperation, through our good will and thoughtful planning. We can't require it; it is not cooperative to insist.

Summary

1) Unless people are willing to buy in original bags, keep stock on hand, even if you have to borrow money at reasonable rates to buy it.

2) Package in amounts that cost multiples of one dollar, including tax and the cost of the container.

3) Price items that come to the co-op prepackaged with prices ending in 0, or perhaps 5, tax included.

4) Post prices on shelves with tax and the cost of the container included, but don't print prices on

each item until your co-op gets so many items that it is difficult for workers to learn the prices.

5) Package dry food in plastic bags and wet food in contributed recycled jars without deposits, with recycled lids so carefully cleaned that the health department representative may not complain.

Section 4: Two new co-ops are started

Government grant requests

Soon after I started visiting the failing co-op, a professional community organizer posted notices around town proposing that a new co-op be formed. About ten people attended the first organizational meeting. The leader said, "Of course we can't just start a new co-op right now; that would require a lot of money."

As a result of my farm background, I was accustomed to frugal, independent operations. I thought a better co-op than the one I had visited might be started with very little money. The organizer didn't know how much money would be needed, but the people who had requested the grant that paid her to organize the meeting intended to request a second federal grant to finance a fund raiser for the new co-op, once they had demonstrated that there was community support for the project.

I asked how much a fund raiser would cost and whether it would be less than it would cost to start a co-op. The organizer didn't know the answers to those questions. I asked the grant writer, and she either didn't know or didn't want to say. She showed no interest in me starting a co-op. She seemed more interested in requesting a government grant.

Independent action

One day I borrowed $1500, using my nearly debt free house as collateral, drove 200 miles north to a warehouse that sold to the existing co-op, and bought about $1500 worth of natural food, and quart canning jars with lids to package the food in. When I got back, I pulled my truck into my friend, Glen's, basement and packaged food in dollar amounts, including 20 cent deposits for a jar and lid. I marked the food up only ten percent.

If you feel sure people will want to have a co-op, you might consider such a unilateral investment. It would probably take more than $1500 worth of your own time to arrange consensus first, together with more time from others. If so, it would save resources to just pay for the food, rather than expending people's time talking about it. For-profit companies benefit from the freedom to unilaterally invest resources in a new venture. People who start co-ops may benefit from the same freedom in this country.

The failing co-op permitted me to call people from their waiting list, since they weren't able to handle more members themselves. Once I got the food packaged, I started calling people to announce that a new co-op was forming. Judy was the first person to express interest. She accepted almost immediately. I was relieved. I told her that her house could be a pick up point for people in her neighborhood, or I could call her back when I found someone near her to serve in that capacity. She chose to operate a pick up point. Then I was even more relieved.

I had feared our new co-op might never get started. If I had been unable to find members for the new

co-op, I would then have tried to sell my food to the original co-op in town. I would have offered to take it out of jars and package it however they wanted me to, and I would have sold it at a discount if I needed to. If those efforts had failed, my friends and I would have been able to eat most of it before it spoiled.

Within a week we had five or six groups of three to ten people each who had accepted my invitation to join. They filled out food order forms I had printed, and left them with neighborhood managers. I expected that people would want to deal with managers near them, but the town was small, and people preferred to deal with a manager they knew, even if they needed to drive across town to get there.

The group leaders collected money from people in their groups, picked up the food that had been requested, and paid for it with a single check. Clean jars were returned for deposits and inspected by group leaders. The leaders got a 10% discount on their own food for performing these services, so they got their food at approximately wholesale prices.

The groups took turns providing workers to help me package each two weeks. With five groups helping, each group packaged once each ten weeks. I transported the food to and from my house, seventeen miles away, for six months. Then Carol arranged for her household to store it at their place. Mike, who was a leader in the co-op for many years, and who later helped me with my trucking operation, was in that group.

A government subsidized co-op

As our co-op was getting started, a federal grant came through for a third co-op to be formed in our little town of perhaps 50,000 people. The grant paid salaries for five full time workers, but it didn't provide other operating expenses. Frustrations I had seen in dealing with the two grant workers were multiplied as more workers were hired, and their operation became more unwieldy. Individuals had very little capacity to act there without consultation, and they argued feverishly over the few minor choices that were available to the embryonic organization.

The former community organizer, a personable woman, was on the staff of the new co-op. She said that tension was so high at work that she cried nearly every day. Their commitment to consensus inadvertently made their lives miserable. If they had been working for a congenial boss, without requiring consensus, they might have resolved differences of opinion more amicably.

In those years, improvements in civil rights were recent, and members of minority groups still often felt quite estranged from the general culture. The grant specified that minority people were to be served, and a man from a minority group was hired to organize in his community. He reported that members of that community wanted to be able to buy meat and canned goods at their co-op. The other staff members represented more traditional co-op perspectives. For example, many of them were vegetarian, and were distressed at the prospect of selling meat.

Most canned goods aren't available outside established for-profit business channels for less than retail prices, but the government sponsored co-op sold canned goods anyway, at no markup, in order to attract members of the minority community. Those members didn't seem very well served by this

policy, since there was no clear advantage for them to buy standard food at standard prices from the co-op. The only apparent advantage for that community was that one of their members had a government job.

It isn't easy to interest people in a food co-op if they aren't already familiar with the idea. As an experiment, I once knocked on 300 doors to see whether people would be interested in joining our new co-op, and got no new members at all. The recruiter from the minority population may have done as good a job of recruiting people as could have been done, but he found little interest in their co-op in his community.

The biggest challenge for the government subsidized co-op was to get money for food and rent. They delighted in dealing with government agencies and getting permission to do things. But they didn't have enough money to do what they got permission for. I suggested that if each worker would lend half a month's salary to their co-op, they could get started. There was no interest in this proposal. I asked whether people on the staff would be willing to take personal responsibility for a loan, if I found the money, but they declined to do so.

The representative of the minority community was regarded as street wise. He asked what was in it for me to help them get started. I couldn't think of an answer. He wouldn't deal with me unless he could hear what my angle was. I told him I thought everyone benefited when people cooperated. He said, "Yeah, yeah, go on. How would you benefit?"

"Well, besides enjoying the pleasure of your company and feeling some sense of accomplishment, I suppose that if you and I both prosper and work cooperatively, you might buy vegetables I grow, and I might naturally give you a good price because I could expect that you would deal fairly and cooperatively with me."

He seemed altogether pleased to think he had discovered my angle. He said, "Now I see where you're coming from." My primary motivation was not personal profit, but I expected that if I told him that it was not, he would have thought I was trying to deceive him.

Perhaps this recruiter didn't want to owe me any favors, or perhaps he didn't want to be personally responsible for a loan I might arrange. In any case, he didn't favor my suggestion to apply for one.

I went to a local bank anyway, and offered to put up $2000 cash as collateral, should the co-op ask for a loan. The banker agreed to pay me interest that was 2% less than what they would charge the co-op. I informed the co-op managers that they could probably get a loan from that bank, but they didn't request it. They must have gotten another grant eventually, or perhaps they arranged to buy food on credit.

Three or four years later, the government salaries of the staff ended, and that co-op disbanded. By that time, their monthly gross sales had grown to be approximately the same as the total of their monthly salaries, and the assets of the co-op were about half that much. The grant had benefited the government workers more than the members of the co-op. The members could have been better served if the workers' salaries had been paid to the members directly; then they could have gotten roughly the same amount of food as they had been buying, all at government expense.

The most optimistic characterization of the project might be that the workers' salaries constituted seed money for a project that failed except in the sense that the workers gained some work experience. But even with experience, they were hardly prepared to be effective workers. Our co-op needed people who were more generous and cooperative than most of the managers of that co-op. And profit oriented businesses needed nice people who were willing to follow directions of managers who could make a profit. So neither co-operatives nor profit oriented businesses were likely to

benefit from the services of those managers, once their jobs at that co-op expired. Perhaps their experience there prepared them to work in some high stress government bureaucracy, but there were few opportunities of that type in our town.

A less generous characterization of their program would be that it was a political payoff for constituents of a socially progressive politician, who supported their grant request. I don't know how accurate that characterization would be.

As the grant ended and the government co-op was disbanding, I told one of their board members how they could keep their operation going without depending on the government subsidy. They preferred to contribute the meager assets of that co-op to a local refuge for battered women.

That seemed to be a good decision. Their co-op had remained a stressful, depressing place for me to visit. It had attracted some of the business available in our town for our two co-ops, and perhaps a little business from profit oriented enterprises. Our co-op got a little more business after they disbanded. Until then, our co-op may have benefited from the existence of the government subsidized co-op, because they seemed to have attracted officious people who might have made our co-op a stressful place to be.

That is to say, some people who were more interested in holding positions of institutional control than in serving the needs of the community had gravitated to the leadership of that co-op. If those same people had been in our co-op, management might not have been so congenial.

Our co-op management in the early years

After our co-op had operated for about six months, Carol agreed to manage it. She worked without pay for many years, consulted with whomever she pleased, and asked for help when she needed it. Although she was entitled to get co-op food at cost, as all the group managers were, I doubt that she took that offer. The operation was financed with my $1500, and further loans from me as needed.

Carol was unwilling to cut mold off cheese, so she gave moldy cheese to me. I froze most of it, so that it wouldn't continue to mold, and ate it whenever I needed it.

I charged no interest on my $1500 investment in the co-op. But I later began hauling natural food to several co-ops in the area, including the one I started, and I eventually benefited from our co-op's orders. With my truck more nearly full because of our co-op's orders, I could make a small profit, instead of a small loss. This cooperative relationship between our co-op and me was eventually beneficial both to me and to all the co-ops I delivered to.

Procedures for managing our co-op were rarely debated in those years; people just cooperated. Occasionally someone disliked one of Carol's decisions, but they never wanted to do her work themselves, so she got her own way in case of disagreements. If anyone had seriously complained, Carol probably would have volunteered to be replaced, but our co-op was too small to fight over. If there had been a struggle for control of the co-op, it would have been legal and ethical for me to claim all the assets, since they ordinarily amounted to less than the money I had invested. If I had reclaimed my investment, the co-op would have ceased to exist.

The reason the co-op didn't build up many assets was because we preferred to keep prices low instead of making a profit. But we survived. Our informal management style saved time and money, and protected us from the stresses that plagued the other co-ops in our town.

Section 5: Governance and Ownership

Non-hierarchical teamwork

We learn at an early age that some people give orders and some take them. When people boss us around, it is natural to think of turning the tables, and becoming a boss ourselves. But this response to an uncomfortable situation doesn't produce freedom from oppression, even for the oppressor. It is inconvenient to try to control other people. It is preferable for everyone to cooperate, and for no one to be coerced. Even managers of for-profit businesses have come to see the efficiency of organizing the work force in non-hierarchical teams.

If a member seems to believe that every organization must be hierarchical, you might invite him to help with a task such as packaging where there is no opportunity to dictate actions to others. Then, when you supervise him, tell him to use his own judgment. This experience may encourage him to regard the co-op as an exception to the rule that hierarchy is inevitable in institutions.

Leave work decisions to workers.

Let people who have the energy to work decide how the work will be done. For example, suppose you have packaged flour successfully using a scoop and an inexperienced worker wants to pour flour from a large bag into small ones. If you have tried it, you probably know that it is likely to spill. Do you need some system to direct such workers, so that they may benefit from the experience of others?

Surprisingly, perhaps, I recommend strongly against that expedient. Let the worker pour the food, even though she may waste some of it and make a mess. A major reason for her to be in the co-op is so that she can do things her own way. If she is conscientious, she will learn soon enough what works for her, and she may even find a better way to do things than you and I have found. It is more important to encourage members to be assertive and self directed than to control them efficiently.

Don't establish a committee that debates the best procedures for packaging food. At first people may think it is empowering to be a member of such a committee, but after a few unimportant debates, meetings get to be less enjoyable for cooperative people than packaging food would be. And they certainly aren't as profitable. The co-op will benefit when you are careful not to waste people's time.

A prospective member of our co-op who was a lawyer once advised that I tape a loose extension cord to the floor to protect us from lawsuits. I invited him to buy some tape, use it as he recommended, and let the co-op reimburse him for the tape. He declined. He could see that the work wasn't worth doing if he did it himself. He just thought it was worth advising someone else to do it, particularly if he were to earn a discount for having provided the advice. I didn't offer him a discount, and he didn't become a member.

The practice of encouraging workers to decide how work is done protects workers from unnecessary intervention of managers. In addition, it protects managers from intrusive advisors, because a manager can tell someone who complains about procedures that it is the workers' prerogative to make decisions. It is not a manager's responsibility to try to please everyone. The member can recommend a procedure to a

worker without being as oppressive as a manager or a committee would be.

If you are organizing a co-op, it is worthwhile to do every job until you are good at it before you assign it to someone else. Otherwise you are likely to give clumsy advice.

In summary, it is efficient and pleasant to leave control of work in the hands of the workers as much as possible. It is usually wasteful of time and cooperative spirit to form a committee to determine specific procedures for workers, even if workers have a voice in the functioning of the committee.

Compensation for work

Some co-ops require all members to work, but I recommend against that procedure. Different people have different capacities to contribute. The co-op can benefit from the patronage of members who don't currently have time or energy to work, so it is desirable to admit everyone who wants to be a member, whether they work or not. It is reasonable for members who don't work to pay at least part of the cost of the extra efforts of those who do.

If work is well planned, there may be enough generous people willing to help that it can be accomplished on a volunteer basis. Reward people of good will for participating, but not as much as they are worth. Then their gifts are genuine, and people who are motivated primarily by self-interest will not envy them and compete for their positions. Don't ask for more contributions from others than you supply yourself, so that people will see that you aren't taking advantage of them.

Discounts are a desirable form of compensation for workers in a co-op. They provide tangible fruits of their labor. An efficiently managed co-op may be able to provide all the co-op food a family needs at wholesale prices, if that family contributes one or two hours of work a week.

Working members are in a position similar to owners in their relationships to members who don't work. When workers are compensated with discounts, it is easier for them to feel ownership of the co-op, and thus feel cooperative.

In addition, just as low prices are an efficient form of advertising, because they benefit the members, discounts are an efficient form of compensation for workers. Suppose a member helps out, and you pay her a dollar. Then you have to pay someone to withhold about twenty cents from the check, and pay it to the government in taxes. Then you have to figure out some way for the co-op to earn the dollar and twenty cents, together with the wage of the person who wrote the check. That money would probably come from the markup on food.

How much food would have to be sold, to pay this one dollar of wage? If your markup is twenty percent, then you will have to buy about seven dollars worth of food and sell it for $8.40, in order to get $1.20 to pay the worker and the government, and 20 cents to pay some generous person to handle the records. So it appears that you would have to sell another $8.40 worth of food in order to pay the worker $1.00.

But there usually seem to be expenses we haven't anticipated. You will probably need to sell considerably more than that, in order to earn enough money to compensate the worker. It would be

easier and more efficient to let that worker buy five dollars worth of food at a twenty percent discount.

You may have noticed that if you mark food up twenty percent, and then sell it at a twenty percent discount, you lose money. That's because you mark it up twenty percent of a small number, namely the wholesale cost, and mark it down twenty percent of a larger number, namely the retail price. So your member is getting a discount on the markup, as well as a discount on the original wholesale price of the food. She is actually getting the food for a little less than the co-op paid for it. If the markup is 25% and the discount is 20%, then the food is being sold at cost.

Anticipation of disagreement

People cooperate more easily if they know in advance who has the power to control the situation in case trouble comes. So while everyone is feeling optimistic, determine how you will proceed in case some conflict can't be cooperatively resolved.

Packs of wolves function with more unity once they know who has the strength to control the pack. People are different from wolves in the sense that stability of our groups doesn't necessarily depend on threat of violence or even on hierarchy. Still, predicting in advance what the outcome of a potential struggle would be helps us to achieve stability without actually going through such a struggle.

If it is clear in advance who has the prerogative to make final decisions in case of disagreements then such disagreements are usually easier to avoid, or easier to weather, than they otherwise would be. Suppose, for example, that some people think it is good to sell meat, and others think it is unethical to sell meat. Before debating the questions of taste and ethics, it would help to determine who is in a position to make the final decision.

And how can we determine who is in a position to decide? In case of continued disagreement, is there someone who would have the police on her side? If so, those who disagree with that person may accept her decision if necessary, rather than coming to blows or hiring lawyers.

Consensus and democracy

Democracy is a good way to settle conflicts that can't be settled more cooperatively. If agreement can't be found, the democratic tradition may help people who are overruled to lose gracefully and to continue to work harmoniously after a point of disagreement has been put to a vote. But it is better to agree than to vote, so that there will be no losers. First, strive for consensus.

Automatically resorting to a vote may cause decisions to be made prematurely. If people try instead to reach consensus, they make more effort to understand the positions of others, and they expect others to pay more attention to their own views.

If votes are taken automatically, people may not try to interact as cooperatively. The advantages of both consensus and the democratic tradition of voting may be preserved if people work toward consensus first, but vote in case consensus can't be reached. Perhaps people will trust you to decide whether such an impasse has been reached. If not, you may rely on a majority of the members who are considering the question to make that determination.

In a system that encourages consensus, more thoughtful and wiser decisions may be expected.

People with greater experience and more confident judgment tend to have stronger influence in a group where consensus is sought than in one where voting is expected, and in addition, everyone has a chance to be heard.

However, forceful or belligerent people may take advantage of more acquiescent people if consensus alone is relied on. If someone interrupts in such a setting, ask the person who was interrupted to fully express her opinion.

Ownership

Before people commit financial resources to a joint project, I want them to try to agree in writing about what will be done with remaining resources in case of dissolution of the project, and I want them to know who has the right to force dissolution.

It is easy to spend hundreds of hours establishing agreements for administering only hundreds of dollars. Organizational problems can be so unwieldy that people are discouraged from attempting cooperative projects. Perhaps you will decide to start a co-op with your own money in order to avoid these problems.

So long as you have supplied most of the money and energy for a co-op that you organize, it is appropriate for you to have the legal right to make final decisions. This right is both fair and efficient. People who have not had experience contributing to the co-op can be expected to have less skill in managing it frugally.

People who haven't invested their own energy and resources can easily make well meaning choices in twenty minutes that squander hundreds of dollars or hundreds of hours of labor, and then go home because they are tired. But if their own hard earned resources are at risk, they are more likely to manage those resources carefully. People who have resources have at least had enough experience to somehow acquire them.

As members develop a history of successful cooperative contribution to the co-op, it is well to pass responsibility on to them. One way to prepare them for this responsibility is to maintain legal control but ask their advice and always take it. It is probably desirable for the co-op to rely on the cooperation and energy of others besides yourself.

Participatory democracy evolved in European states as representatives dealt with issues of assets of the community. One thousand years ago, monarchs had the right to do virtually anything they wanted with the assets of the countries they led, as owners of businesses do in this country. Monarchs shared the burden of collecting taxes by forming legislatures to be responsible for deciding what taxes to levy. Eventually, monarchs were unable to get compliance without the support of those legislatures.

Our co-op may achieve wide participation in management by a similar evolution. Whoever puts up the money to start it may have legal control of it at first, but as others take an interest in working and making decisions, they will become essential to the operation. Perhaps wider legal and financial control of our co-op may evolve as it did in European countries.

It would be deceptive for an organizer to start a co-op in name only, rely on the efforts and goodwill of others in making it prosper, and then take the profit generated for herself or himself. The membership might be protected to some degree from such an outcome if the owner of the original resources agreed publicly and in writing not to retain ownership beyond some limited period, or to

not take profits from the operation. But in this country, where many people are not struggling to survive, it is possible to organize cooperative energies for a co-op without determining in advance what future ownership and procedures of governance will be.

People have a right to change their minds. In some cases they may feel a moral obligation to do so, as they become wiser. But suppose you invest so much time and effort in the co-op you organize that you feel reluctant to give up ownership. Is it ethical for you to then operate the co-op as a private, for-profit business? I think it isn't. It would be socially and perhaps legally inappropriate to solicit the generosity of members for the public good, and then change your mind and try to appropriate the fruits of their labor for yourself and essentially steal the new assets that have been generated, even if you have contributed more effort to the project than anyone else. If you start a co-op with your own resources, then as you arrange for others to share the work and decision making of the co-op, it is well to plan legal transfer of ownership as well, so that you are not responsible for either liabilities or assets that you don't create. However, it is fair for you to recover assets you have invested.

Incorporation and limited liability

One advantage of forming a corporation, and perhaps nearly the only advantage, is that a corporation can't lose more than it owns. If you own a store personally, you may be sued for any damages, real or imagined, that may occur in connection with the operation of the store. Even if you win a suit, the defense may cost more than the assets of the store are worth, jeopardizing your other assets. Incorporation is a standard method of protecting assets not involved in the operation of a business. In case of a disastrous lawsuit, the corporation may go bankrupt, but you won't lose your house and savings.

Moderate poverty is some protection against lawsuits. If the owner of a business has few assets, then lawyers, who are often paid a percentage of the proceeds of a suit, are disinclined to attack the owner. But if the owner is rich, lavish settlements may be hoped for. People with assets who are liable for damages are said to have deep pockets, and may be threatened with a suit that has little merit, in the hope that some settlement will be made in order to avoid the expense of defending against the suit.

If decisions are made by a group for an operation that is so large that no single individual can reasonably be expected to accept financial responsibility, it would be well to incorporate, so that in case of collapse, creditors and other potential litigants could not sue individuals. Perhaps in some cases it might be possible to operate so loosely that no individual, group, or institution would be legally responsible, even without incorporating. For example, in case a group picked up food collectively and paid for it in cash, if someone stubbed his toe in the process and wanted to sue for damages, there might be no responsible party or parties to sue.

Danger of theft

There are several ways a co-op can be stolen. Financially successful co-ops do frequently fall into the hands of individuals or small groups.

Even without outright change in ownership, if a single person or small group has legal control of the

assets of a co-op, they may choose to increase profits at the expense of the membership, and pay themselves high wages from the profits. They might give favorable contracts to friends or relatives, with or without kickbacks.

It is difficult to build a structure that can't be stolen by dishonest people. Owners of for-profit businesses try to protect themselves from thievery by devising legal structures in which dishonesty is clearly not in one's self-interest. A co-op may be better protected from thievery by choosing managers who are generously involved and honest, and by staying small enough that they don't attract the attention of predators.

Non-profit incorporation

The only clear advantage to incorporating as a non-profit corporation rather than as a for-profit corporation may be that people who make gifts to a non-profit corporation may have some tax advantage. Non-profit corporations have to pay the same tax on income as other corporations, but they don't distribute profits to stockholders. I wouldn't want to solicit gifts of money for a co-op, anyway, because such solicitations are expensive, and I want the members to benefit financially from their participation.

Non-profit incorporation may also be used to make the co-op harder to steal, but if a group intent on stealing the assets gets control, it is hard for anyone to stop them from taking advantage of members legally. There are statements of purpose in corporate declarations that provide minor resistance to theft. But if a board of directors wants to pay a large salary to their friends, or to themselves, it is difficult to prevent them from doing so.

Much of the difference between for-profit corporations and non-profit corporations is in the name only. Non-profit corporations are permitted by law to make a profit, in order to survive and grow, and a co-op that is incorporated as a for-profit corporation is not required to distribute profits. So if you incorporate as a for-profit business, you may still operate in the public interest.

Lawyers who draw up incorporation papers and assist in protecting assets from theft can easily appropriate most of the assets of a tiny co-op for themselves as fees for their services. If one doesn't know a lawyer who is cooperative and who can be trusted it can be dangerous to employ a lawyer. If you don't have deep pockets, it may be preferable to operate independently, without incorporating.

There is some danger to incorporation. People have to sign their names on incorporation papers, and be responsible to hold some small number of meetings and file certain papers occasionally. Some people in the first failing co-op I visited indicated that the final demise of their organization resulted from not filing corporate paperwork for several years. It was thought that disbanding the corporation might protect corporate officers from further infractions of the rules, and might discourage government officials from taking action against them for previous failures to file forms.

If the papers they were referring to were income tax statements, then not filing would have been a problem whether they were incorporated or not. But if the papers that weren't filed were only minutes of yearly meetings, then their problem was caused by the fact that they had incorporated.

Protect the co-op financially

In our culture, we inherit not only an expectation that institutions will be hierarchical, but an

expectation that institutions will take care of us without our taking care of them. We expect that, if we can attain positions of responsibility, we can arrange support for ourselves and for our favorite projects with little or no damage to the institution.

But all the little perks people might arrange for themselves would cost the co-op exactly the same amount of money as they would cost an owner. There is a danger that prices will be raised to pay for such perks. Then the operation of the co-op will become more and more like the operation of a private business, except that the governance is likely to be more unwieldy.

As with for-profit businesses, the expedient of raising prices to cover growing expenses can't be used without limit. Eventually, prices will become so high that profit will decline because of lower sales.

A fixed expense is an expense that doesn't depend on the amount of business being done. So for example, rent is usually a fixed expense.

Presumably, if a business is operating solely for the purpose of making profit, the manager will try to set prices at a point where profit is maximized in the first place. Then if fixed expenses of that particular establishment go up, it won't help to try to pass the cost on to consumers in the form of higher prices, because raising prices will lower sales so much that profit declines. Raising prices may appear to work for a little while, because it takes a while for people to stop shopping at a certain store as a result of higher prices. But after awhile, higher prices can be expected to cause lower sales, even among customers who say they aren't very concerned about prices.

On the other hand, if expenses of all businesses of a certain type in the same area increase, it is likely that some of those costs will eventually be passed on to the consumer, because all those businesses will be inclined to raise prices. If all the stores raise their prices, each consumer will tend to continue buying from the same source as before. If prices don't go up immediately when costs go up, eventually that type of business will become less attractive to business owners, and there will be less competition. Then prices will go up.

So if rents, for example, go up for a group of similar, profit oriented businesses in a certain neighborhood, then eventually prices are likely to go up as a result. But if rent goes up for a single business that has already set prices to maximize profit, then that business operator will not be able to pass on the additional cost to customers.

Price changes occur slowly and haphazardly, and they are likely to be a result of unpredictable local circumstances rather than a result of expenses. For example, if managers are distracted by personal problems or replaced by new managers, pricing is likely to be affected.

A wholesale price is not a fixed expense, because it varies with the amount of purchases. If the wholesale price of an item goes up for a profit motivated manager, then she will raise the price as a result. Then sales will decline, so profit will suffer, but not as much as it would suffer if the manger continued to sell the item without raising the price. When variable costs go up, retail prices go up quickly. When fixed prices go up for a single profit oriented manager, prices do not go up. That manager's profit goes down.

These business principles are taught in Economics departments, rather than in schools of business. Business managers may see little benefit in such abstract business ideas, but they might benefit from thinking more in these general terms, because an understanding of these market forces may make the job of managing a business more profitable and less stressful.

Separation of worthy projects

It is desirable to maintain separation of worthy projects. For example, perhaps you feel sure that you

know who the best candidate for president is, and you would like to promote the election of that candidate. If an article appears in a co-op publication telling people to vote for that candidate, some member may be offended, and stop buying at the co-op. And some member may take valuable time and energy away from cooperative management of the co-op in order to debate the content of the co-op publication.

It would be preferable to promote the nomination of the presidential candidate separately. Then more people could easily cooperate in providing healthful food at low prices in a congenial environment. We do well to cooperate with people who don't agree with us on all issues.

Co-ops commonly fail because decision makers squander co-op resources through inefficiency or through generosity to their favorite causes. Don't ask the co-op to contribute to your favorite charity. The co-op itself is a worthy cause.

For example, it may be irresponsible for managers of the co-op to contribute co-op resources to the local United Way charity, even if the United Way supports valuable projects. The public good might be just as well served if the United Way contributed to the co-op. The public is even better served if the co-op funds itself and the United Way funds itself. There are administrative costs in the operation of the United Way which can be avoided if we provide our own funding instead of requesting funding from that organization.

Don't ask an animal rights organization to contribute to the co-op, and don't ask the co-op to contribute to an animal rights organization. Again, if each organization contributed to the other, they would be worse off than before, because time would have been spent taking those actions and no more assets would be available for the public good than before the contributions were made.

If a dog is dying in the street, should the co-op rent an ambulance to take it to a vet? Sadly, I would say it shouldn't. The co-op is a worthy recipient of our generosity, not to be plundered for other worthy causes. We do well to provide cooperative conditions and wholesome inexpensive food. If you want an ambulance for the dog, pay for it; don't vote for it. Or join a separate organization for assisting animals, or transport it in the trunk of your car. On the other hand, we all need to be willing to be overruled. If the consensus of co-op members and decision makers is to help the dog, a manager will do well to accept their choice without resentment.

Importance of low prices

Members of co-operatives may report that prices aren't very important to them and that they are primarily concerned about the quality of the food they eat. But prices probably have more effect on their behavior than those members expect. Members who don't value money very highly may begin to run out of it, and then make purchases on the basis of prices. Higher prices tend to cause fewer purchases, whether members predict that behavior or not. So if prices are raised repeatedly, the co-op is likely to fail.

Even if the co-op doesn't fail, high prices may indicate that the co-op isn't serving the needs of the members. If members are shopping at the co-op as an act of generosity, and workers are working there for the same reason, and if prices are high, it is possible that the generosity of the members and workers is being squandered on a project that doesn't in fact benefit the community. The community might then be better served if the co-op were to close, unless the efficiency of the operation could be improved.

Diverse Membership

We want membership to be inclusive. With good management, diverse members can benefit from each other, even if they have different goals and values. For example, if some members want only organic food, and other members want only cheap food, both may be best served by one co-op. Some members may buy organic food that is relatively more expensive. Others may buy inexpensive food that isn't organic but that is still more healthful than food available elsewhere. Both groups of members help to pay the rent and benefit from a cooperative environment.

An inclusive co-op can have the best of both the world of profit and the world of cooperation. It might seem nice if every member thought that working in the co-op was an ideal way to spend time. But if we admit only people with values and circumstances similar to our own, we limit the capacity of our co-op to serve all the people and to benefit from whatever degree of patronage they are inclined to give. Some people feel they have time to work and some don't. Some have resources to invest or contribute, and some don't. Just as a for-profit store needs as many customers as it can get, a co-op usually needs as many members as it can get. It is desirable to make membership attractive for everyone. We would limit our own capacity to prosper if we refused to cooperate with people who are different from us.

People who work for the co-op can be reimbursed for their work. People who don't have time or inclination to work can help pay the expenses of the co-op whenever they buy food at the standard markup, just as they would in a for-profit store, when they buy food there.

Although it is rare for customers in a for-profit store to be more trouble than they are worth to the business, it is easier for a member who disapproves of practices in a co-op to become a serious burden. Such problems may be handled more efficiently through individual responses to problems than with rules. It is usually wise to start by admitting everyone who wants to join. But be careful about admitting people to positions of responsibility.

Cooperation among diverse institutions

Business managers who are focused on profit are enthusiastic about serving people with diverse tastes. If we are to operate effectively, we need to be as broad minded as they are, serving many people, and benefiting from their patronage.

The greatest strength of our successful capitalist economy may be that people who don't know each other are inclined to cooperate, without even thinking about how they are doing so. One person makes cars, and another person grows food. Both drive a car and eat all the food they want, without even establishing a relationship with each other. In the process of providing for their own needs, they provide for the needs of others.

But when farmers grow tomatoes that look good but don't taste good, because they are easier to sell, and when workers are required to make cars that break down sooner than necessary because managers want replacements to be easier to sell, there is room for improvement in the system. More cooperation would work better.

A natural reaction to trouble in the world is to circle the wagons. That is, we think of doing things a better way in a group that is

small enough that the situation can be controlled. We want to prevent outsiders from disrupting our new improved system by profiting at our expense.

But policies that promote local welfare at the expense of the general welfare are dangerous. For example, when we compete for business for our neighborhood, other neighborhoods may respond in the same way. Local governments sometimes offer so many special considerations to businesses moving into their jurisdictions that the benefits of having the businesses there are approximately balanced by the costs of attracting them.

There are good reasons for buying food that is locally produced. Currently, vegetables are shipped across the country, causing air pollution and deterioration of the highway system. Fruits and vegetables are picked green, so that they can survive the trip. Large farming operations typically introduce unhealthful ingredients into food, such as pesticides and herbicides. We will be unprepared to face potential financial or cultural dislocations if we are unable to produce food locally.

However, thinking locally can have the effect of destroying our easy, impersonal nation-wide and world-wide cooperation. If we say, let's buy products produced by our local farmers, since they spend their profits in our neighborhood, and if people in other neighborhoods say the same about their purchases, then both groups of farmers may operate inefficiently, because they can grow only what can be sold in their own neighborhoods. For example, no single neighborhood could afford to buy potato harvesting machines exclusively for local production, because one machine would cost more than all the potatoes eaten in that neighborhood are worth.

Processing of food is even more difficult to organize locally. Years ago, each community had a flour mill. Most of those mills went out of business, because it was more efficient to operate a few large mills than many small ones. Even with additional shipping expenses, large mills are more profitable, so long as transportation is cheap.

Nationwide distribution also makes other larger operations more efficient. It would be difficult to build a wholesale food company that sold food only to stores within a few miles of a single warehouse.

If most localities were concerned only with their own welfare, eventually, we cooperative people would be induced to build some institution that arranged cooperation between localities. For example, we might come up with the idea of assigning large potato production to Idaho cooperatives, since the climate there is adapted to that production. We would then have an efficient system like the one now in place, except that our new cooperative institution would cost something to operate. It wouldn't be as efficient as the system we use now, where people cooperate with other in order to make a profit, and they don't have to pay the expenses of some cooperative organization to arrange for their mutual assistance.

At first it seems that if we organize local groups of people who help each other we will be bound to benefit. It is easy to overlook the advantage of cooperating superficially with millions of people who are primarily motivated by their own self interest. People who are careful to be efficient and profitable may cooperate with strangers without realizing that they are doing so.

Mixed economic strategies

Don't try to stamp out competitors. Instead, try to help competitors work more cooperatively. If co-op members can buy food you provide at a profit oriented business for a cheaper price than you can sell it for, encourage them to do so. Some wholesalers that are organized as co-operatives ask their customers to buy from them out of loyalty, even if their prices on some items are not competitive. Don't do so. An institution that demands preferential treatment is only superficially cooperative. A wholesale co-op needs to support your retail co-op as much as you support it. It is quite feasible for

each transaction to be mutually beneficial.

Three styles of financial management are sometimes described. First, there are “win-win” styles, where managers intend for both participants to prosper. Second there are “win-tie” managers who want to prosper and not take advantage of people. Third there are “win-lose” managers who want to prosper at the expense of others. We seek people in the first category for our close associates, but people in the second category may be sufficiently cooperative to work with. Even without strong personal relationships, such people may help each other. A co-op operates at a disadvantage if cooperation is arranged only with people in the first category.

Some enterprises, such as gambling enterprises, survive on the patronage of people employing primarily the “win-lose” strategy, who are trying to win purely at the expense of others. If people in this third category attain controlling positions in your co-op, it is likely to become uncooperative. A successful co-op can be built among people in the first two categories.

It was suggested that our co-op sell lottery tickets, because the food store that occupied the storefront before we moved there sold them. I declined to do so, because I didn’t think that activity was in the interests of the members. I want members to be able to make their own decisions about how they spend their money, even if I don’t approve, and it might be reasonable for the co-op to make some small profit on choices that I regard as unenlightened. But I would have felt terrible, selling lottery tickets.

Bulletin boards

One more policy illustrates our tradition of placing control in the hands of individuals rather than managers. How can we decide what notices may be appropriately posted in our co-op? Must we form a committee to set general policies about posting notices or to consider each such request separately? Our solution to this problem was to allow anyone to post anything they wanted to post, in specified areas, and to allow anyone to take down anything they wanted to take down.

This policy is virtually free to administer. People who spend more time in the co-op tend to have more input and perhaps better judgment about when announcements have been posted long enough.

If someone complains about something on the bulletin board, it is nice to be able to tell them they can remove it. If someone asks to put something there, it is nice to be able to tell them they can do so, even though there is no guarantee about how long it may stay up. Someone may take it down just because they want to put their own notice in the same space, if they want to.

Summary

1) Let workers administer their own work.

2) Recruit managers and workers who get satisfaction from contributing more effort than they are compensated for.

3) Compensate workers with discounts where possible.

4) If managers or workers burn out, advise them to quit; don’t try to retain unhappy workers by offering higher pay.

5) Try to operate by consensus, but have voting procedures available as a backup.

6) Have legal procedures for resolving serious disputes available as a second backup, understood by

all, in order to make it clear that consensus or democracy are required.

7) Place financial and legal control in the hands of honest people with goodwill, experience, and a record of generosity to the co-op.

8) Incorporate when there is danger of liability, or possibly when leadership becomes numerous.

9) Don't expend assets of the co-op, such as time and money, outside the co-op without consensus, and preferably not on competing worthy projects.

10) Make membership widely inclusive.

Section 6: Middle Persons

It seems that middle men make profits and drive up costs by providing things most co-op members don't want. Much of the cost of food is in packaging and advertising. Some nutrition is lost in extensive processing, as in the case of white flour. Those are services that co-op members often prefer to avoid, and prefer not to pay for.

I wanted to learn how to circumvent the middle men, so that members could buy more directly and efficiently. Surprisingly, I found that many middle men do a better job than I expected, and in many cases, I was glad they were there.

If you start a co-op, then instead of avoiding the middle men, you are likely to become one. Most of our co-op managers found that a natural role to play.

Co-op managers who waste resources with officious policies often become as much of a burden on the process as profit oriented managers and middle men. Our managers usually avoided most such drains on resources admirably, but many managers in other co-ops that we dealt with did not.

I will describe some of the personalities involved in our co-op and in the organizations we dealt with.

Personalities in our early co-op

After Carol moved several miles out of town and could no longer store food for us, various members offered to store the co-op food, in succession. I wish you could have known them all.

Polly kept the co-op food for awhile in her house west of town where Mike moved later. Polly taught feminism in the Sociology Department at the university, and I was in agreement with her philosophical views.

As a feminist, I disapproved of spousal abuse, including her verbal rudeness with her husband. Once, purely out of loyalty to him, I flirted with her for a few seconds; I called her a girl. She was speechless – too astonished to be offended.

Tom's communal house kept the food for awhile in the next town to the west. He occasionally seemed perplexed by his own humanity in those days. Specifically, he loved the lady living with him, who initially didn't fit into his plans.

He was aware of his need for social freedom, in those days when social restrictions were stronger than they are now. But sometimes his desire for success prevented him from following his heart. He and his lady acted with freedom, but he didn't seem to be sure that it was wise to do so.

Toward the end of that period, before we moved to a storefront, Judy stored the food. She was a therapist who could answer my most serious questions without flinching and without disconnecting, sometimes while peeling a potato.

They were all wonderful people to know. But knowing Carol alone was sufficient compensation for my work with the co-op. She was an over-achiever who was as competent and successful as Tom, but showed no misgivings about her humanity.

She didn't sacrifice fun for work; she did both. And she was able to appreciate people who were less successful than she was. She held for me the attraction a centerfold might hold for a normal man. Mike always hated to know that; he had seen her disapproving side. But she was always a prince to me.

Irene was the gentlest person I have known. Every month and a half or so, she emitted a raucous giggle, when her girlish ego was delighted with some tiny triumph.

She was impressed with me for being the manager of the co-op, until she became the manager, herself, after it moved to the storefront. Then she concluded that being the manager was no great accomplishment.

My farmers' market business

I contemplated the feasibility of starting a co-op over a period of years when I was driving to a farmers' market two hundred miles north of our family farm. On those trips, I made contacts that later permitted me to buy the co-op food. At the markets, I sold fruit and vegetables I grew and that I bought from my neighbors. Sometimes I bought local apples and paid to have them pressed into cider.

A trip to the farmers' market and back took forty hours, usually without sleep. First, I picked my own produce and bought produce from neighbors. Then I loaded the truck as carefully as I could so that little or nothing would fall off, sometimes starting over two or three times.

Every time the springs broke in my truck, I had them replaced with stronger ones, so that I could haul more weight. One of the old timers in the vegetable trucking business told me to air up the tires until they didn't look overloaded, even if it took twice as much pressure as was recommended for the tires. After following his advice, I rarely had blowouts. He said, "If you keep them aired up, you may pop a rim now and then, but you won't blow a tire." I don't know whether he ever popped a rim, but I didn't.

By dawn, I needed to be at the market. If I came late, my space would be hard to access, because other farmers would be blocking my path with their displays.

In order to sell effectively, it is wise to remain standing. People didn't want to disturb me by buying something if I was sitting down. By the end of the day, I was exhausted. After the last customer straggled past in the afternoon, I barely had enough strength to load the empty boxes onto the truck

and drive for another four hours back to the farm without falling asleep.

One afternoon when I had a few vegetables left at the end of the market, one of the last customers suggested I sell them at a natural food store in town. I followed her directions without quite falling asleep, arriving just after they had closed at 5 P. M. The produce manager was kind enough to answer my knock at the front door. I told her I had unsprayed vegetables, and she asked what they were. I was so tired, I said, "Tomatoes, peppers, and – you aren't going to believe this – green things you make pickles out of."

She said, "You mean cucumbers?"

"That's right, cucumbers. I've been up for a long time."

She said to rent a motel room and come back in the morning. I did, and sold them two or three bushels of vegetables for enough to pay for the motel. That process was preferable to sleeping at the side of the road, as I usually did when I was that tired.

Early contact with a middle man

After I sold vegetables at that store for several weeks, the produce manager introduced me to the owner, who was viewed with affection and admiration. The store had been a co-op before he got control of it. I don't know whether he felt he stole it, but if he did steal it, he surely must have been slick about it, because the former members of the co-op thought well of him.

They said that the current owner had worked so hard in the co-op that his marriage was nearly destroyed. Perhaps some co-op board agreed that it was only fair to give him ownership of the formerly floundering co-op, in payment for his intense efforts and skillful management, and as some sort of reparation for his wife.

She was one of the most beautiful women in the city, but capable of being so caustic when offended that separation from her might have been quite understandable. In addition, her husband was fascinated with financial and business matters in the manner that some men are fascinated with pharmaceuticals, gambling, and women of transient charm. So it was natural that he might focus his energies on the business more than on his wife.

In order to make amends, he brought her into the business in a capacity where she fortunately had little contact with the public. He even did a little child care. His four-year-old son served as sales person for their spring water. He would offer prospective customers some and drink some himself; then he would say, "That's good water," pause, and say, "Want to buy some?" I may have been the one who suggested the little pause in his performance.

I don't know whether the child got commissions on his sales, but if he did, they probably went into his college fund. His father was always thinking ahead. I recognized his style, because it resembled that of my own father.

When that manager was a child, he played monopoly with his sisters. He instituted business practices in the game that were not covered by the original rules, such as contracts and incorporation, claiming that standard business practice should prevail. He never had any trouble winning, if he could talk his sisters out of quitting before the game was over. In my family, his tactics wouldn't have been feasible; my siblings would have regarded his rules as unfair and would not have participated.

Eventually, his real world situation came to resemble his monopoly games. He was clever enough to take advantage of others so often that some people became reluctant to deal with him. He was disappointed at lack of loyalty among business associates, but he manipulated the rules of engagement to his own advantage so effectively that continued loyalty to him would have been

surprising.

Several years later, he told me about consulting for a co-op bakery. One of the workers made life hard for the other workers and they quit in frustration, leaving him with ownership. The consultant advised him and a group of new workers about how to set up the bakery as a co-op again. But he told me, "The trouble with co-ops is that somebody always steals them. It's going to happen again." The consultant probably expected the same person to end up owning the bakery again, and in fact, that is what happened.

Poisons and nutrients

The owner of the natural food store was enthusiastic about organic vegetables. His store would pay twice as much for organically grown food, if necessary, and his customers were willing to do the same. I asked how he could tell whether vegetables that were sold as organic really were organic. He said he once visited a farmer who said he grew organically and found a shed there where various poisons and sprays were kept. The farmer said he used those for other purposes, but the owner quit buying from him anyway, because he was suspicious.

My father operated part of our family farm at the time, and used poisonous sprays to kill bugs on cattle. The shed reserved for dangerous chemicals also contained old bags of poisons that were manufactured to be used on plants, but we didn't use them. I told the owner of the store that there were unused poisons stored on our family farm, although I thought it was too far away for him to visit. He replied that he used his best judgment in deciding whether to trust a farmer's claim that food was grown organically, and he continued to buy from me. Eventually he visited our farm, and saw that the poisons we had on hand that were sold for use on vegetables were in very old bags, so he concluded correctly that they weren't still in use.

Although I was not convinced he could tell when farmers were being honest, I judged that he was personally opposed to dishonesty, at least of this particular type, and that I might be able to deal cooperatively with him. We discussed the dangers and advantages of various growing techniques, and eventually he agreed to display vegetables he bought from me labeled as unsprayed rather than as organic, so that I could continue to use chemical fertilizers.

Our soil two hundred miles south of his store was not nearly as fertile as the soil in his locality, but some crops benefited from our warmer climate and hilly terrain. I told him that it is preferable for plants to have rich soil to grow in, just as it is preferable for people to have nutritious food to eat. But if people don't have nutritious food, it might be a good idea for them to eat vitamin pills. Similarly, if plants don't have rich soil, chemical fertilizers might help them to be healthier. He didn't seem to have heard that chemical fertilizers can improve nutrients in plants, but they can.

Typically, farmers who use chemical fertilizers use a lot of nitrogen. That nutrient is somewhat comparable to sugar for humans. People need some sugar, but not too much. It doesn't need to be refined sugar; it could come from fruit. Plants need nitrogen, but not too much. If a lot of nitrogen is put on the soil, the plants will grow unusually fast. They may take up other nutrients just a little faster than other plants that don't have so much nitrogen, but they grow so fast that the absorption of the other nutrients can't keep up. The plants get fat, with too much nitrogen.

Some plants can tolerate large amounts of nitrogen better than others. For example, green leafy plants, melons and squash need more nitrogen than tomatoes. Plants grown in soil with very high

nitrogen content grow so big that a pound of produce doesn't have its usual share of other nutrients. This problem can occur no matter where the nitrogen comes from, even if the fertilizer used is organic.

Organic growers often fertilize heavily with manure, which is high in nitrogen. Manure that comes from chickens is particularly high in nitrogen. Soil temperatures rise as nitrogen combines with other chemicals. It is possible to "burn" crops with too much chicken manure; plants may die as a reaction to the nitrogen. It isn't possible to burn plants with cow manure, but horse manure has more nitrogen than cow manure, and can be a problem.

There is no difference between the nitrogen in chemical fertilizer and the nitrogen in organic manure. However those fertilizers usually have different impurities.

In summary, chemical fertilizer can sometimes improve the nutrients in food, and strictly organic methods can occasionally do more harm than good. However, many organic methods keep soil healthy and produce particularly healthy food.

Business combinations

Most of the money I brought in at the farmers' market went to buying and growing food. More than half of the remainder was needed to keep the truck operating. The mechanic who repaired the truck, the people who made the parts, and the company that sold the truck insurance made more than I did. It was wasteful to make the return trip with only empty boxes on the truck, so I looked for an opportunity to haul something else back.

The store where I sold vegetables had good prices on cheese. I asked the owner whether he would give me a discount if I bought a whole case. He said he wouldn't. That was a surprising answer, since he seemed to have good business judgment, and he would know he could make more profit by selling a large amount, particularly since he wouldn't have to pay someone to cut and wrap it. I told him I wouldn't be in competition with him, since I would sell the cheese two hundred miles south of there. He still declined.

I asked if he would tell me where his store bought cheese. He said, "Are you asking me as manager of this store?" I answered, "I'm asking you in whatever capacity might motivate you to answer the question, most notably as a casual friend. I would be inclined to answer a similar question from you."

He said that he bought cheese from himself. He had started a wholesale company that sold to his retail store. The wholesale company marked it up, and the retail store marked it up again. I asked him why he didn't just call it all one company, mark the cheese up as much as he pleased, and save the expense of running transactions through two sets of books. He said there might be problems with that procedure, but he was vague about what those problems might be. Some of them eventually became clear, but at the time, I suspected he might be unnecessarily officious.

After making it clear that the wholesale company was selling to me, and the retail company was not, he sold me a forty pound block of cheese from his warehouse, and it cost about as much as my entire profit from that trip to the vegetable market. As I drove back, that lone block of cheese in the back of the truck reminded me all the way home of what a low profit operation I was running.

I sometimes made $3000 per year in those days, living on our family farm. I was surprisingly content just to be living and working so freely, feeling I might be of some value to my customers and not trying to take advantage of anyone. I cut up the cheese and sold it to friends at a 10% markup. It was much cheaper than cheese in the store. It was easier to make money selling cheese than by farming, since I had the efficiency of transporting it at no additional expense.

My operation had become vertically integrated. That is the term used for two operations that ordinarily function separately and sell to each other, but can sometimes be operated more efficiently together. Usually, a retailer would pay a trucker, but I did both jobs, and cut out one middle man. Later I would cut out another one by buying directly from cheese companies. My vegetable business was also vertically integrated, because I both grew and sold vegetables, whereas most people do only one of those operations and one of them sells to the other.

Chains of supermarkets are also vertically integrated. Many years ago, most food stores were operated separately from wholesalers. Now most chains of supermarkets provide their own wholesale services instead of buying from a separate wholesaler.

When several retail stores are purchased by one person or company for the purpose of buying from wholesalers in larger quantities at lower prices, the operation is said to be horizontally integrated rather than vertically integrated, since retail stores don't usually sell to each other.

There are obvious efficiencies resulting from both horizontal and vertical integration. In a static, unregulated economy such operations might tend to proliferate. But they also get something like arthritis, as co-ops may do even faster, and crumble from their own weight. When I was first working with co-ops, I wanted to build a coalition of consumers that could penetrate the system vertically, all the way back to the producers of food. But perhaps such a coalition would have to be too big to operate efficiently.

I had once negotiated with a small grocer on behalf of a group of price conscious housewives. I said to the grocer, "You spend $300 per week on advertising and get perhaps 100 more customers as a result. If I could show up here with 100 new customers, on the night you choose, and they spent $5000, would you give them a $200 discount? His answer was an unequivocal, "No." He was afraid they might riot.

I thought, "Well, if you can't deal with them, go around them. Who does he buy from? Maybe if enough of us get together we could buy from that company, instead of from him."

My father used to say that farmers got less than 20% of the consumers' dollars, and the rest went to middle men. That figure may have been about right when he was young, because back then more people cooked from scratch. If we buy a dollar's worth of flour, some farmer may get 20 cents of that dollar. But if we buy a dollar's worth of expensive bread, that farmer gets about 2 cents of it. Now that processed foods are more common, more people take a cut on the way to the consumer.

Producers, suppliers, wholesalers and retailers.

Although the word, supplier, is sometimes used for anyone who supplies something to someone, that word is also used more specifically to refer to a person or company that sells to a wholesaler. A wholesaler sells to retailers. Co-op managers who want to cut out middle men may benefit from circumventing this traditional supply structure. I would rather find suppliers who will sell to me than to pay wholesalers to provide that service.

There is some social advantage to buying for a wholesale company that sells only to retailers instead of buying for a retail company. If you purchase for a wholesale company, suppliers will expect your volume to be higher, at least eventually, and they will be inclined to give you a better price.

The manager of the retail store where I sold vegetables who started a separate wholesale company may have benefited from this advantage. If he had claimed to be buying for a wholesale company but really bought for a company that sold retail, someone might have sued him for fraud. After I saw him operate for a few years, I guessed that he had other prospective legal problems in mind, as well. I don't know what they all were, but he wove a tangled web. Eventually, there were several people who might have thought it would be only fair to sue him.

In the United States, suppliers usually buy several products of one type and sell them to wholesalers. Sometimes suppliers produce or manufacture items themselves or represent a single producer, who may not have time for sales. I have had more success in dealing with such suppliers.

Suppliers are disinclined to give retail establishments as good a price as they give wholesalers, because the managers of wholesale companies that the suppliers sell to may get mad at them, saying, "If you sell directly to retail stores, how am I supposed to compete with you? You can give them a lower price than I can. If you don't stop selling to retail stores, I will try to find some other supplier to buy from and hope to drive you out of business."

So suppliers, even those motivated primarily by profit, often develop mutually protective relationships with wholesalers. They may assign certain territories to certain wholesalers, agreeing not to sell to other wholesalers who operate in that region. Occasionally they may ask wholesalers they sell to not to offer competing products from other suppliers. This request may be backed up with the threat of finding some other wholesaler to deal with. That is, they may say, "If you don't stop selling his brand of that product, I will stop selling my brand of the product to you, and you make more money on mine than on his."

Making my first purchase from a food wholesaler was important. That purchase admitted me to the business. From then on, if I asked to buy even a small amount from someone, I could tell him or her that I was already purchasing wholesale, and expecting my business to grow. Then they weren't afraid that other people who bought from them would get mad at them for helping a new competitor get started.

Personal relationships in the supply network provide stability, but they make entry into the network more difficult. I suspect that getting established in business in other countries is much more difficult. For example Japanese businesses have a reputation for protecting each other, at the expense of foreign competition. They probably also protect each other at the expense of new competitors in their own country. Visitors from Russia indicate that one can't start a small business there without paying criminal organizations. The same is true for some businesses in the United States. I am unwilling to participate in that practice.

Our egalitarian spirit in this country tends to make it easier for new people to be admitted into business circles, if they have enough resources to function there. This social inclination toward inclusion is even stronger than it was a generation ago, when financial relationships were more personal. Now that most people have credit cards and buy on credit, it is expected that financial relationships will develop easily between strangers, whereas in my father's generation, people were reluctant to extend credit to anyone whose character was not well known. It was often expected that a young person from an honest family would probably be honest, even if he had no history of honest business dealings, himself.

Since the owner of the store where I sold vegetables permitted me to buy cheese from his wholesale company, I got an even better price than I had asked for. He was nervous about that arrangement, though, because his wholesale company had a sales representative working on commission in the area where I lived. The owner didn't want to offend him or limit his ability to sell.

Usefulness of middle persons

Typically, in the United States, producers grow or manufacture a single kind of product and sell it to suppliers. Those suppliers buy several kinds of items of that type and sell them to wholesalers. The wholesalers try to handle a larger list of items that a certain kind of retail store might buy. Most of these institutions operate inefficiently. It would seem at first that they could be replaced. But they serve a useful function.

First, would it be possible for a producer of normal size to sell all she produced without selling to a middle man? Apparently it usually is not. You would need a coalition of 10,000 people to consume the entire production of a medium sized producer of peaches, for example. Even if you built such a coalition, sometimes they would have too many peaches, and sometimes they wouldn't have enough. They would want to deal with other growers, or wholesalers, or retailers when they didn't have enough peaches, and the peach grower would want to deal with other customers when he had too many peaches.

Now, let us consider the problem from a co-op's point of view. Is it feasible for a single co-op store to buy directly from producers? Ordinarily it is not. It might be possible to buy peaches that way, if a local grower has time to talk to you about buying a few bushels of peaches at a time. But it is ordinarily not feasible for a manager of an individual store to buy rice cakes from the producer. A store can't sell ten cases of rice cakes in a month, and it isn't worthwhile to drive even fifty miles to get just ten cases of rice cakes or less.

So some of those middle men serve a valuable function. They arrange transportation and payment between producers, suppliers, wholesalers and retailers, more efficiently than any one of those institutions or people can make the same arrangements themselves.

If people wanted to cook from scratch, more vertical integration would be feasible. But if we want to buy ten different kinds of bread from ten different bakeries that are far away, we can't afford to stop by each bakery to pick up bread. The deliveries would need to be arranged through at least one middle person. But if all the members of a co-op made their own bread and cookies and pie crusts, the co-op would need so much flour that it might be feasible to buy it all in one place, and drive fifty miles or more to get it. Such procurement was done at local flour mills one hundred years ago, when most people cooked from scratch.

Eventually, I found that co-operative stores had recently organized to replace this middle structure, as supermarket chains had done many years ago.

Personal values

Most members of our co-op were much less concerned about these financial considerations than I was. They were inclined to join a food co-op in order to acquire high quality food, rather than to arrange for low prices or efficient distribution of food. My primary interest in co-ops was to avoid the costs of the traditional delivery system. My financial curiosity served the co-op well, and the dietary interests of co-op members served me well.

After a few years, I found I had adopted most of the tastes of our members concerning nutritious food. Baked goods made from white flour no longer seemed appetizing. I still had my interest in

efficient business practices, and in addition, I ate healthier food.

Individual dietary needs vary. Surprisingly, some people find that in the Spring their hay fever is worse if they have been eating whole wheat flour instead of white flour. Their hay fever may subside even further if they omit wheat from their diets.

Evolution of personal relationships

The owner of the warehouse where I first bought cheese was wise enough to trust me to get my own orders from the warehouse occasionally, and to lock the door when I left. He even gave me a 2% discount for doing so; that was the fee he paid his warehouse worker for the same service. I was certainly as honest as his worker.

The worker had been with him for many years, but as the operation grew bigger he developed a typical attitude about institutions. He began to feel that the company was so powerful that it was responsible for him and he wasn't responsible for it. He liked coconut, and 25 pound bags of coconut began to show up around the warehouse with holes in them, although no more than a handful of coconut was missing. They still probably weighed about 25 pounds, particularly if the weight of the paper bag were included. The damaged bags may have been sold as full, with a piece of tape over the holes.

This worker would not have been inclined to steal from his friend who owned the warehouse. But he seemed more willing to take something that belonged to an institution. He felt he was only taking what wouldn't be missed. But a hole in a bag of coconut, covered with tape, could be a serious problem. Store managers who bought the coconut were likely to check the weights eventually, and they might trust the wholesaler a little less because of the patches on the bags, whether they found the bags to be underweight or not. Managers might fear that the supplier had mice in his warehouse that could be contaminating the food.

So those little handfuls of missing coconut were quite damaging to the business. The owner would have done better to buy the worker his own fifty pound bag of coconut, rather than have him steal. On the other hand, if the worker couldn't be trusted, there was probably no way to make efficient use of his services. The owner was so distressed at the thought that his friend might steal from him that he refused to believe he was stealing.

Eventually, the owner admitted the problem with this worker, and the worker left. These minor infractions were serious for the worker in the long run, as well as for the owner. There is a well-known saying among greedy people that says, "Never steal anything small." A lot of trouble comes from a single act of stealing, and it isn't in a scoundrel's self interest to risk such trouble unless the reward is high. I don't think it's in one's interest to steal something big either, but if the reward is high, it is hard to convince some people of that claim. In fact, I believe it is not in one's self interest to be motivated solely by self interest.

If I were to steal a million dollars and get away with it, I doubt that I would enjoy it. I prefer my life as it is. And I think people in this country can find a more rewarding life for themselves than one built on stealing.

I am extreme in this regard. Trying not to steal even small things can be an annoyance, but I often feel it is worthwhile. When I

finished working at one job, I took all the pencils I could find that had ended up at my house from the job, and offered to return them to the secretary. She was disgusted. She didn't want to use old pencils. So I took them home again. After awhile I took them back and put them where other people in the office might take them.

I once called my sister on a company phone to discuss business, and in order to avoid being rude, when she started discussing personal things I participated. I went to the clerk responsible for phone bills and asked to pay for half the call. She said I probably felt guilty about making a personal call on the company bill, and that I had apparently decided to turn myself in. Perhaps she attributed her own values to me, or perhaps she avoided work by discouraging payment in this way. As these examples illustrate, meticulous honesty can be unhandy for people, but it saves me the energy of considering what to do about ethical questions and it isn't as cumbersome as it might be expected to be.

Zane was the son of Glen, who let me use his basement to package the original shipment of co-op food. Years later, Zane was a valuable worker, only because he was meticulously honest. He packaged so much at the co-op that he couldn't be adequately compensated with discounts. He calculated his own wages and paid himself from the cash box. If I had needed to monitor him, it would have been easier to do the packaging myself, and he wouldn't have had a job. He earned his money by being so honest.

Questionable ethics

I don't think the owner of the warehouse would have been willing to steal. But he may have been willing to outsmart people to such an extent that less conniving people thought he stole from them. When he arranged for a bank loan to buy his warehouse, he used the corporation he owned as collateral. That is, in case he was unable to repay the loan, the bank had the right to demand that the corporation be sold so they could be paid from the proceeds. However, the owner of the corporation kept the brand name of the products the corporation sold as his personal property. That is, the corporation didn't have the right to sell products with that brand name without his permission, even if the bank owned the corporation.

Eventually, the bank did foreclose. Much of the value of the corporation was in the products on hand. But those products were packaged in containers that had the owner's privately owned brand name on them. It was difficult for the bank to arrange a sale of those products since the containers they were in couldn't legally be used. In addition, the customers of the corporation trusted the quality of food with that brand name, and would have had difficulty selling the food if it wasn't packaged in the usual way.

Once the bank managers saw how difficult it would be to recover their money, they agreed to sell the corporation to an unknown buyer from out of state, presumably at a low price, since the corporation didn't own the brand name. The former owner then gave the new owner permission sell the products of the company with his brand name. If the out-of-state buyer were his sister-in-law, people at the bank might have felt they had been taken advantage of. However, recent actions of big bankers seem to have been just as deceptive and greedy.

Access to cheese producers

I was buying large quantities of cheese from the wholesale company long before it went bankrupt. Much of it was for the co-op I started and other smaller co-ops in the area.

Managers of cheese factories were surprisingly reluctant to deal with a new business. I called one of the factories whose stamp appeared on one of the boxes of cheese to ask whether they would sell to me. The secretary at that company eventually called back and said they wouldn't sell to me, but that

there must be many cheese factories in the neighborhood that would.

I drove to the little town, five hundred miles away, to see whether I could find such a factory. I started my search at the secretary's office of a random factory. She introduced me to the manager, who also sold to the wholesale company I had been buying from.

As expected, the manager wanted to know whether doing business with me would be worth the trouble. I couldn't buy much cheese at first, but I offered to pay in cash, so that he wouldn't have so much risk. Since he didn't know me, I didn't want to ask him to accept my check.

The manager probably wanted to protect his relationship with the warehouse owner I had been buying from. He could justify selling to me by telling the warehouse owner that I was in town and intent on buying directly at some factory. If the manager of that cheese factory didn't sell to me, someone else would, and the warehouse owner would lose my business anyway. I didn't hear those conversations, but there were slight indications from both people that some such discussions took place. The manager of the cheese factory eventually agreed to sell to me

Each cheese company in that neighborhood made just a few kinds of cheese. One of the workers at that factory told me of another company that made another type of cheese that we needed, and I made arrangements to buy from that company, as well. The fact that I was already doing business with one cheese factory made it easier to do business with another.

I told the owner of the warehouse what I was doing and offered to pick up cheese for him, but he was apparently more interested in competing with me than in cooperating with me. On my first trip to the second cheese factory, he offered to pay me thirty-five dollars to return some of his cheese that had molded to that factory for him. He said he would request a refund for the cheese.

He said that hauling cheese for a fee without a special license was illegal. I said I could haul it for free, and he could give me a tip if he wanted to. But he gave me what he called a bill of lading to give to the cheese factory manager, and he said if I were to be stopped by police it would be wise not to reveal the existence of that paper, because I wasn't licensed to haul for a fee. I hadn't heard of such a law before. If it existed, it didn't seem to be a fair or efficient law, particularly for arrangements between friends.

On the way to the factory, a policeman stopped me to ask what I was hauling. He appeared to suspect my load had been stolen. My habit of being straightforward worked well enough on that occasion. I showed him the paper described as a bill of lading. I wondered whether the warehouse owner might have called some contact of his in that police department in the hope that such an encounter would convince me that trips to the cheese factory weren't worth the trouble. If so, he had put me in a position where I needed to reveal that I was hauling cheese that didn't belong to me. Still, the policeman took no action against me.

When I got to the cheese factory, the manager reluctantly accepted delivery of the cheese, but he wasn't pleased. He asked why he should do business with me if I returned cheese to him. I answered that I couldn't advise him about how to deal with the warehouse owner. I offered to return the cheese to the warehouse owner, but he didn't want me to.

The owner of the warehouse and I made no more agreements concerning delivery of his cheese. I suspect he may have threatened to continue to return cheese to that factory manager in retaliation for selling to me.

Many years later I wished I had revealed to my son how self serving and manipulative some of the businessmen I dealt with had been, because it might have prepared him to face such challenges in his own business. Perhaps people who read this book will be able to benefit from this description of my experience.

Co-op warehouse

While I was in the neighborhood of the cheese factory, I checked out other retail food co-ops and asked who supplied them. There was a co-operative warehouse within fifty miles of the cheese

factories that sold the same types of natural food as I had been buying, with different brand names, at prices about 7% lower on the average than I had been paying. So long as I was driving that way for cheese, I wanted to buy other products from that warehouse. It took several months to make arrangements to do so.

@Their management system was unwieldy. They required consensus of the employees to take any new action. As a result, meetings sometimes lasted for two or three days and nights, while some holdout was being pressured to change her mind. In addition, one faction was committed to selling only to co-ops, as many of their co-op customers recommended. Even though the survival of their warehouse was at risk because of continued losses, for several years the workers who wanted to make profitable sales to businesses that were not co-ops were unable to get permission to do so.

I wanted to buy mostly for co-ops, and truck a little bit of food to for-profit businesses in order to help pay trucking expenses and to act cooperatively with them. It is not efficient to segregate trucks, having one half empty truck hauling food for co-ops and another truck hauling food for for-profit businesses. But the co-op warehouse staff was not sure they would permit some of their food to go to for-profit businesses, with whom they felt their customers to be in competition. And they weren't sure I was really a very cooperative person, since I didn't show loyalty to them.

The co-op warehouse had a policy of dealing with other co-op warehouses, even if those warehouses dealt with for-profit businesses. Eventually, we arranged to call my operation in the South a fledgling warehouse, and the co-ops I sold to agreed to try to organize a physical warehouse, if the need arose. So long as my truck would hold the products, the need wouldn't arise. But we all tried to grow enough that my truck wouldn't hold all the food that was purchased, at which time it appeared that a warehouse might be needed. So long as my truck sufficed, we avoided one middle person expense, because we didn't need to rent a warehouse.

Eventually, I was making two trips a month, in addition to my full time job, and in addition to my volunteering thirty hours a week at the co-op I had started. After a few years, the truck from the co-operative warehouse met me half way, and eventually it was driven the full 500 miles, every week, delivering to the co-ops in the region. Some of the smaller co-ops picked up food at our co-op. By that time, the managers of the wholesale co-op had changed their policies, and they also sold to for-profit stores in our area.

It had taken years of struggle for them to institute more efficient management policies. When their unwieldy management style and highly uncooperative policies toward for-profit businesses resulted in serious financial problems, they hired advisors from private enterprise to recommend changes. In compliance with advice from those advisors, they started selling wherever they could make a profit, and giving volume discounts to bigger buyers, who were most profitable for them to deal with. If they hadn't given such discounts, their biggest customers would have been inclined to buy from for-profit warehouses where they could get such discounts.

I had been advising the same procedures for years. Politically, it hadn't been feasible for people there who agreed with me to implement my advice. But it became feasible, in order to avoid financial collapse, to pay a fee to some expert, who would then make those obvious recommendations. And once the fee had been paid, it became feasible to accept the advice they had paid for.

When I first learned of the co-operative warehouse, they were operating two corporations, as the

owner of the for-profit warehouse had done. The co-operative warehouse set up a separate company to distribute cheese. This cheese distributing company bought cheese from local factories, marked it up more than I did, and sold it to the co-op warehouse there and to other co-op warehouses all across the country. All the warehouses then marked the cheese up again. As a result, the price of cheese at the co-op warehouses was considerably higher than at the cheese factories, even though that co-op cheese supplier bought in much larger quantities than I did, and got better prices from the cheese factories. This was the sort of middle man operation I had been most eager to avoid when I first organized the co-op.

The staff of the co-op warehouse suggested I should buy cheese from them, at the higher price, out of loyalty. But I think efficiency is a worthwhile goal for all of us. I didn't want to be rude, but I suggested they might meet the price of the factories, either out of loyalty to their customers or in their self interest.

My suggestion had some clout, because I intended to make cheese available wherever my truck went, at prices considerably below the price of the co-operative warehouse. I sold cheese to two or three of their customers, and to a warehouse more than 1000 miles away. My operation was beginning to make theirs look wasteful and costly.

By the time my suggestion, together with similar suggestions from their other customers, made its way through their political structure, they disbanded their two markup system and lowered the price of cheese. From then on I bought cheese at the co-operative warehouse along with other products. That was an important change, because one-third of our co-op's expenditure was for cheese, even though only one-tenth of the weight of products on my truck was cheese. We had eliminated a middle person, and had made the distribution of cheese more efficient by circumventing one set of managers with their operating costs and personal salaries.

My brother's food co-op

My brother lived on the way to the co-op warehouse, and I often slept there on buying trips. I earned less than one dollar an hour on my early trips, but the opportunity to visit him was an additional benefit for me. The co-op in his town bought most of their products from the co-op warehouse, and took a strong interest in its management. When I first tried to develop a cooperative relationship with the manager of my brother's co-op, that manager had little confidence in my operation. He said truckers come and go, and he needed a more stable source of products.

I answered that it was understandable that new operators gave up, since they were so unwelcome. I said that there was a network of buyers and sellers who scratched each other's backs and excluded me, even though I was willing to work harder and to do a more cooperative and efficient job. He eventually began buying things from me that he couldn't get elsewhere. I sold fresh cider, and occasionally he ran short of some kind of cheese, and I picked it up for him at a factory. As I showed myself to be reliable and cooperative, he dealt with me a little more. He saved hundreds of dollars in the process, but that was hardly his primary concern. He was more interested in avoiding political upheaval in his co-op.

A member of his co-op did accounting for the co-op, and was very concerned that everything be done in a standard way. For

example, the manager couldn't write a check, himself; that was the accountant's job.

The manager and I made arrangements we felt were fair to the membership of his co-op, and then found some way to explain those arrangements to the accountant. Once I offered to sell about a hundred dollars worth of vegetables I had left over to the co-op, with the understanding that I would refund the value of any vegetables that got old before they were sold. The manager said he didn't think the accountant would approve of that arrangement, because he wouldn't know whether I could be trusted to make the refund. So I asked him to just buy the vegetables, and let me make an appropriate contribution if they weren't all sold.

He accepted that arrangement, and when I made the contribution on the next trip, the accountant was disconcerted; he didn't have a method of listing a contribution from a non-member on his books. He wasn't sure the co-op should accept the contribution without board action, but he did.

I wouldn't have been willing to act as manager of that co-op, because I couldn't act in the co-op's interest without upsetting people. Their officiousness would have been very expensive to them if they had hired an officious manager, but the manager they had was pretty tolerant, of both their style and my more economical methods, and that co-op survived. However, their prices were at least ten percent higher than the prices at the co-op I managed, mostly as a result of officiousness.

That co-op had a cooler with twenty cubic feet of cooler space that went unused because it was in a corner that was hard to get to. I suggested that they use it to age cheese. If they bought mild cheddar cheese and kept it in the cooler for eight months, it would become medium cheddar cheese, and would be worth ten percent more than before. The manager said his co-op didn't have enough capital to do that. I suggested that he let me store cheese in his cooler for some low rent, but he said it would be difficult to explain that arrangement to the board. We settled on my selling him the cheese on credit, and him paying for it when he took it out of the cooler. That plan had the same effect as my original proposal, but it was stated in a way that looked natural to the accountant.

By the time the cheese had become medium sharp, I had collected over a hundred dollars worth of food stamps, without having taken time to learn the procedure for turning them in to the government for cash. The manager of the co-op didn't need all the medium sharp cheddar, so I suggested that our co-op buy some of it back, using the food stamps, since his co-op had made arrangements to turn in the stamps. It is easy to make such arrangements with a bank, but I didn't yet know that.

It seemed clear to me that this arrangement would cost him nothing, and would be very helpful to us. Naturally, the accountant would be concerned about getting so many food stamps all at once, so I believe the manager put them into the cash register a little at a time. I lent the manager the cash amount of the stamps, so he could use the money immediately, and as he redeemed the food stamps, he replaced the money in an envelope for me. We all came out even, except that he got medium cheddar cheese at an unusually good price, and I replaced food stamps with money, following the spirit, and I hoped the letter of the law.

On one trip past that co-op, there was enough cardboard laying around to nearly fill five cars, although it would take a lot of time to make it fit into them. I offered to take the cardboard to the recycling center for them in my empty truck, where it wouldn't need to be handled so carefully. But the manager said there were five members scheduled to take it in cars. Those members got a discount for doing that job every week, and the manager thought it would be disruptive for them to change the schedule. So five people spent an hour each doing a job that I could have done in fifteen minutes with my truck.

The co-op I managed wouldn't have wasted five hours of members' time and a little bit of gasoline. But this older co-op was getting arthritis. People were feeling that finding a better way to do something was inconvenient. A penny saved didn't seem to them to be a penny earned. Everyone was just doing their scheduled duty, rather than trying to achieve some goal.

I was reminded of the first co-op I had visited, where their procedures were much more inefficient, and even less susceptible to change. At that co-op, the accountant often didn't show up to present the delivery truck driver with a check for the food they were receiving. As a result, they lost a fifty dollar discount. When I suggested to her that she could make fifty dollars very easily,

by scheduling someone to deliver the check, she replied that it was unimportant.

However, she was the person who insisted that everyone be charged two cents for each paper bag they used. She used the time of others to collect pennies when it was consistent with her philosophical goals, but she didn't assign co-op time to achieve the much greater conservation of co-op resources that would have resulted from the discount, because it didn't seem to her to be worth the effort to do so.

That fifty dollars was truly wasted, if we consider the needs of everyone involved. The warehouse owner didn't save fifty dollars by not having to pay the discount. He needed the money immediately. It cost him more than fifty dollars to wait two weeks for the check, because he was on the verge of bankruptcy, and he couldn't function efficiently without immediate payment.

The incident involving cardboard disposal serves as an example of the inefficiency that can result from viewing institutions as abstract institutions that don't seem to require the same care as our personal assets require. The same problem occurs in large for-profit corporations, when workers just punch a clock but don't really pay much attention to how effectively their time is spent. At least there, profit motivated managers may try to solve the problem.

Sometimes in co-ops, no one realizes there is a problem when resources are squandered. But they notice when resources become scarce and frustrations multiply as a result. They may never figure out why the institution hasn't been able to take care of them.

Disassociation of one's work from goals isn't healthy for either the worker or the institution. People in co-ops sometimes begin to feel their work is irrelevant to their goals, as workers in for-profit institutions often do. Perhaps this natural inclination may be avoided if we put human values before the needs of the co-op. Then the workers and the co-op will both benefit. Workers who are thinking of ways to help other people in the co-op are likely to work more effectively and feel more satisfaction.

Section 7: Relations with managers and owners in other institutions

Cooperate with everyone who is willing. Opportunities abound. The main bottleneck in meeting this goal may be that people won't be wise enough to let you help them.

Like the owner of the first warehouse I dealt with, I played monopoly as a child. Following the printed rules, I found a key to success was to be willing to make deals. If I could make a trade with someone, we would both benefit. For example, if I owned Boardwalk, and another player owned Park Place, I would say, "How much do you think it would be worth to have both Boardwalk and Park Place? Whatever you think it is worth, I will either sell my property for that amount, or buy your property for more than that."

People who drove a hard bargain were likely to benefit from a deal we made more than I did. For example, they might say they would sell Park Place for one thousand dollars, or buy Boardwalk for five hundred dollars. I would probably take one of those deals, and they would benefit more than I would. But they ordinarily arranged fewer trades than I did. If I made a mutually beneficial trade with each player in the game, and each person benefited a little more than I did each time we made a trade, then I was likely to win the game because I had made so many beneficial deals.

The same principal holds among honest business people. Those who are more willing to make mutually beneficial arrangements without being greedy will benefit.

People you try to deal with will be accustomed to doing business as usual. They will be afraid to enter into cooperative arrangements, because they aren't sure what risk might be involved.

They have seen many opportunists with gleams in their eyes, proposing ways to get rich. People who survive in business have learned to avoid most new ideas, even if they look good at first, because some kind of unanticipated trouble usually comes up. They have been burned by others several times, and those times are easier to remember than the times when they were successful. Besides, they have probably failed at new ventures themselves more often than they have succeeded. We have all encountered unanticipated problems. So business people are cautious. It is hard to make new cooperative arrangements with them.

Don't deal with people who aren't willing to cooperate. If someone is trying to take advantage of you, don't try to take advantage of them, even if you think you can outsmart them. There is too much risk involved in dealing with uncooperative people. Even if you find a way to make an arrangement with an uncooperative person that benefits both of you, your life may become more stressful as a result. There are enough cooperative people in this country that you don't need to deal with people who are uncooperative.

On the other hand, don't try to punish people who make trouble for you. Don't shoot scoundrels; its a waste of time and expensive shotgun shells. If you live in a neighborhood where you can't function without paying protection to a criminal or bribing government officials, move. Your cooperative efforts will be more effective elsewhere. If fighting fire with fire were the best strategy we could think of, we might as well join a police force or be a guard in a prison, instead of starting a co-op.

In the spirit of cooperating with anyone willing to cooperate, try to help your competitors. Direct your members to their stores when it is helpful. If your competitor wants to know where you purchase a certain item so she can stock it, try telling her, and asking where she gets some other item you might want to sell, and perhaps asking what she pays for it. You might ask whether she finds that supplier cooperative. Perhaps you can build a reputation for your neighborhood as a place to buy natural food of the best quality at the best prices, and both of you will benefit. Perhaps you can't, but both of you will be able to sleep well, since you are cooperating with each other.

Don't make binding agreements when cooperation is more effective. If you can maintain good relations with people, try helping them, and eliciting help from them; you will both benefit. If you say you will do something for them only if they will do something for you, they will feel less satisfaction when they reciprocate. If they agree to do something for you and change their minds because they decide it isn't fair for them to do what they said they would do, don't insist, or the long term cooperative relationship will be damaged. If they take advantage of this policy, always taking and never giving, then quit cooperating with them, but don't try to retaliate.

People who continually have to resort to agreements would probably function more effectively in a for-profit business than in a co-op. It is more fun to give gifts than to make deals, if a tradition of mutual gift giving can be arranged.

People who intend to cooperate with you will have lapses. There will be misunderstandings and occasionally they will revert to competitive behavior. They will have beliefs and commitments different from yours. When they hurt your feelings, you need to protect the cooperative arrangement more carefully than you protect your own feelings. Try to find some way for them to feel that they

are good people. If they think you are not a good person, don't pursue the question until neither of you are angry. Then try to do something that benefits both your co-op and the person you are trying to cooperate with.

A troubled co-op member

A member once demanded that she get a discount before she had earned it. I told her I would permit her to do that once, but that it wasn't the policy we intended to adopt. The next week she demanded that I do so again. I agreed, and told her I didn't intend to repeat that action. The third week she demanded that I do so again. I told her I would change my mind, and bend the policy one more time, and prepare all the workers to decline her request if she made it again the following week.

The fourth week, I declined her demand for a discount she had not yet earned, and she cried for fifteen minutes at the check-out stand. She thought I was a bad person. I said I didn't want her to feel bad. After we all had several days to recover, I asked to discuss the situation with her and her husband.

I spent three hours at their place, listening to her accusations, and commiserating with her. Perhaps it would have been a good policy to give discounts before they were earned, but a more important consideration in this case was to be clear about who would set the policy. It would have been wasteful of time and energy to tolerate continual turmoil as a result of her assumption that she could set policies, without regard for my choices. I told her I wanted to cooperate, but that I would not accede to her demand.

The reason I originally made the choice was that it is wasteful for the co-op to keep track of debts of members. I told workers they couldn't lend co-op resources to anyone. If a member had some emergency that I thought warranted the bending of this rule, I reached in my pocket and lent them money, myself. Any other member had the same prerogative. I might have provided a similar service to the woman who complained if her demands in general hadn't gotten to be such a drain on the energies of other workers. By the time the discussion ended, the woman still seemed to want to get me overruled, but she was cordial.

This incident provides an example of how one may try to help people feel positive even when they aren't very cooperative. I made it clear that I had listened carefully, and I deferred defense of my own character until I was less frustrated.

The woman's husband hugged me as I was leaving. The tradition of men hugging men had developed since I became an adult. I was happy enough to be hugged by him, but in keeping with traditions of my childhood, I took that occasion to assure him that I was straight.

People have a right to disagree with me. Since one of the members disapproved of my management, I began to prepare people to form a board that could resolve conflicts if necessary.

Rent negotiations

Don't ask for people to help you without considering their cost. If you are cooperative, their cost will become your cost. For example, if you ask a cooperative landlord to make repairs to bring the co-op building up to code, think of how much those repairs would cost the landlord to make, and how much they would cost you and your members to make.

If you and your members can do the repairs more efficiently, you might consider suggesting to the owner that you do them. If the owner does them, she is likely to consider them an expense that she needs to recover quickly by raising the rent. After the expense has been recovered, the rent is likely to stay high. If you and other members of your co-op do the repairs, and if your landlord is cooperative, she may be inclined to leave the rent low in gratitude for your help with the building.

On the other hand, some landlords are not cooperative. They may set the rent at the going rate in the area, and then try to avoid as much expense as possible. In dealing with such a landlord, it might be

wiser to ask him to do all necessary repairs, because he is going to charge as much rent as possible, anyway. If you think he is honest, even though he is uncooperative, you might try making an agreement with him to keep rent low for a certain period of time in exchange for making repairs yourself. But agreements are not easy for renters to enforce.

If a landlord demands as much rent as he thinks he can get, and he sees that you have improved his building, he may raise the rent because he sees that his property has become more valuable. If he sees your business improve, he may hope to extract a percentage of the profits. It would be preferable not to rent from a landlord who has a reputation for such practices. If you feel you need to rent from such a person, you can be watching for another place to rent or to buy.

Dealing with various landlords requires delicate judgment. Your advantage is that you may focus your attention on cooperative choices that benefit both parties. But if that strategy doesn't work, standard practices work pretty well. Most landlords and tenants maintain a relatively stable relationship, even though they may not feel much cooperative spirit.

Renters and owners typically sign leases that spell out agreements they have made. The owner usually sets the original terms, but changes may be negotiated. The owner may have enough resources to enforce the terms of the lease, but a small co-op would probably be unable to hire a lawyer. Usually, when people fight in court, nobody comes out ahead except for the lawyers. Taking legal action is a losing strategy, and it is easier for people who are aware of that fact to make beneficial arrangements with each other. I expect a steadfast commitment to cooperation will avoid legal expenses.

Since legal agreements are virtually unenforceable, I try to make informal rent arrangements. Sometimes I write down understandings, in case the parties forget what they expect of each other, but I haven't tried to make legally binding agreements. In case of prolonged disagreement, I end the arrangement with as little expense and discomfort as possible.

Costs of renting are high, in the absence of cooperation, even if the landlord doesn't make much profit. Eventually, if the co-op is successful and can be expected to continue for a long time, it may be worthwhile to buy a building. But costs of ownership are easy to underestimate.

Discounts

Cooperation is efficient and profitable when dealing with suppliers, as with anyone else. You can often help a supplier to function easily, and she may be more helpful to you as a result. The most considerate thing you can do may be to pay immediately, so that the seller will not have to worry about the possibility that you might forget to send payment, or go bankrupt or die before it is sent.

It is common for suppliers to offer a two percent discount for bills that are paid immediately. Two percent is a lot. If you buy one thousand dollars worth of food every two weeks, and consistently get the discount, then you will save $520 dollars per year. If you borrow one thousand dollars for a year for that purpose, interest may be less than $100, depending on interest rates.

After I had managed our storefront for three years, our volume, and our savings from paying cash,

were about ten times that large. In addition, the services of an accountant were avoided by paying immediately and not having to keep track of payments and debts. We probably saved $10,000 per year in discounts, and more than $10,000 per year in accounting fees.

In current dollars, the savings from those careful purchases might be more than $100,000 per year. A manager of a profit oriented business would probably be eager to take advantage of such an opportunity to save money if she were aware of it, but some co-op managers don't pay much attention to profit and loss. People who manage co-ops sometimes waste money as fast as greedy people steal it.

If you are a new customer, the person you are buying from will probably prefer for you to pay immediately, because new customers are riskier to deal with. Small producers are often more desperate for financing than large producers and wholesalers, so they may give more than a 2% discount for paying immediately.

Price negotiations

Prices from various people and institutions vary much more than 2%. Such small savings may begin to seem unimportant when large volumes are purchased. Considerably greater savings than cash discounts can be realized by a manager who is intent on comparing prices and on understanding the needs and desires of suppliers so that cooperative arrangements can be made. For example, you might offer to buy in large quantities or even pay in advance in order to arrange for a discount. But if your supplier goes bankrupt after you pay in advance and before you receive the food you buy, you may lose the money.

For-profit managers, particularly in small businesses, customarily roust each other around, saying, "We buy a lot of stuff from you, and our competitors don't buy nearly as much. You aught to be giving us a break." In defense, suppliers reply in a similar manner. "You're getting the best deal we can give you. We sell twice as much to the company down the road as we sell to you, and they pay the same price as you." Then they may curse a little bit. In such a social climate, cooperative proposals may seem naive.

If you don't engage in price negotiation for your co-op, then you will pay unusually high prices to some small suppliers. You not only need to be easy to deal with, but you also need to arrange to benefit from the fact that you are a good customer.

I try to find out whether a supplier typically adjusts prices for different customers. If discounts are ever given, I try to find out how to get one. After I develop a reputation for reliability, I ask the owner or manager what the discount policy is. Results vary. Usually, the price will be described as fixed, or the answer will be vague.

Price reductions in exchange for higher volumes are usually easier to arrange with producers than with wholesalers, because producers are more likely to benefit immediately from increased volume. In order to cut out middle persons, it is often worthwhile to deal with producers.

When price negotiation seems possible, I want to know before I start the process what price I would

be happy with, in exchange for certain benefits I might offer. For example, I once thought I could double my purchases of a certain product by putting extra effort into promoting it, if I could arrange a price decrease of 10%. I had good judgment about what the producer's expenses were, and what would be in his interest. Much of his expense was fixed. That is, he had to pay it whether he made more of the product or not. He had the capacity to make much more of the product at little additional expense. So it was clearly in his interest to sell twice as much to me if he could sell it at 90% of the price I had been paying.

On the other hand, I had an educated guess that he had sold five times as much to another buyer at only a 15% discount, so he might feel mistreated if he gave me 10% off. Since I am cooperative, I would like him to prosper more in dealing with me than in dealing with the most competitive bargainer among his customers. His cooperative attitude motivated him to permit me to pick up his product at unusual times, saving me time and motel bills, and that flexibility was worth five percent of the price of the product to me. So, all things considered, I would have been delighted to have a price discount of 10% on the condition that I double purchases.

Once I am well prepared to undertake such a negotiation, I ask the owner or manager, "What would I need to do to make it worth your while to give me a better price?" This wording of the question leaves the person I am dealing with feeling in control of his own prices. He is not motivated to defend against a feared criticism by saying immediately, "You already have the best price we can give you!" He can at least consider my request without fearing that he will appear to be weak.

At worst, he might say, "I can't give you a better price," and I can say, "That's okay. I'm happy with things the way they are now, and I appreciate the fact that you sell to me. But if you could benefit from higher sales, you might give the question some thought." My request for a better price is made in a clear and cooperative manner, not frightening him into reacting defensively and thus refusing to consider any change in price.

Pricing is a good example of a practice in which agreements don't work as well as congenial relationships. One ordinarily can't contract reliably for certain future prices with producers, because costs of production are hard to predict. So most businesses have fluctuating prices, and they rarely commit themselves to certain prices in advance, particularly on food products. Commitments can't be enforced, and cooperative relationships usually work better than promises.

People expect their price changes to have consequences. If a supplier offers to give me a 10% discount in case I double my purchases, he is legally and ethically entitled to raise his prices by 10% later. But he is discouraged from doing so, because he would expect such a change to make it harder to sell to me. Such an arrangement is an ongoing cooperative relationship, rather than an agreement.

If some seller's prices are fixed, as is common for wholesalers, there is no need to contest that choice. You can then compare prices easily, because you know exactly what to expect. Then you can purchase where it is most efficient to do so. If prices are flexible, uncertainty results. Maybe someone will give you a good price this week, in order to get your business, and then raise prices a few weeks later, once you have arranged your schedule so that buying there is routine. Then it may be difficult for you to change your schedule. No matter what their policies are, you do well to keep watch for any possible improvements in supply arrangements.

Flexibility of a cash surplus

If we are to build a more efficient system, we need to be able to make creative cooperative arrangements. Having cash on hand will be essential. What is the most money you ever pay at one time? You will need to always have that much money on hand, ready for unanticipated opportunities or disasters.

Consumers in this country are encouraged through advertising to spend all the money they can get their hands on. Business managers are often infected with the same tradition. They see that they can buy something for a dollar and sell it for two dollars, a month or two later. It seems wise to invest all the money they can, no matter what the interest rates are.

This policy, like bullying, works most of the time, but when it doesn't work it is disastrous. Trouble we didn't anticipate is bound to come. Over time, there are booms and busts. During boom times, busts are hard to remember. But those of us who were alive during the time of the great depression sometimes have clear memories of difficult economic times.

Business schools usually focus on huge businesses, rather than small businesses. As a result, they may contribute to the problem of reliance on management certainty. Big companies can establish tight controls of supply. They may arrange for deliveries to be made just in time to be used. But for a small co-op, sales can't be predicted as precisely as in big companies. Small organizations need more flexibility.

If you had a million customers, you might be able to predict with 99% accuracy how much you would sell in a month by looking at past sales figures. But if you have only one hundred customers, you can't predict accurately what they will buy in a month. You will need more flexibility.

Whether you are managing a small profit motivated business or a co-op, if you spend all the money you can get your hands on, for yourself or for the organization, you will contribute to the arthritis of the organization you are managing. You need to plan for the unexpected, and keep cash on hand. If you started the co-op yourself, using your own money and credit, you probably have an understanding of this need.

Summary

1) Cooperate with everyone who is willing, including competitors.

2) Don't deal closely with people who try to take advantage of you, even if you can outsmart them.

3) Maintain a cooperative spirit as long as there is hope for cooperation, even if, for short periods, people you deal with don't maintain such a spirit.

4) Don't rely on contracts when relationships will work better.

5) When you make a request of someone, consider their cost as carefully as if the cost were your own.

6) Pay cash. Keep commitments.

7) Negotiate good prices where feasible.

8) Acknowledge the seller's prerogative of setting prices.

9) Keep a surplus of cash on hand.

Section 8: Obstacles

Most of the experiences I have described so far may help make my recommendations understandable. In this section, I will describe some choices I made that were not so good; you can probably improve on them.

One surprising lesson I learned with experience operating businesses is that relationships with government officials are personal. I had thought that government regulations were strictly enforced whenever they were enforced at all, but they often aren't. People who administer government regulations sometimes use a lot of judgment in their work, rather than following instructions automatically.

Building codes

There was a rule in our town that said new retail stores had to have two bathrooms that were wheel chair accessible. The expense of remodeling would have been higher than my entire investment in the co-op.

The building we rented had been used for the purpose of selling food for many years before we moved in, with only one bathroom. It was legal to continue using the building for the same purpose without remodeling. But some time had elapsed between the use of the building by the previous operators and the use by the co-op.

City workers might have claimed that our operation was new, after that elapsed time, and required us to install a second bathroom. I explained to a government official that the co-op was a worthwhile community project and it didn't make enough money to pay the expense of building a new bathroom, and he chose not to complain.

Sales tax

Collection of sales tax can also be surprisingly flexible. When sales are made in cash, tax collectors often accept estimates of amounts of sales. It is common for sales in cash by small farmers to go unreported altogether.

However, there are some tax officials who are employed to find criminals, rather than to collect tax. Such people may be inclined to accuse people who have shown little or no inclination to defraud.

There was once a fire at a vegetable store I was operating. Either the sales tax forms didn't survive the fire or I lost them. The only contact information I had for the tax department was printed on the forms. The local phone book didn't list a number for them, and the internet hadn't been invented. I didn't feel urgent about filing the last month's sales tax forms, because I had paid three months in advance, so the state would owe me money when I notified them that I was no longer in business.

After several months, I asked the manager of a competing store for contact information for the sales tax department in order to report the situation, and he offered to give my number to a tax department worker. The competing manager then turned me in to a fraud investigator who took a little information from me and filed a form describing his investigation of me for tax evasion. His boss quickly dismissed action against me, but a less reasonable administrator might have been more difficult to deal with.

Perhaps the store manager I spoke to was under pressure to report people evading tax in exchange for relaxation of an investigation of himself, or perhaps he was just resentful of me because I was a competitor. The investigator might have filed the report in order to demonstrate that he had done some work, rather than because he thought I should be charged with a crime. Ordinarily, government regulators have been considerate with me, but I don't expect the workers in law enforcement to necessarily be reasonable.

Government Regulation

There is a natural coalition between consumers and producers in favor of regulation. Producers want to limit competition from new rivals. Consumers want quality and fairness, and they often neglect the cost of trying to achieve those goals through regulation. In addition, they may have more faith in regulation than the regulators can possibly earn. For example, for many years, there was a lot of faith in all doctors. It was assumed that any doctor licensed by the government was competent. Opinions about doctors have become more realistic.

People sometimes request government regulation, even on themselves, in order to maintain or improve their position in the economy and protect themselves against newcomers. For example, teachers' unions often support the requirement that public school teachers be certified, limiting competition from uncertified teachers. But colleges seem to function better than grade schools and high schools, and college teachers are not certified. So public school teachers might reasonably take the position that certification should not be required for them.

In the fifties, advisors to homemakers appeared on television telling citizens how to provide good nutrition for their families. Part of their advice included a recommendation to buy brand named foods. That suggestion must have pleased owners of television stations, who benefited from advertising brand names. And it must have pleased large food distribution companies. Distributors of generic products couldn't afford to lobby against government support of their competitors' products, because their profits were too small.

I wonder why that practice ever ended, but I'm glad it did. Ralph Nader once mentioned that use of generic drugs had become more widespread because government agencies had started buying them and publicizing the fact that they did so. Perhaps his group affected government policies concerning promotion of brand name food products.

Drug dealers and legislators have a mutual interest. Legislators want to appear to be tough on crime by enacting drug laws, and drug dealers benefit from laws that limit legal competition. CIA operatives have profited from illegal drug shipments, and they must may some influence among legislators. Unions representing prison guards and owners of private prisons benefit from our unusually high rates of incarceration for drug offenses. But our disastrous drug policies may result as much from negligence as from conspiracies.

The Narc

A young man who had apparently informed police about illegal drug offenders and received a confiscated travel home as a reward for his services, once moved to our town to see whether he could repeat his former success in our neighborhood. Our co-op seemed to be a natural place for drug users to congregate, so he joined the co-op and volunteered to package food for an hour a week, as any member was free to do. But I had asked people not to use illegal drugs on the premises, so he never found any. His demeanor was so incongruously straight-laced that other members, who hadn't been informed about his history, referred to him as "The Narc."

Health Department Regulations

Health department regulations vary a lot in different areas. In Alabama it was illegal for a restaurant to keep a half gallon container of milk in a refrigerator. The explanation of the rule was that a half gallon of milk would be more likely to spoil before it was all used than a quart of milk. Milk companies must have benefited from the rule, since they made more profit from selling two quarts of milk than from selling a half gallon of milk in one container. Apparently they had influence in the legislature.

If a health department requires a certain action from a food store, the manager of that store is likely to claim that she shouldn't have to comply because other stores don't have to. In response, the health department may then require other stores to duplicate the action. So managers sometimes request regulation of each other in order to increase competitors' expenses.

A friend of one of our members had a restaurant a block away from our co-op with a big cooler they didn't want. Moisture that condensed inside the cooler was supposed to flow through a small tube into a drain in the floor. But the opening frequently got blocked. After a few weeks, several inches of condensed moisture would collect in the bottom of the cooler.

Health department inspectors repeatedly directed the manager of the restaurant to keep the water out of the bottom of the cooler. But on several inspections, they found food floating in water several inches deep. Health was actually endangered by this practice, unlike many regulated practices. There was no regulation that said they had to remove the water, but there was a regulation that said coolers must drain automatically. Eventually, the inspector insisted that they replace the cooler on the grounds that the regulation was not being followed. The inspector had tried to get the spirit of the regulation implemented first, and then resorted to enforcing the regulation.

Disposal of the old cooler was expected to be expensive, so I offered to handle it, and I put the cooler in the Co-op. I cleaned it up and kept the water out of the bottom by regularly dipping it out or clearing the tube, even though instead of leading to a drain as required by the regulation, it only led to a container. Health department inspectors saw that I had put grates on the bottom of the cooler that kept all the food above any water that collected until I emptied it. They made no complaint about our using the cooler that they had said was illegal for someone else to use. Fortunately, the manager of the restaurant who had owned it didn't complain to the health department. It would not have been in his interest to do so, since if he had it might have damaged his reputation with our members. He was grateful that I moved the cooler out of his way at no charge.

My frugality saved the co-op members and the people we dealt with a lot of time and effort. Relationships with other government officials also usually turned out well for us, but in the next section, I will reveal difficulties I have encountered. Perhaps some of these stories will be entertaining or instructive.

Traffic police

My unusual slipshod methods can be risky. I felt relatively free to take risks, because I didn't have much to lose. But sometimes my risks made people I dealt with uncomfortable. Perhaps the following hopefully amusing account of such an incident will help you balance the need for

orthodox methods with the need for creativity, tipping the scales a little toward the side of orthodoxy.

When orders for food began to outgrow my pickup truck, I bought an ugly old flat bed truck that was advertised as strong enough to haul 1500 pounds. After replacing the springs, I could haul 6000 pounds. The six cylinder engine was so weak that it took me a couple of miles to get up to full speed, when it was fully loaded. If I had hired someone else to drive the truck for me in the standard way, the engine would have burned out quickly, but I was very careful with it. Mechanics who repaired the truck expressed surprise that their repairs lasted as long as they did, since they knew how overloaded it usually was.

The truck had no mirror on the right hand side, and the window in back of the cab was closed off so I couldn't see through it. My only vision of traffic to the rear was from the mirror on the left. It may be surprising to hear that I tolerated those unsafe conditions for several years. Parking was particularly difficult because of the limited visibility. Whenever I drove in towns, I was always on the lookout for places I might stop, in case I needed to.

On one of my early trips back from the co-operative warehouse five hundred miles to the north, a policeman passed directly in front of me, and stared up from his patrol car into my window as though he were somehow teasing me. I had made some homemade improvements to my truck that were even uglier than the original parts, and my first thought was that he was indicating with his expression that he could hardly believe my old truck had not yet been sent to a junk yard.

In good humor, I returned his look and smiled. As soon as he saw me look at him, he turned to the policeman to his right with great agitation, missing the smile. He seemed so distressed that I thought he might have mistaken me for someone he was looking for.

I drove slowly, looking frequently in the mirror, and before long, flashing lights began illuminating buildings at either side of the street. Eventually I turned a little to the left and was able to see the lights in the mirror. I'm from a small town, and I had so little experience being stopped by police that I didn't know that it is customary to block traffic in order to stop immediately. I slowed down, signaled a turn, and stopped as soon as I found a place where I could pull to the right without needing a mirror on that side.

A second policeman had taken the position behind the wheel of the police car. He got out of the car with his gun drawn but not pointed at me. He told me to "assume the position." I guessed he meant some position that would permit him to easily search me or handcuff me, but I wasn't sure.

He seemed to be a pleasant, clean cut young man, and he didn't seem very enthusiastic about his order. I was alarmed, anyway. I spoke quickly, saying, "I'm not armed. You can see my hands, and they are empty. I won't move them until you are ready. I don't want to threaten you." Then I interrupted myself to say, "Oh, man,that sounds like a threat, but I don't mean to threaten you. I mean, I'm not threatening you."

He said, "Just assume the position."

"I expect I will do that if you will be specific about what position you are referring to, and if you can give me some good reason to get in that position. I want to obey the law. And you are welcome to shoot me, if it comes to that, with no hard feelings, although my son might not like it, and my brother might not be too pleased; he lives in this town. But you're in control. You are the one with the gun, and you're welcome to shoot me if you want. I'll write you a little permission slip, if you like, and sign it, in case there's some sort of hearing. But I'm not sure that is a lawful order you gave, to assume the position. Can you tell me why you want me to do that? Do you think you know who I am?"

"Who are you?"

"Nobody in particular. I'm not a criminal. Nobody's looking for me, so far as I know."

"My partner says you might have been trying to run from us. He's the one told me to tell you to assume the position."

"And if our situations were reversed, and I were wearing the uniform, and holding the gun, and you were standing here where I am, and if I told you what position I was referring to, do you think you would follow that order?"

He seemed comfortable with the question. He said, "I think I would."

"Well, I think that's probably good judgment – really good." The partner still looked angry, sitting in the car. He almost looked

physically restrained. I said, “May I ask, who’s in charge here?”

“What do you mean?”

“I mean, am I dealing with you or with your partner? That is, do you have to do whatever he says, or do you do what you think is best?”

He said, “I’m in charge.”

“I’m glad to hear it. So do you think I might have been trying to run from you?”

“You might.”

“Well, I don’t think I was. I certainly didn’t go very fast, and I didn’t get very far. If you were in my position, can you imagine getting in that old truck, loaded down like it is, and trying to run from a person in a police car?”

“No, I can’t.”

“I think that’s very good judgment. My judgment is even that good, and I don’t have very good judgment. If I did, I’d be assuming whatever position you meant for me to assume by now. But my life is such a struggle, I’m not sure I could withstand the discouragement of assuming the prescribed position, at your command. I mean no disrespect, and I don’t intend to resist you in any way, but unless you can give me a good reason, something better than shooting me in the heart, which I wouldn’t be very opposed to, I think I will respectfully decline to move.”

“My partner has been training me. He thinks you’re a bad one.”

“And why does he think that?”

“He says you looked at him funny.”

“I meant no offense. It seemed that he looked at me funny, but I didn’t take any offense at that.”

“He said your safety sticker looked like it might be out of date.”

The safety sticker was placed on the windshield where it was supposed to be, just below my face, in what had been my line of vision from the truck cab down into the police car. I said, “If it is, I didn’t know it, and it couldn’t be much out of date, if any.”

He repeated, “My partner said you looked at him funny.”

I stopped and thought. It would have been difficult to explain my motivation for returning his look, and it felt as though doing so might weaken my position. I said, “Your partner seems to have reacted strongly to that look. May I ask if he has reacted strongly to such things in the past.”

“Why do you ask?”

“Because it might give some indication as to what we should do in this case.”

“Yes, he’s reacted strongly in the past.”

“Is that one reason he’s sitting in the car, and you’re out here handling business?”

“I can’t answer that.”

I took that answer to be affirmative. I said, “I don’t want to make your job any harder than it is, and you probably don’t want to make my life any worse than it already is, and I don’t intend to resist you in any way, but I don’t think I should help you do anything to me.”

“You won’t help me do what?”

“I don’t know – arrest me or search me or shoot me or whatever you decide to do.”

“And what will you do if I search you?”

“Probably just fall down in a pile, and let you do whatever you want. I feel responsible for the truck, but it’s parked in a good place, now. I won’t resist you, and I won’t help you, except I’d be happy to empty my pockets and turn them inside out if you like, and give you my shirt. I’m not carrying any weapon or anything illegal, so far as I know. These are pretty tight pants, and there are no bulges in them. Do you have any reason to believe I’m doing anything illegal?”

“Your safety sticker is out of date.”

“You must be right about that; I haven’t looked at it. Is that a reason to search me?”

“My partner said you looked at him funny. He thinks I should do something about that. What do you think I should do?”

“I didn’t intend to offend your partner by looking at him. Anyway, I don’t think it is against the law to look funny, and I don’t think you should do anything about it. I think your partner might benefit from getting some help.”

“What kind of help?”

“Probably some counseling. Has anyone in your department suggested that?”

“They might have.”

The partner was looking more upset. I said, “I’m not surprised. You might give him one more friendly recommendation from me to get some counseling. There’s no need for him to feel bad every time someone looks funny at him.”

Our discussion continued in a friendly vein. The policeman gave me a fifty dollar ticket for having a safety sticker twelve days out of date, an amount approximately equal to my profit for the entire trip. I told him I didn’t think I had broken any other laws in his town except perhaps some food stamp regulation, and probably not even that. He found out who my brother was, and where the co-op was that I was delivering to, and he let me go.

I warned the co-op manager that the police might be coming to ask questions about me. He may have regretted ever dealing with me at all, but he wanted to get along with my brother, who was a member of his co-op, so he was tolerant of me, even though my methods made him uneasy.

Food Stamp investigator

On my next trip through the town where my brother lived, the manager of the co-op told me he wouldn’t take any more food stamps from me. He said there had been some unspecified trouble; I guessed it had been with his accountant, although it seemed possible that one of those two policemen might have reported to some government regulator that I had mentioned food stamps.

A few months later, the subject of food stamps came up again with the manager of the food co-op, and we agreed to meet at his house to arrange a transaction. He lived in a co-op household, so it was not unnatural for others to be there, but as the discussion progressed, it appeared that the other people there might be involved in a sting operation.

I asked the manager if he would arrange again to get money for food stamps, and he said it was only legal to accept food stamps for food. I suggested that he sell me food for food stamps. The people with him didn’t want him to do that. I said either way was fine with me. They asked if I was trying to sell food stamps. I answered that I wanted to use the food stamps in the way they were intended to be used. Our members and other customers of my vegetable operation had submitted them for food, and I wanted to do the same. I thought I was doing it in a legal way, but if they preferred to think of it differently, that was their choice. If they thought what I was proposing was illegal, then I suggested that they might advise me about what to do.

The main speaker was frustrated with this answer. He seemed to feel I was slippery. We were never introduced, and I don’t know who he was, but I left with my food stamps and made no further arrangements with the manager. Soon afterward, he took a better job in another profession. He had been talking about leaving the co-op job for some time, but I have always been concerned that his tolerance of my freewheeling style contributed to the considerable stress of functioning in a bureaucratic organization. Perhaps

my disdain for paperwork and accountants was more dangerous than I had thought.

The co-op's local bank readily agreed to help me redeem food stamps and showed me how to fill out the paper work. It always took a couple of weeks for the money from food stamps to get deposited in our account, but the standard procedure turned out to be much more convenient than my previous informal arrangements had been.

I was overworked in those days. I had such enthusiasm for my independent and cooperative endeavors that I sometimes didn't get around to doing things as obviously worthwhile as arranging to redeem food stamps. But I paid my bills on time.

Section 9: Relations with government agencies

Since a major objective of the co-op is to keep costs of food down by operating efficiently and cooperatively, it is unwise to fight city hall, at least in court. Legal battles with city hall will be prohibitively expensive. It might be nice to let people in city hall know that a lot of voters hope to benefit from the co-op. But if we can't cooperate with city hall, we may as well admit defeat and buy food privately instead of operating a co-op.

Zoning and building codes

The most rigid part of city government is likely to be the office responsible for zoning enforcement. There are powerful forces influencing zoning decisions, so people administering those regulations are the least amenable to suggestions. Find out whether zoning is going to be a problem before taking action, and don't fight it.

The next most rigid part of city government that would affect a co-op is likely to be building code enforcement. Most locations that are appropriate for efficient, inexpensive co-ops are likely to be in violation of some building codes. Such violations are often ignored by government workers until someone calls attention to them. Many current codes are not enforced or not even legally enforceable on older buildings unless they are remodeled. But if you start remodeling, code enforcement workers may get involved and make the project prohibitively expensive.

The definition of remodeling is apparently vague. One can fix a pipe without remodeling. One can repair a sink. Perhaps one can replace a sink. If you ask members to do repairs for the co-op a little at a time, it is reasonable to expect that no one will file paperwork with the city indicating they are remodeling for you. If such minor activities ever come to an inspector's attention they aren't likely to cause distress.

Property taxes sometimes go up when you remodel, as well. But if you do small repairs, a little at a time, taxes are likely to stay where they were. Even if someone else is paying the taxes, it is in your interest for them to be low.

I once visited Buckminister Fuller, who was living in a dome prefabricated roughly to his specifications. He said that building codes required that there be a two-by-four every two feet in supporting walls. But there were no supporting walls in his dome; there was only a roof. Building inspectors disapproved of that explanation. Eventually, he built a cubical room inside the dome,

with two-by-fours every two feet. Then he claimed he had run out of money and had to postpone further construction. But if inspectors had the energy to pursue the matter, he could always put braces from his room to the roof, making the walls appear to be supporting walls, although the roof actually supported itself without such braces.

Fuller said the building was bound to leak, because the fabricators didn't consider which direction the water would flow when they attached shingles. But he got those leaky components free as part of the deal to use his name in sales. Years later, the dome was rotting as he predicted it would, and local citizens spent much more money refurbishing it, for historical purposes, than it had originally cost to build.

Health Department relationships

Pay attention to health department workers, and find out what they really want you to do. Some of them feel a need to note some violation on each visit, in order to convince their supervisors that they are performing their duties. Some of them feel a sense of accomplishment if they get people to do a little bit of improvement after each visit.

There is a health department regulation that requires workers to wear hair restraints when packaging food. But consumers who package aren't regulated. As mentioned above, I think it is more economical and more sanitary to ask co-op members to package food for their fellow members, with or without a hairnet, washing their hands and keeping equipment clean. Since co-op members are customers and not employees, it isn't clear whether the packaging regulations apply to them.

Fear of health department inspectors is not sufficient motivation for handling food in a sanitary way, because they can only monitor superficial indications of cleanliness. A more important objective is to get workers to be clean when inspectors aren't there. Wet food is more easily contaminated than dry food, so special care needs to be taken with cheese and honey, although honey does contain some natural antibiotic.

Bees are not constrained by customs or regulations. Who knows where they have been? Vegetables grow in dirt that has been fertilized with manure. Such conditions would be regarded as unsanitary in a warehouse, but not in nature, and they are quite healthy.

Eggs and Milk

In some locations consumers are free to go to farmers to buy uninspected eggs and unpasteurized milk directly even though sale of uninspected eggs and unpasteurized milk in stores is prohibited. Those regulations are rarely in the interest of the consumer. They have been adopted at the insistence of business owners who want to protect themselves from competition. Inspection of eggs may save the embarrassment of having a consumer find one that is rotten, but if an egg is rotten, it smells terrible. There is little chance that a consumer would eat it. Eggs that have been fertilized by a rooster may have a little white string in it that might appear to be some sort of contamination, and such eggs are rejected by inspectors, but it is not unhealthy to eat them.

Eggs purchased through normal wholesale channels are commonly several months old, and may not be as healthy as uninspected, fresh eggs. You can tell roughly how old eggs are because fresher egg yolks are a brighter yellow and not as flat when you put them in a pan. Also, boiled fresh eggs are harder to peel than older boiled eggs.

Refrigeration damages eggs. Once an egg is refrigerated, it needs to continue to be refrigerated, because it has been weakened. If I intend to eat an egg before it is a month old, I would prefer that it never be refrigerated. Then it will continue to look and taste fresh. But egg wholesalers typically hold eggs for much more than a month before they are sold, so they tolerate the initial deterioration caused by refrigeration in order to slow the process over a long period. Then they may support laws that prevent competitors from doing otherwise.

Laws requiring pasteurization of milk were widely instituted in the nineteen-forties to control undulant fever. However, after the laws were in place, a reporter whose articles had led to the widespread fear of undulant fever admitted that he had fabricated his famous report of an outbreak of the disease. In most localities in the United States, undulant fever hadn't been seen in decades, if ever. Milk processing companies appear to have paid for fake stories in order to justify adoption of regulations that limited competition. Raw milk from a dairy where the milking operation is sanitary and where you are confident of the health of the cows apparently has a nutritional advantage over pasteurized milk.

It is not clear whether co-op members can legally take turns going to farmers to buy milk and eggs for themselves and their fellow members. If you want fresh eggs, you might discuss that question with your health department inspector, after you have developed a good working relationship. Or you might just try it and see what happens. A health department worker might tell you to stop that practice, but you aren't likely to have to pay a fine.

Sales Tax

Ordinarily, payment of sales tax is straightforward and easily accomplished. It is important to file on time even if you need to borrow money to do so, because fines for late payment are higher than interest expenses would be for borrowing the same amount of money.

A quick suggestion on computation of sales tax might be helpful. At the end of the month, if you compute your total gross sales, some of that total will be income from the sale of goods and the rest will be collected tax. If the tax rate is 5% on all goods sold, for example, you can compute the part of your gross sales that was paid for goods by dividing your gross sales by 1.05; your tax collected will be the rest of your gross sales, as a little algebra will demonstrate. If you don't like the algebra, you can experiment with the method described here until you are convinced that it works.

In our state, there was a different tax rate for non-food items. Rather than keep track of the tax on those items separately, we tried to stock only food items for awhile. Eventually, we stocked soap, and I noted the number of containers of soap on the shelf every month so that I could figure out how many had been sold and how much tax to pay on non-food items.

Eventually, some sales tax worker may tell you that you need to buy a cash register, but I doubt that there is any law that says you have to. As mentioned above, if you package in even dollar amounts, it is easier and faster to calculate totals in your head by just counting. As soon as a member wrote the amount of a purchase on a check, I could go on to the next customer while the rest of the check was being filled in, without waiting for a cash register to ring up the purchase. Our fast checkout procedure saved us the expense of hiring a second clerk, after the co-op got busy.

Sales tax workers seem to be too busy to focus much attention on such unimportant details. They may never see how you do things.

Income Tax

If the co-op makes a profit, income tax will have to be paid by someone. If the co-op is not incorporated, it might be possible to put the assets in the name of someone who isn't in a high tax bracket, and make sure the co-op has enough money to pay their additional personal taxes. If you read the instructions for filing tax, and keep the operation simple, you can probably fill out the tax forms yourself. An accountant might be able to arrange to pay slightly lower taxes than one who isn't an expert, but an accountant might charge more for that service than would be saved.

Try to keep the operation so simple that you don't need an accountant. Accountants and lawyers are like middle men, draining resources out of the operation. But if you grow so big that thievery is a big risk, you may need them. If you start paying accountants, then some new smaller operation may be able to operate more efficiently. They may cut out the middle man, whom you have become.

If the tax forms are not in your name, it may be illegal for you to fill them out. But I presume you could illustrate the process by filling out duplicate forms and let someone watch you do so, without breaking a law or becoming liable for any errors.

Quarterly estimated taxes are supposed to be paid in advance, although that rule was sometimes open to negotiation with the IRS. If you can demonstrate that you had good reason to expect lower profits than you actually had, fees for underestimates of quarterly taxes may sometimes be waived.

In case Workers are paid in money instead of discounts, workers' taxes, such as withholding of social security, are paid by the same process as income tax is paid. The legality of avoiding tax by giving discounts seems to be unclear. If some government agent objects, she probably will be happy enough if you just start doing things her way. I doubt that anyone would try to collect back taxes on discounts given in exchange for work, particularly if no records of such discounts have been kept.

As I purchased food and supplies for the co-op, I entered each expenditure on a sheet of paper I was preparing for income tax. I used a second sheet for rent and utilities. When tax was due, I made copies of those lists. At the end of the year preparation of my tax form, including co-op profit or loss, was so simple that I could complete it in less than an hour.

Several years ago, someone in California instituted a computerized trading system in which people contributed labor to any member of a group in exchange for computer credits that could be traded for someone else's labor. In essence, they avoided the use of money among members of that group, and thus avoided tax. Courts ruled that the value of labor thus traded was taxable, so the operators discontinued their business.

But unofficial trades are still commonly untaxed. If I scratch your back on the condition that you scratch mine, that action ordinarily is not taxed. If I scratch your back as a gift, and continue to do so occasionally in gratitude for similar gifts from you, I don't think that action would be taxable,

even if taken to court. Most of my actions in support of our co-op were gifts, so I don't think they were taxable.

The fact that members are the ones getting discounts instead of money in our case may cast doubt on whether that benefit is taxable as income. If I went to the store, and you asked me to pick up some eggs for you while I was there, I doubt that my service to you would be taxable. You might do the same for me sometime, and we would both have lower food costs as a result, because we wouldn't have to drive to the store so often. Co-op actions may be equivalent to such an arrangement. We pick up food at the wholesaler for each other, and some people pay a markup in order to defray rent and other expenses. At least the legality of the process is not so clear that I would expect someone to threaten to prosecute me for using my judgment about whether benefits are not taxable.

Summary

1) Be aware of zoning rules in the planning stage, and don't fight city hall.

2) Hope not to be noticed by building code inspectors. Make small repairs rather than remodeling.

3) Try to develop honest cooperative relationships with health department workers. If you are careful of people's health, punitive regulation may be avoided.

4) File sales and income taxes on time, to save money and trouble. Consider completing the forms yourself.

5) Do things informally, without binding agreements, and solicit volunteers, in order to avoid income taxes.

6) Don't pay bribes.

Section 10: Miscellaneous procedures and experiences

Independent spirit

In this generation, cooperative action is more natural than it was in my father's generation, but independent action is less natural than it was back then. This book is written with modern cooperative people in mind. If I were writing it for people of my father's generation, I would spend more time encouraging cooperative action. But in this generation, I spend more time encouraging independent action and describing how it may be accomplished. Independent action is in short supply among cooperative people, and badly needed.

Our elders had a feeling of independent assertion and personal responsibility that resulted from their struggles to survive and prosper, individually and in stable, hierarchical families, and in competition with their neighbors. Perhaps we can recapture such assertive, individual skills in our co-op without losing our humanity.

Ralph Nader described such an independent frame of mind when he told about his father asking him as a child, "What did you learn in school today? Did you learn to believe or to think?" People who think independently, as Nader's father recommended, will find it easier to make creative business decisions that are badly needed in the operation of co-ops. As you think through the process of starting a co-op by yourself, perhaps you can think of how you and your friends might operate assertively together.

Anyone who has read this far may have a feeling for the general spirit with which I hope a co-op may be efficiently organized. In case you might wonder how we handled certain other specific decisions that are likely to come up, I will end with a description of relatively technical choices that worked well for us. I will also include a few stories that illustrate how we simultaneously protected the co-op and people's feelings.

Institutional overhead

My friends and I who keep a close watch on institutional overhead, enjoy repeating the adage, "Two percent is a lot," as I mentioned earlier. This adage may be applied to co-ops.

Wouldn't it be convenient for a co-op to accept credit cards? Companies that process credit card transactions charge buyers and sellers only a little more than two percent of the cost of purchases, unless people are delinquent in paying their bills.

Wouldn't it be convenient to assign the job of paying bills to an extra worker? That wouldn't cost much more than two percent of sales.

Wouldn't it be nice to have pretty co-op labels printed for co-op products? It could be done for less than two percent of sales.

Shouldn't we move to a nicer building? Shouldn't we get some security company or worker to watch the building for us? Shouldn't we pay for advertising and nicer shelves, and refrigeration that is so reliable that it doesn't require constant monitoring?

All this institutional management would require a lot of some manager's attention. Shouldn't managers give themselves raises?

Each of those innovations can be accomplished by adding about two percent to the cost of food. If we institute them, we will indeed become middle men, and thoughtful members may do better to cut us out, and buy their food directly from suppliers, just as we cut out the standard for-profit stores. In fact, the shiny co-op we may hope to become has more in common with profit motivated stores than with frugal co-ops. It will be operated more for the comfort of the operators than for the benefit of the members.

Standard economic theory relies on competition to limit the capacity of managers to take advantage of customers. If they charge too much, someone will start a competing business, in order to make a substantial profit, even if it is a little less profit than the established businesses make. Cooperative people may well consider starting a competing co-op, in order to arrange for a substantial savings for their members, if we don't keep prices low. However, it's not easy to do so. It would be easier and more worthwhile for us to keep prices low in the first place than to have to start a new co-op that doesn't have arthritis.

Membership fees

When we opened the storefront, we started collecting the very low yearly membership fee of one dollar. We didn't charge more, because new members didn't have any reason to believe we would survive for a whole year, once we started paying rent.

A supermarket chain manager once told me that whenever his company opened a new store, they intended to operate it at a loss for the first year after it was opened. Managers of new stores had extremely low prices the first year in order to encourage people to find out where they were and to

develop the habit of shopping there. If they hadn't used that strategy, they would have lost money the first year anyway since people weren't used to shopping there. But they would have continued to lose money for a longer period if they hadn't focused on getting sales volume established.

Our original low membership fee resulted partly from my judgment that we would have to tolerate losses for the first year in the storefront, as well. As it turned out, with the help of members, there was a small profit the first year.

When people paid our membership fee, they understood that we were requesting something more from them than ordinary stores requested. They were then in a frame of mind to consider helping. Some of them thought about improvements that might be made or considered ways they might participate. And charging a small membership fee the first year established a precedent, so that people would not feel mistreated when a larger membership fee was requested in the future.

After we survived for a year, people had reason to believe that membership was of value. We increased the fee to two dollars, and announced that it would go up again the following year. After the year was half over, we charged one dollar for membership for the rest of the year. It is easier to collect the fee from everyone at once, so we didn't have memberships of different members expiring at different times. All memberships expired on December 31.

During the month of January, we asked everyone as they checked out whether they had paid their new membership fee. If they had not, we didn't insist that they pay for that month right then if it was inconvenient to do so. But we got to know which people still needed to pay. When people paid the fee, we wrote their names, and usually their addresses and phone numbers, on cards kept at the checkout counter. We didn't burden them with membership cards to carry. The cards we kept were rarely used, since people ordinarily could be trusted to report accurately whether they had paid the fee. Occasionally they forgot, and asked us to look it up.

People rarely if ever avoided paying the fee by claiming they had paid when they hadn't. If they did, they might have been poor enough that a small subsidy of their food purchases by the co-op would be worthwhile. If they evaded the charge just out of greed, they may then have been discouraged from participating in co-op decision making, out of fear of being noticed. The co-op might benefit financially from such a person's business, and also benefit from their absence in discussions about policies. But I doubt that there were such people who shopped with us.

Certainly, it was cheaper to be at risk for such minor cheating than to go to the expense of printing cards for members to carry, and to take time looking at cards. A limited amount of trust of purchasers is both socially and financially advantageous. If we had ever discovered someone had cheated us, we would still have had reason to be confident that our policy was practical, rather than feeling discouraged.

We assured people that we wouldn't sell their information to advertisers, and they weren't required to list information other than their names if they didn't want to. We didn't check I. D. cards such as driver licenses to verify names. I would even have permitted an alias to be used, if someone wanted to do so. Occasionally someone left something behind or forgot an appointment at the co-op, and we called the number on their card. If a member asked for the phone number of another member, we

could call and ask what to do. These considerate policies concerning the membership cards and fees helped make the co-op seem to be a cooperative place.

The third year, we raised the fee to three dollars, where it remained for as long as I was there. After one-third of the year was gone, we charged two dollars for the remainder of the year, and starting in September, we charged one dollar for new members. An announcement of the yearly membership fee of three dollars was clearly displayed, so that people who joined the co-op in the middle of the year wouldn't feel the following January that we were raising the yearly fee.

A single membership fee could be used to buy food for a single household. It would be petty to insist that each member be on her honor not to permit other people in her household to eat any food she bought with her membership unless they also had bought a membership . Admittedly, this procedure placed a slightly larger burden on members who lived alone. On the other hand, people who bought for a larger household tended to buy larger quantities in a single order. The co-op benefited from that practice, and did well to encourage it.

Organization of workers

We also trusted members to keep track of their own work time. When they worked an hour, they were entitled to a 20% discount for one week on as much as $25 worth of food, for a saving of $5. The minimum wage in those days was less than $5. Most members didn't work, since our operation was so efficiently organized that not much work was needed. We planned their work as carefully as if we were paying for it. Those who did work may have been even more conscientious than other members, and generally worthy of trust to keep track of their time. Ordinarily, they spent less than twenty-five dollars per week, so the co-op benefited from the inexactness of the application of the discount.

There was a sign-up sheet at the packaging stations where members could reserve time if they wanted to. In the early days, when those stations were open most of the time, people usually didn't schedule packaging, but just dropped in. They could change their minds about packaging if something came up without feeling they had inconvenienced anyone. But some people felt better when we provided them the option of scheduling themselves formally.

When workers asked whether they could bring their children while they packaged, I said our policy was not to automatically admit children who weren't old enough to package. But I said I had the prerogative of granting special permission to bring children occasionally. It could be done once, and perhaps again if the children were happy there. If the parent reprimanded the child for some reason, I would wait awhile, engage the child in conversation, and ask the child whether she liked to come there. If she did, I would tell the parent it had worked pretty well, and she could try it again if she liked. Otherwise, I would say that her turn for bringing children had expired. Rarely, but occasionally, children would cause damage that their parents didn't protect against. If that seemed likely to be repeated, I asked the parents not to bring the children again. These policies were easier for a conscientious, congenial manager to administer without specific rules.

We had a box of donated toys. Occasionally, when toys became plentiful, I might give one to some child who seemed particularly interested in it, after asking permission from the parent.

A policy of no credit

As mentioned above, a clerk might lend a member money, but the co-op didn't do so. The co-op was no more able to withstand the risk than the clerk. In the early days, financially speaking, the co-op was mine. I did enough service for the community by stocking food with my own money, at no interest. It would be rude to ask me to also lend people money for food I couldn't keep an eye on, and to keep track of the money owed. When the interest of the co-op is described in such personal terms, extravagant requests such as credit purchases can be seen realistically.

My reason for making clerks personally responsible for any loans to members was to indicate decisively that our resources were to be conserved as carefully as if they were personal assets. If the clerk wanted to lend money to a member but didn't have enough, then I might lend the clerk money from the co-op money box, since technically that money was mine. The clerk could leave a note saying she was responsible for the loan and saying which member owed the money to the clerk. So clerks felt responsible for keeping track of such loans, and any member who borrowed money would naturally feel that it was borrowed from a person, rather than from a faceless institution. I recommended that a member write down a date by which time the debt would be paid on the note. Sometimes both people signed it.

Checking account management

Banking procedures are now more automatic and sometimes more expensive than when this book was first written. In those days, if a check was submitted for payment and funds were not available, then the owner of the account was charged a fee, but if one took the check to the bank and asked whether funds were available, the question was answered without charging the owner of the account. I followed that procedure when I had reason to suspect that funds were not available, as was the case if a check had been returned once because of insufficient funds. If it were returned twice because of insufficient funds, then it would no longer be accepted for payment, even if funds became available.

Integration of our neighborhood

During my childhood, some parts of our town had been racially segregated by law. Railroad tracks formed an approximate dividing line between the races. But within a block of the tracks on the African American side of town there were a few white owned and operated establishments. People of different races competed for control of property in that area, whether they owned it or not.

By the time the co-op moved into that area, nearly all areas in town had been racially integrated. But one block from our building there were establishments that had not been occupied by white people in recent memory. The white owner of our building said she had once been able to rent one of the buildings on that block to a biracial couple for a short period, but most of the time, white people wouldn't rent there.

Some African American leaders regarded integration of the neighborhood as encroachment by white people. They said banks and owners refused to permit them to occupy commercial property except in buildings they couldn't rent to white people. If African Americans couldn't occupy those buildings, they had little hope of using any commercial property at all.

When the African American manager of a small grocery store died after decades of operation in that

neighborhood, the bank that owned the property refused to rent it to anyone who wouldn't bring the building up to code. As a result, African Americans who had hoped to maintain use of the building in their community were denied access, and the building remained vacant for a couple of years.

Eventually, it was leased to a small restaurant chain, which completely remodeled it. The new restaurant was more elegant than most in our town, and was managed by white people. They responded to the tense situation by hiring two strong doormen, one white and one African American, to stand at the front door in tuxedos.

This formal attire seemed incongruous in our simple neighborhood of stores selling used clothing, used furniture, farmers' implements and natural food. During one of the weekly cheese packaging sessions at our co-op, in a fit of good humor, I complained that the government was remiss in not providing doormen in tuxedos for all of us in the neighborhood.

One member of the group may not have realized how silly I felt my suggestion to be, because instead of laughing, he made arrangements with one of the used clothing stores to provide vintage tuxedos for awhile to everyone who worked in the neighborhood. A member called the mayor, and she came down to have her picture taken, buying co-op food from a clerk in a tuxedo. The picture appeared in the local newspaper.

I suggested to the African American manager of a bar on the same block that he might borrow one of the tuxedos, but he didn't do so. I sensed caution but not disapproval of my suggestion. The member who arranged the promotion introduced us in our tuxedos to the restaurant managers, and they seemed accepting of the promotion. I had feared they might regard it as a derisive parody. After a week or so we all returned our vintage tuxedos to the used clothing store.

After about six months, when the weather got cold, the doormen at the restaurant were fired. Still, the neighborhood was looking a little richer, and rents were on the rise. I don't know whether our co-op was helped or hurt by the promotion, if it contributed to higher rents, but we enjoyed the experience.

Healthy food policies

Questions of what food is healthful are difficult to answer. I recommend that the co-op stock whatever foods people want, and let people make their own judgments. For example, most people in co-ops want to be able to buy whole wheat flour, because it has better nutrition than white flour. Some people also want to be able to buy white flour. And as mentioned above, some people find that eating whole wheat flour causes them to have more hay fever in the spring.

If sales support the stocking of both kinds of flour, it is preferable to do so. If some member thinks others should never use white flour, it isn't a good idea to institutionalize that opinion. Even if the opinion were in some sense right, we need to be free and cooperative more than we need to be right.

Once people become aware that food often lacks nutrition as a result of standard processing, they often become enthusiastic about natural products. But natural products can also be dangerous. Poke greens, for example, are edible, but somewhat poisonous. Some people eat them, but only after

boiling them twice and pouring off the water each time. Potatoes left in sunlight naturally form a greenish tint just under the skin that is bitter and mildly poisonous. So the fact that a food is natural doesn't necessarily indicate that it is healthful.

Pink sea salt is marketed as natural. But standard table salt, sodium chloride, is white. Something must have been added to that sea salt to make it pink. I would prefer to eat white salt.

Iodized salt has had something unnatural added that is beneficial. It protects the thyroid gland.

Pure sea salt is exactly the same, chemically, as pure salt that hasn't been in the sea recently. I want my salt to be clean and free of impurities, except for beneficial additives. Salt doesn't remember where it has been. The marketing technique of advertising sea salt as natural takes advantage of people who have unreasonable faith that natural things are necessarily more healthy.

Poisons are put on growing vegetables in order to kill pests that damage the plants. People interested in natural foods have good reason not to trust government regulation of this practice. It is common for natural food enthusiasts to insist on organically grown food, because it is natural. But as noted previously, some less natural production of food may in fact be more healthful. If there are certain nutrients missing in the soil, then food produced in that soil will be lacking in those nutrients.

Organic farmers may trust fertilizers they regard as natural, such as manure, and distrust fertilizers they regard as unnatural, such as chemical fertilizers manufactured from petroleum. It is feared that petroleum products may contain unknown contaminants. But manure also contains contaminants, both known and unknown. Animals are fed contaminants that end up in the manure. And certainly there is some small danger of microbial contamination in manure that is not in chemical fertilizers. I prefer most organic procedures, but not all of them.

Stock both organic and non-organic food, if members are interested in buying both. Full disclosure about what has been sprayed with chemicals, and what has been fertilized with what kinds of fertilizers is desirable where feasible. Unfortunately, the only categories of food commonly available are "organic" and "not organic," but as I mentioned, I want unsprayed food that is not strictly organic to be available, and clearly labeled. Different foods are healthy for different people, so we can't expect to make the best choices for everyone. Let individuals choose.

Honey is commonly heated to 140 degrees Fahrenheit in order to make it flow faster and be easier to package. Raw honey is favored by some natural food enthusiasts, because when honey is heated above 110 degrees Fahrenheit, chemical changes occur. I have heard that the same changes occur in the process of digestion. I don't know whether that is true, but no one has ever indicated to me that there is reason to believe the chemical changes resulting from heating make the product less healthful or more healthful. I am unconcerned about whether the honey I eat is cooked or not, but I want members to be well informed about the nature of the honey they buy.

A woman once recommend her baked goods, on the grounds that she used only organic flour, raw honey, and spring water in her recipes. Her products were worth their price on the basis of flavor and nutrition. But by the time she cooked them, the honey was not raw. It is unclear whether her spring water was safer than chlorinated city water would have been; chlorine evaporates when water is heated. Claims of high quality may disguise exorbitant prices of food that has no nutritional advantage over standard, mass produced food.

Work ethic and efficiency

When I was farming, I worked harder than anyone I hired, and I made less money for an hour of work than they did. But sometimes there were jobs I couldn't do alone. When I started hauling food for co-ops, the slow pace of workers in institutions was distressing to me, because I wasn't used to it. The co-op warehouse where I bought cheese hauled it about fifty miles and marked it up twenty-five to fifty cents per pound. I hauled the same cheese ten times as far, and marked it up less than half as much. Their institutional overhead seemed exorbitant. Most of their time was wasted, and their wages for an hour of work were much higher than my profit from an hour of work.

The truckers from the co-op warehouse had a more goal-oriented attitude than the workers in the warehouse. Truckers were motivated by physical challenges, as I had been when farming. When I met their truck with my truck, our objective was to move the food and stay on schedule; the paperwork seemed to be an intrusion.

But sometimes mistakes were made. Occasionally the warehouse workers put the wrong number of items on the pallet designated for our co-op. We would correct errors on the invoices when we found them, but it often took an hour of work in the cold to determine whether some error had occurred. It would have been easier for the warehouse workers to check the pallets in the heated, well lighted warehouse than for us to check them. But they were less concerned about physical efficiencies than the truckers were.

Eventually, the truck driver and I agreed to transfer all the food from the pallet to my truck without counting the items. I became aware of any errors after I delivered the food to the co-op. I kept a running total in mind of extra items we got, and missing items, and over a period of a year we came out about even. Everyone was honest in the sense of trying to get the orders right, so it is natural that errors wouldn't be strongly in either person's favor.

When the semi drivers began driving all the way to our co-op, I continued the policy of transferring the food items without counting them. If I had been dealing with dishonest people, I would have had to hire another person to count everything, and the semi driver would have had to spend an extra hour waiting for everything to get checked off the invoice. The cost of that delay would have been at least twenty dollars, and probably much more, considering trucking time and motel bills for the driver. The average error in orders not checked was less than five dollars, sometimes in their favor and sometimes in ours. It seemed unwise to spend twenty dollars to avoid the loss or gain of five dollars. But some people find the risk so unsettling that it seems sensible to them to spend their resources being precise.

What do you suppose it cost to have a hundred thousand dollar semi sitting still for an hour in those days? It must have cost $20,000 to rent one for a year, half of which went for repairs caused by moving and the other half of which didn't. If a semi was used 200 days a year, that was 100 dollars per day for repairs and another 100 dollars per day for just being there, even if it wasn't being driven. So it must have cost more than ten dollars for the truck to sit there for an extra hour, and ten dollars for the driver, and a few dollars for the increased likelihood of motel bills. If your institution is so big that you quit considering these expenses, it has arthritis.

If you are dealing with honest people, not checking each other too closely is efficient. It is a benefit

of cooperation. We saved time and resources with our members, as they calculated how much time they worked, and as they reported whether they had paid their membership fees. Similarly, we may save resources by cooperating with honest suppliers. Honesty pays, if we aren't too cautious to benefit from it.

Another efficiency of looseness was that at the end of each day, we could leave fifty dollars and all the coins in the money box, to be used for making change the following day. We counted and deposited the rest. We didn't count the coins, which stayed about the same every day, so each day the computation of our total sales was off by a few coins. But we saved a few minutes of counting coins by employing only clerks whom we could trust not to steal some of them.

Financial independence

You may recall that we had a policy against making contributions to other institutions. We also didn't request donations. But one of our most committed members came to me asking for the co-op to make a twenty-five dollar donation to his group's literary magazine. He had contributed much more than twenty-five dollars worth of effort to the co-op, and would do so many times in the future. His feelings in the matter were worth more than the money he requested.

After several days, I thought of a solution to the problem of accommodating his need without changing the rule. I asked him to permit me to contribute the money personally. On the last page of his publication, where donations were acknowledged, he listed the donor as a friend of our co-op, thus preserving our policy of avoiding contributions from the co-op and saving more than twenty-five dollars worth of discussion time.

Summary

1) Trust workers to keep track of their own time.

2) Make all membership fees payable in January.

3) Trust members to keep track of whether they have paid fees.

4) Don't check off deliveries if they are sufficiently accurate.

5) Don't sell on credit.

6) Don't let packagers bring children unless the children benefit.

So now, I have told you almost everything I can think of about starting a food co-op. Drop me a line if you like.

Perhaps you will disagree with my suggestions. If you organize a co-op so successfully that the members all pitch in and, using their best judgment, advertise, check off deliveries, buy a cash register, calculate sales tax separately at the checkout counter for each item, put in self-service food dispensers, make rules for workers, issue membership cards, package in pounds instead of in even

dollars, vote on every question instead of seeking consensus, raise the membership fee, raise prices and then raise prices again, then I suppose it will be an occasion for me to rejoice, even though I am opposed to all those choices. As Steve Gaskin, a leader of a communal farm in Tennessee, once said, "A movement isn't a movement until it gets out of hand."

Lloyd Tucker
LT1324@hotmail.com