

Basic Cooperative Principles <sup>1/</sup>

- A. As background, there are four types of business that make up our economy:
  - 1. Sole proprietorship
  - 2. Partnership
  - 3. Investor corporation
  - 4. Cooperative corporation
- B. There are three widely accepted principles that distinguish cooperatives from other types of free enterprise business. The three distinguishing features are:
  - 1. Operations at cost
  - 2. Democratic control
  - 3. Limited return on equity capital
- C. Cooperatives are exempt from anti-trust.
- D. Cooperatives are non-profit enterprises and may or may not pay taxes.
- E. Risks, costs and benefits are shared "equitably" among members.
- F. The basic purpose of cooperatives is to render economic benefits to members and, therefore, are organized around the mutual interest of members.
- G. Members have an obligation to patronize their cooperative.
- H. Cooperatives do business primarily with members.

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<sup>1/</sup>David E. Hahn, Professor, Department of Agricultural Economics and Rural Sociology, The Ohio State University, presented at the Young Farm Couples Cooperative Leadership Conference, Columbus, Ohio, February 13, 1979.