

Cooperative Norms and Cooperative Strategy

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What Are Norms?

- culturally-based traditions, conventions or expectations that constrain property rights (North, 1990)
- institutions that define the opportunities within society (North, 1990)
- Examples of cooperative norms are Nourse's competitive yardstick and Sapiro's orderly marketing.

What is the Purpose of a Norm?

- *foster cultural continuity and order (North, 1990)*
- *facilitate orderly environment for investment to occur (Polanyi, 1945)*
- *reflect fundamental economic tensions within society*
- *act as coordinating institutions (Vatn, 2007).*
- *offer a way to address morally or socially complex questions (Mercurio, 2007)*

*As organizations evolve, they alter norms (North, 1900)
Example: Sapiro's orderly marketing of 1923 became the contemporary "value added" cooperation*

Where do Norms Come From?

- The NIE view: norms are rules, people live according to "the rules of the game".
- in the short run culture influences how norms get specified.
- In the long run, it is not clear how norms evolve (North, 1990)
- This raises issue of who sets the rules for farmers and cooperatives – cooperatives themselves or others, more powerful firms or forces?
- NIE is oriented toward stability and equilibrium; cannot explain rapid transformation of belief systems (Eggertsson, 1990)

Alternative to Rules-Based Cultures

- “Cultural meanings are interpersonal.” People shape culture and culture shapes them. “Culture is above all a matter of meaning” (Strauss and Quinn 1997)
- Alfred Chandler: responses of industry managers often determines how industries would respond to changing market structures (1990)

Cooperative Dimensions of Producer/Consumer Protection Nourse 1922, 1992[1945])

1. Resistance to market exploitation; who will control U.S. agriculture?
2. Maintaining cooperative authenticity;
3. Farmer parity;.
4. Improving integrity of price system: transparency and competitiveness;
5. Protecting producers’ occupational stability and identity;
6. Defining the relative place of cooperatives within the economic system.

Resistance

- Elements of revolt or reform against the present system are basic to the formation of a cooperative because agricultural marketing has various possibilities for exploitation (Helmberger, 1966).
- “If peasants feel unjustly extorted, we might expect to find strong indications of this in the one area of their life over which they do exercise some control: their culture”(Scott, 1976).
- “Just as sure as the packers, the great bankers, the leading manufacturers or the big corporations propose something that their experience has shown would be beneficial to ... the farmer ... the farmers assume an aloofness that is dramatic” (Successful Farming, 1923)

Authenticity

1. “Gift without giver is bare” (Nourse, 1922)
2. “All outsiders merely seeking a proprietary interest are rigidly excluded” (Nourse, 1922)
3. “Othering”

Improving Price System Integrity

- Competitive yardstick: increase competition through locally-owned assets (Nourse, 1992 [1945]).
 - Increase transparency of price discovery (Nourse, 1922)
- “The ardent cooperator believes that ... such benefits as do accrue will go as price reductions to the consumer and not as monopoly or efficiency profits to the trust or consolidating agency” (Nourse, 1922)
- Thus, protecting the farmer would protect the consumer

Protecting producers' occupational stability and identity

- Could cooperatives minimize the “de-skilling” of technically educated and entrepreneurially-savvy producers by an industrialized agriculture?
- Debate over optimal size of cooperatives
- Inherent in the competitive yardstick's function as a bench-mark of other firms' performance was an implicit question of how much better the cooperative was than other firms.

Defining cooperatives' place in the economy

- “Every market will be dominated by three major players ... and any company caught in the middle will be swallowed up or destroyed” Rule of Three by Sheth and Sisodia quoted by Land O’Lakes CEO Jack Gherty (Sixth Annual Farmer Cooperatives Conference, October 30, 2003)
- Which market or sector should be a priority for farmer intervention?
- Always other sectors to conquer.
- Role of debt.

Selected References

Presentation based on:

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