

# The Seven Cooperative Principles

The idea of using a set of principles to guide cooperatives came from the Rochdale Equitable Pioneers Society. This cooperative store was formed by a group of English weavers in 1844 who pooled their purchases to get a better deal from suppliers.



They wanted a set of principles to guide their new organization. The seven items they developed are used around the world today to define the spirit of a cooperative. They are:

## 1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

## 2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

## 3. Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

#### **4. Autonomy and Independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

#### **5. Education, Training, and Information**

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

#### **6. Cooperation Among Cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

#### **7. Concern for Community**

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

### **When a Co-op Isn't a Co-op**

Many businesses call themselves co-ops when they aren't. Their owners may like the word without realizing it has a very specific meaning. Or, they may want to take advantage of the goodwill associated with cooperatives without being one.

In either case, calling yourself a cooperative is not the same as being one.

A cooperative is legally bound by the state and the IRS to the cooperative principles. It is organized under Section 501 (c) (12) of the Internal Revenue Code, which requires that it be organized for the benefit of their members and operated through democratic elections.

So, don't assume that a business that calls itself a cooperative is one. Ask if the firm is incorporated as a co-op and whether it follows the cooperative principles.

### **What Is a Cooperative?**

A cooperative is an independent, nonprofit business organized on behalf of its members. Over 350 million Americans are members of over 40,000 cooperatives in the United States today.

Nearly 1,000 rural electric cooperatives provide electric power to 42 million people in their homes and businesses in 47 states. Rural electric cooperatives own and maintain 2.5 million miles of power line. New Mexico's 16 co-ops serve 80 percent of the state's landmass with over \$960 million invested in power lines and other related equipment to provide electric service to their members.

The power of well-run cooperatives is impressive. Whether made up of a few travelers creating RV parks for themselves or 60,000 teachers and public school employees, they demonstrate the strength that comes from working together at the grassroots level. They show how emphasizing the common good may be a step toward a more just and democratic society.