

## ECONOMIC FACTS OF LIFE VS. COOP FANTASIES

From the beginning, the coops have operated on two false premises:

1. That you can operate a non-profit business in a capitalist economic system.
2. That there would be an always-available, readily tappable supply of extra money in coop people's bank accounts to bail the coops out when they got into trouble or needed to expand.

Later on, we will take a look at the situation these two false premises have gotten us into.

But first, we must look at where the money has come from to build the coop system.

First off, all wealth comes from human labor. Money is only worth something because you can buy goods and services with it, and these are produced by workers.

All the money in the capitalist economic system represents value created by the working class. The lion's share of this money, however, is appropriated by the capitalists, and distributed very unequally according to one's class position in the capitalist social system: those that produce the most wealth usually getting the least money.

So if you make more money and work less, that means somebody else makes less money and works more to support your higher income.

That's what class is all about.

Most coop stores have carried on small-donation type mass fund raising campaigns to get capital for starting out and expanding, but they have also depended on larger loans and donations, in many cases thousands of dollars from single individuals. It is clear that most workers do not have that kind of money to lend or donate.

Also, most coops have frequently gotten into economic trouble and/or needed money from expansion, and again have turned to large loans and donations to get this money.

This source of funding has created a situation where the coops are dependent on and therefore must not displease people who are well-off financially.

Thus, any small group of these money lenders can financially destroy the whole coop system.

The coops have gotten into this boat because of idealistic attitudes towards money and business, which we will now analyze, and because they have no real organization or collective leadership that has understood the economic facts of life.

Coop history has shown us three aspects of the founders of the coop dealing with their social, political and economic backgrounds.

1. They weren't seriously into revolutionary class struggle which meant engaging in some form of struggle that would have sharply heightened the contradiction between the capitalist class and the working class rather than going away to create their utopia.
2. They were idealistic college graduates, college drop-outs and college students.
3. They had contacts with sources of money and other resources that are indispensable in setting up a business.

Thus, these were the three principal characteristics of coop leadership and they are still apparent today.

These three characteristics of coop leadership reflect class traits. There is no doubt, these class traits are rooted in the petty bourgeoisie. We will gladly submit this statement of fact to any concrete test of a class analysis.

From historical evidences, we see that there wasn't a concrete strategy for the existence of the coops except for the innate class behavior of the leadership to exercise continuous ideological control of the coops.

From the first day of the first coop store, there existed antagonistic contradiction which grew worse in direct relation to the development of the coops. One side of the contradiction is the subjective desire of the coop leaders to create an economic socialist structure in isolation from the working class movement; the other side of the contradiction is that there was no strategy, to say the least; however, there was no strategy based on the economic laws of production. Hence, we have characterized this contradiction as coop leadership forcing its idealistic plans upon objective laws of reality. Because of the worsening of the contradiction, it is widely recognized that the transformation of the coops is imminent.

#### Who Owns the Coops

From financial records, a class clique of loan lenders own the coops. If anyone wishes to see the list of loan lenders it will be available after this address.

For a very long time, some of us who work at the warehouse thought it was coincidental that whenever the warehouse collective had to make major decisions (whether or not to their employed workers) which would have brought about meaningful changes in the coop system, there was always opposition coming from the same individuals. It became very apparent after a long time that the opposition consistently took a position that denoted a defensive stand. Out of curiosity we checked into how much money they had in the warehouse. Astonishingly, in black and white these individuals who constituted opposition to progressive change represented the class clique of money lenders.

As noble as it appeared at first glimpse, we raised the question, "How can any average working class worker afford to put \$6,000, \$3,000, \$2,000, \$1,500 and so on into the warehouse and other coops?" These figures represent big money to any worker anywhere in the USA. We want to make it very clear what we are getting at. It is good that these individuals have money to lend to the coops and the warehouse, but their money cannot give them the exclusive right to decide the future of the coops and the warehouse. Needless to say, this is precisely what has been happening. The financial records substantiated everything we have said in the Beanery paper to the Re-cap. Without a doubt, we can see throughout coop history all decisions have been class decisions which means, in essence, the preservation of the utopian socialists control or the petty bourgeois escapists control of the coops, depending upon which one was dominate at the time. As a result, both the utopian socialists and petty bourgeois escapists did an excellent job in leading the productive forces down an idealist road toward economic collapse.

The present coop leadership has indeed forfeited its right to lead for it has no sense of economic reality. The average worker on the street knew that the inflation rate was soaring, unemployment was steadily on the rise and the prices on all commodities hadn't been checked by any government controls which means the cost of living is still going up. In spite of all of these signals indicating economic danger, the coop leadership hasn't done anything to circumvent an economic collapse of the coops.

#### The Economic Affairs of the Coops and Warehouse

From all historical and present day evidences, coop leadership has waged an all out struggle to bring into existence non-profit as a viable concept. Non-profit hasn't been and never will be a viable concept as long as capitalism exists. Non-profit is a legal term, it serves as a mask to divert profits into corporate fronts i.e. foundations, family trusts, insurance companies, churches, etc. for an additional source of tax-free capital for further expansion and investment.

Let's take a look at how the capitalists use foundations, non-profit front, to advance their interest. The following will show a few business activities foundations participate in:

1. They buy property with tax free money and lease it out to big companies and industries, thereby making a big profit.
2. They participate in the stock market and make huge "tax free capital

gains" from their investment.

3. They own enterprises which compete in the open market and still don't pay competitive taxes.

By not having understood the misconception of non-profit, coop leadership has literally attempted to create a non-profit economic structure, the coops. As we said "non-profit is a legal term, it serves as a mask to divert profits into corporate fronts." All business ventures must turn a profit if they are going to survive financially by re-investing and continual expansion.

Is profit a social evil? We can only answer this question from a class perspective; however, the question that gets to the heart of the matter is, how is profit used? The capitalists use profit to enrich their power and control over society in a very class cliquish and counter-productive way that is social oppression and economic exploitation. Therefore, by not having made a class analysis, or defining profit, many coop people have concluded that profit is a social evil. Profit is that portion of one's work which hasn't been paid for or to say unpaid labor. The following is an example of how the principle of profit works: a worker goes to work for eight hours, out of the eight hours,  $2\frac{1}{2}$  hours are spent making his/her pay for the day,  $3\frac{1}{2}$  hours go into supporting the business cost of the employer. The last two hours are unpaid labor. The money produced from these two hours goes directly into the employer's pocket, this is profit. It is determined that the use of profit is always a class use, either it will be used to support the oppressive order of society or it will be used for the collective benefit of society.

We are going a step further to show that coop leadership attempted to literally make non-profit a workable concept. It has been observed many times that whenever there occurred a sizeable build-up of money in the bank accounts the reaction has been to reduce the mark-up or in some other way discourage making money. There are cases where mark-ups have arbitrarily been established that didn't reflect any economic calculation.

Idealism and business don't mix. There are many indications from coop leaders to discourage surplus. Needless to say, the coop system is built on the foundation of non-profit. It is also needless to say, that the coops are going to collapse economically. Because for any business to survive in this capitalistic system, it must have as much ready-reserve capital as it possibly can. Moreover, the capitalist system innately goes through the cycle from an economic boom to inflation, recession and depression. Each time this cycle is repeated wealth becomes more concentrated in the hands of the monopoly capitalists. As a result large numbers of the petty bourgeoisie are forced to join the working class and small businesses are forced to go under financially because bank loans are next to impossible to obtain for investment and expansion. Therefore, by coop leadership discouraging surplus they automatically discourage expansion and investment. "When investment declines, so do income and employment and hence also surplus itself." Consequently, the coop system is now on an economic downturn - the beginning of an economic collapse.

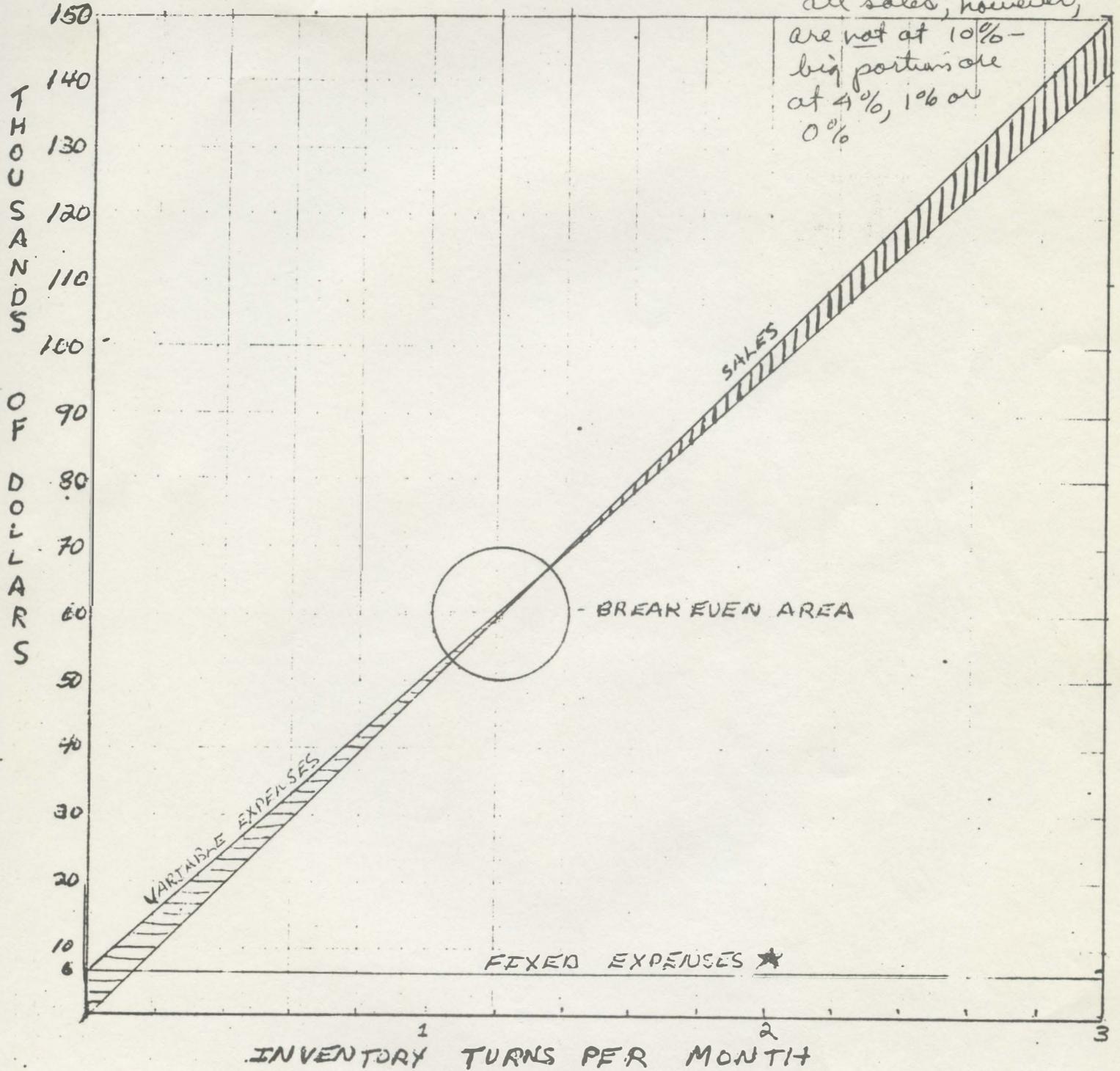
Idealism and business don't mix. Overhead cost per unit fall as output rises. In the early days of the coop history this was the case, but as the system grew and developed the reverse has become reality. The output is falling in relation to overhead costs, because expenses are **rising** and warehouse output is not rising fast enough to keep up. There is no new investment and expansion consequently the overhead costs per unit is rising. Now it is becoming next to impossible to make the break-even point. (See the attached sheet).

Considering the possibility that if prices remain the same and if variable costs per unit are constant over the relevant range- profits per unit will rise, however, this will not save the economic collapse of the coops because the problem lies with the utopian socialist leadership. The coop system can be saved and even improve, but it will require big change in policy.

We are calling for the replacement of the present leadership with a leadership that is trained and fitted for the task of bringing the coop system to a new level of economic development with emphasis on employing more productive forces.

# PEOPLES WAREHOUSE INC. BREAK EVEN CHART

ALL SALES AT 10%  
all sales, however,  
are not at 10% -  
big portions are  
at 4%, 1% or  
0%



## KEY

= LOSS

= SURPLUS

★ FIXED EXPENSE DOES NOT INCLUDE SPOILAGE, BAD DEBT, CAPITALIZATION OR ANTICIPATED MEDICAL COVERAGE COSTS FOR WORKERS.

- includes interest but not bldg payments

NOTE - THEORETICAL BREAK EVEN POINT IS \$60,500 IN SALES, BUT THIS CAN NOT BE PERFECTLY COMPUTED BECAUSE WE ARE A RESALE, RATHER THAN A PRODUCTION ORGANIZATION. THUS THE EXPRESSION OF AREA.