

# How We Organize To Do Business In America

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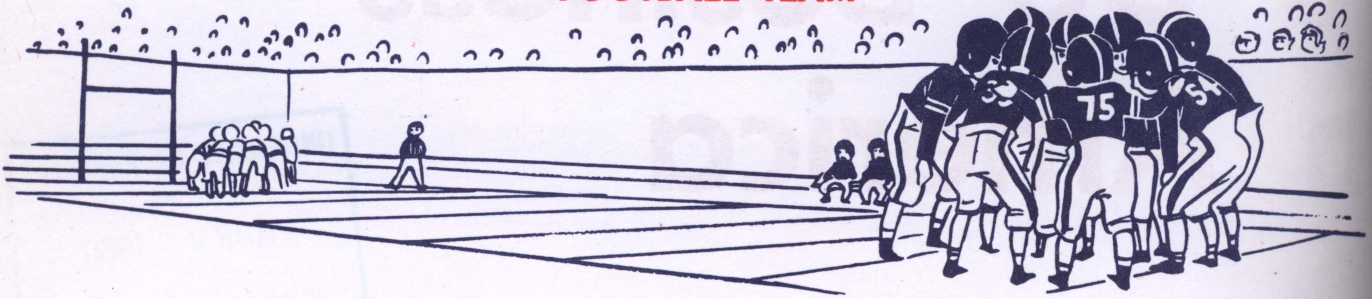


TEXAS AGRICULTURAL EXTENSION SERVICE

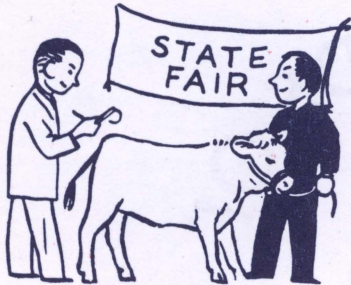
J.E.Hutchison, Director, College Station, Texas

# HOW WE ORGANIZE IN SCHOOL

## FOOTBALL TEAM



## FUTURE FARMER (F.F.A.) AND FUTURE HOMEMAKER (F.H.A.) CHAPTERS



Stock Judging

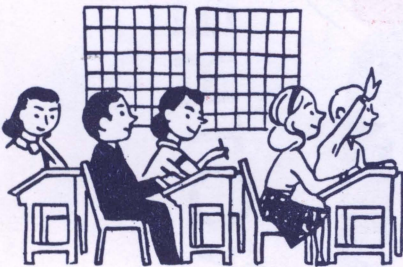


Local Activity



Visiting Washington

## STUDENT COUNCIL



Legislative Session



Executive



Judicial

## CIVICS CLUB



Pupils Act as Court for a Day



Mayor and Council at School

# TO HELP ONE ANOTHER

## Ways Pupils Organize

Boys and girls have learned that it pays to cooperate. By joining with others we can often accomplish more and enjoy ourselves better than when each goes his own selfish way.

To do things well together we have to understand *what we are going to do*. Also, *how we will go about it*.

Pupils in school organize themselves into student activities of various kinds—football teams, class organizations, student councils, civic clubs, service clubs, Future Farmers, etc. They organize to do things and enjoy opportunities together like class parties, assembly programs, and the chance to take part in planning the life of the school. Such things would be impossible if each one worked alone.

## What Pupils Do Through Organization

Every organization, to be of much use, must have a purpose. Sometimes this purpose is general; sometimes very specific. Sometimes it is very clear to all the members; sometimes very vague. Sometimes it is much the same year after year; and sometimes it changes. Unless an organization has some worthwhile purpose in which the members are really interested, it probably is never strong or very useful. Three important purposes of group pupil activities are to give members:

- (1) The satisfaction of doing things together.
- (2) A chance to enjoy each other's company.
- (3) An opportunity to learn *how to work with others* in worth-while enterprises of common interest and mutual value.

These purposes may be even more valuable to the members than the meetings, parties, games, trips, programs, and other immediate purposes toward which they work together.

## Why Pupils Organize

The ways pupils organize to do things together are almost as many as the pupil organizations which exist in our schools. However, they are nearly all alike in certain respects:

- (1) All members usually have some voice in deciding what they should do, and some part in what is done.
- (2) Leaders are usually elected or appointed to carry out the work of the organizations. In the Student Council, the main leader is called president or chairman; in the football or basketball team, the captain; and there may be other officers.
- (3) Agreements must be made and understood as to when and how meetings are to be called, committees appointed, and important decisions made and carried out.

## What Is a Good Organization?

Marks of a good organization are:

- (1) A useful purpose is served, which members feel is worthwhile to them.
- (2) Everyone has an opportunity to take part in the way that he can do most for the good of all.
- (3) The organization does efficiently what the members want done. To accomplish this requirement, members have to know how to work together to good purpose and how to select good leaders capable of helping members do what they want done.
- (4) The organization is also good for those who do not belong, or at least it does not interfere with their welfare.

*Nearly everything said here about pupils organizing and pupil organization is equally true of all kinds of organizations. These include the business organizations which make possible the modern products Americans and citizens of other nations now enjoy.*

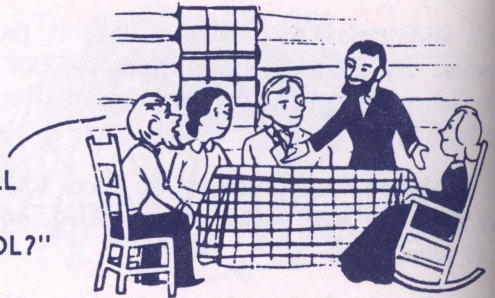
# HOW PUBLIC SCHOOLS

## PIONEERS FACED PROBLEM OF WHERE TO EDUCATE THE YOUNG



"WILL THERE BE A SCHOOL FOR ANNIE?"

**HOMESTEADERS**

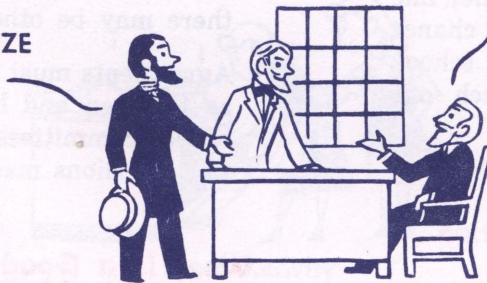


"WHERE WILL WE BUILD THE SCHOOL?"

**DISCUSSED SCHOOL NEEDS**

## CITIZENS CONFERRED WITH COUNTY SUPERINTENDENT

"WE WANT A SCHOOL. HOW CAN WE ORGANIZE OUR DISTRICT?"



"TO DO IT LEGALLY, YOU MUST INCORPORATE, AND ELECT A BOARD OF TRUSTEES"

## PEOPLE OF DISTRICT AGREED TO ORGANIZE



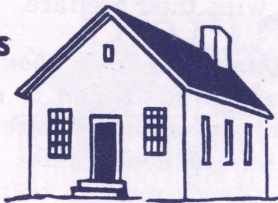
"ALL IN FAVOR SAY 'AYE' "

PEOPLE MET IN CABIN AGAIN AND VOTED TO:—

1. ORGANIZE DISTRICT
2. ELECT TRUSTEES
3. DETERMINE TAX LEVY
4. ESTABLISH BOUNDARIES

## WHAT SCHOOL ORGANIZATION MADE POSSIBLE FOR THESE PIONEERS

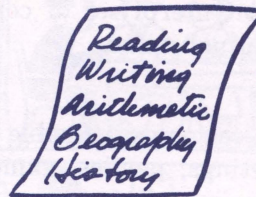
**ELECTED TRUSTEES**



**ERECTED BUILDING**



**HIRED TEACHER**



**DECIDED CURRICULUM**



**BOUGHT BOOKS AND SUPPLIES**

# WERE ORGANIZED

## Who Organizes the School?

Just as pupils organize to carry on their special activities within a school, the school itself is an organization. It is one of our great American traditions that the people themselves, whether in a town, city or open-country neighborhood, through their own efforts early organized schools to educate their children. Pioneers had hardly finished building their primitive homes before they began talking among themselves about a school. They often met together in a neighbor's kitchen, decided to organize a school district, appointed a committee to confer with the proper government officials, and held an election.

Through local elections and official public meetings, they organized by taking certain necessary legal steps. They established boundaries of the school district, levied a tax to raise money for school purposes, and elected a board of trustees. These actions were then recorded in the public records. They had thus become a school district and were ready for the business of education—erecting a building, employing the teacher, deciding on what should be taught, and purchasing books and supplies.

## School Organization Changes

School organizations changed as conditions changed. The first schools were elementary or grammar schools. About 50 years ago, the general demand for high schools brought about the organization of larger, different districts for that purpose.

More recently, modern roads, highways, automobiles and school buses, and the need for more education have made it desirable for many small districts to join together into a larger consolidated district. Districts also vary in different communities and states. Some have only one small school; others provide a school for the whole trading area around a town or village. In some places, the school district covers an entire county or city. But all have one thing in common; they must have an ORGANIZATION before they can have a school.

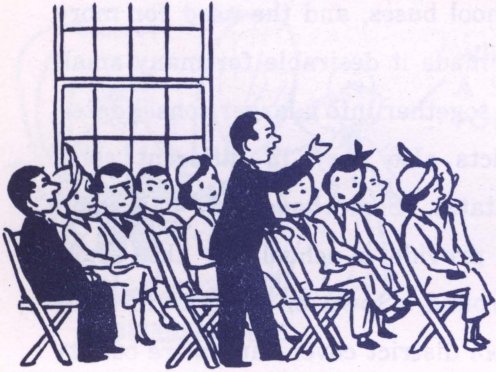
## The State Organization

A modern school organization is not as simple as the local district alone. There is, first, the county superintendent who serves the schools of the county. Then, in each state, there is a state department of education, usually with a governing board, and a commissioner or state superintendent at the head. This department performs many state-wide functions, such as certifying teachers, distributing state funds to local districts, securing and distributing state reports, and recommending new and better ways of operating schools.

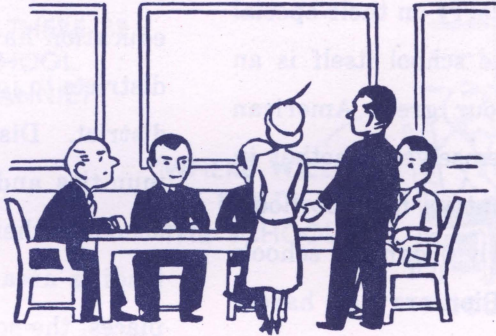
The legal right to organize local school districts by each of the 48 state governments is a right retained by each state and which was never delegated to the federal government. Each state, in turn, exercises this right through its executive offices, its legislature, and its courts.

# HOW A COMMUNITY

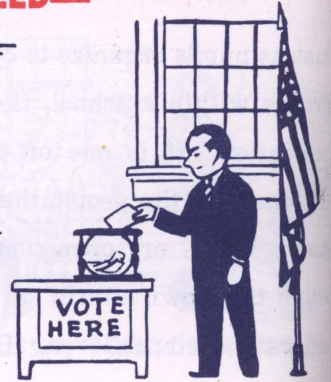
## HOW LOCAL GOVERNMENT IS ORGANIZED—



Town Meeting



Hearing Before Commissioners

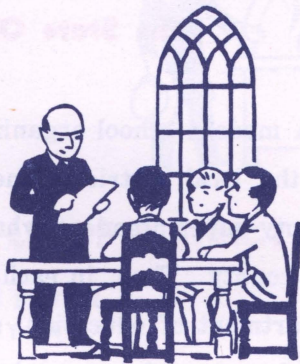


Election

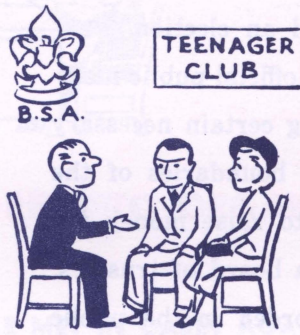
## HOW COMMUNITY ACTIVITIES ARE ORGANIZED—



Family



Church



Community Club

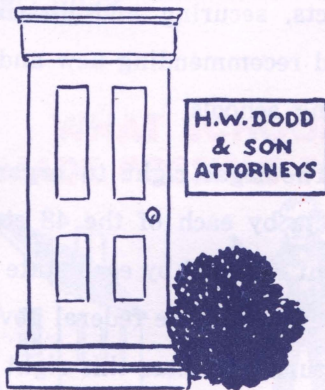


Farm Organization

## HOW BUSINESS IS ORGANIZED—



Individual Owner



Partnership



Chain Store



Cooperative

# IS ORGANIZED

## What Is a Community?

We usually think of a community as the people and their organizations who live about a center where they trade, go to school, attend church, and carry on the other major activities of life. A community usually includes a village, town, or small city and the surrounding trade areas. There is a main street or public square with stores, shops, garages, banks, and other businesses. There are dwelling houses and public buildings, such as churches, a school, a library, a community center, and lodge halls. Surrounding this are the farms of the people who live in the community.

Community life is going on when two or more people in a given area get together and visit, work together toward common ends, transact business, or participate in other activities. Community life is the total activity of many organizations and people. **BUT NONE OF OUR COMMUNITY LIFE COULD BE CARRIED ON WITHOUT ORGANIZATION.**

## What Local Government Does

Families are the basic units of modern life. They are organized and receive a "charter" through the wedding ceremony. But families, to live and work together in a community, need a local government to:

- (1) Maintain the peace.
- (2) Make and enforce rules of conduct.
- (3) Provide services like fire protection, the water supply, sewage disposal, streets and highways, sidewalks, and electric power, unless the community is very small.

## Organizations Make Life Worth-while

But a good government *alone* does not make a good community or a good place for business organizations to operate. Business could never have reached its present effectiveness to supply us abundantly with goods and services if it were not for the other organizations which make community life worth-while. These include the churches, schools, community clubs, service clubs, lodges, women's clubs, farm organizations, li-

braries, Parent-Teachers Associations, agricultural extension service, Future Farmers of America, Future Homemakers of America, 4-H Clubs, Boy and Girl Scouts, and a host of others.

As we have seen, these organizations cannot serve us unless they have a purpose, a program, and officers or committees who can carry out the desires of the members. Some must be established in a legally technical manner since they will own property, handle money, and employ workers. Education, religion, recreation, and other community services all need organization to contribute most to community life.

## Four Ways of Doing Business

Each business must have some type of organization before it can begin operations. There are many ways private business can be organized, but they are all combinations or modifications of four basic forms of organization:

- (1) INDIVIDUAL OWNERSHIP
- (2) PARTNERSHIP
- (3) ORDINARY BUSINESS CORPORATION
- (4) COOPERATIVE BUSINESS CORPORATION

All four are found in most communities. Farms and stores are generally operated by individual ownership. Many businesses are operated by partnerships. Lawyers, real estate men, and others also often form partnerships. A chain store or filling station may be owned by a corporation; and farmers market farm products, purchase farm supplies, and provide other types of goods and services through their cooperatives.

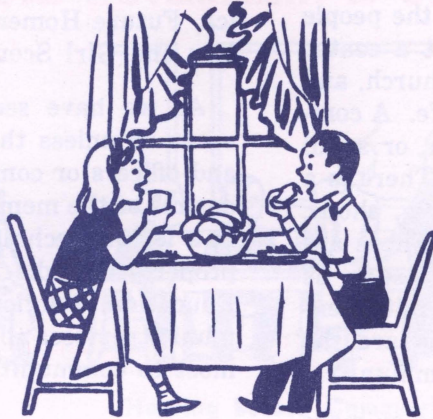
Local government and the other kinds of community organizations mentioned are essential to good business in a community. Good business is also necessary to the success of these organizations, since it provides the income—the economic base—without which the community could not exist. It is important, therefore, that every citizen understand something about how American business is organized and the different ways by which it is done.

# HOW WE BENEFIT FROM

## SHELTER



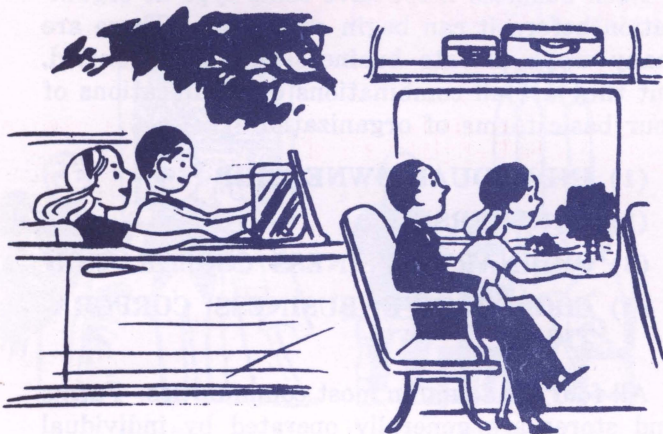
## FOOD



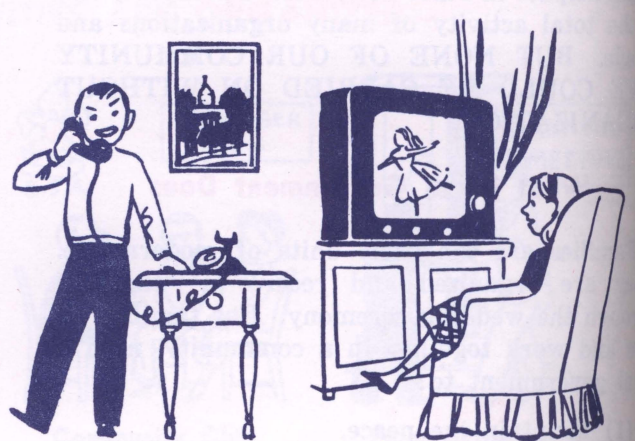
## CLOTHING



## TRANSPORTATION



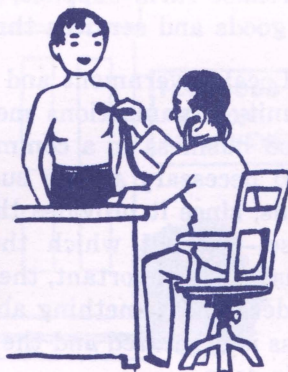
## COMMUNICATION



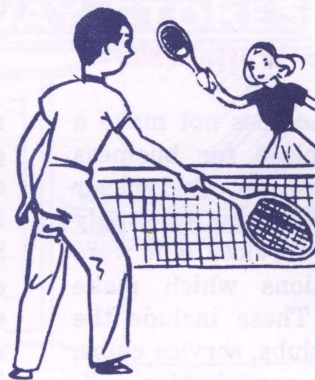
## SERVICES



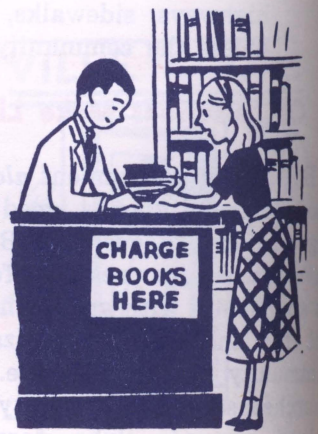
Education



Health



Recreation



Library



# BUSINESS ORGANIZATIONS

## Business Benefits All the People

A remarkable thing about business is that while the motive of each person doing business is to make a profit for himself, *business as a whole benefits all the people*, when properly conducted.

Business provides the average citizen in this country with *more conveniences, goods, and services* than are enjoyed by those of any other country. Nowhere else in the world do so many children receive so much food and clothing, live in such comfortable shelters, use to the same extent comfortable travel in cars and buses, and have available to them so much of radio, movies, and other recreational facilities, as American children.

All this remarkable abundance did not fall from the sky. It is a *result of the long, historic development of business and the hard work* of those engaged in business. It is true that scientists and inventors discovered things about which our grandfathers did not even dream. Nevertheless, *business in cooperation with government made possible the full use of inventions made by the people.*

In the past, man's limited needs were supplied largely by goods made at home. Agriculture was the occupation of most people. Then came production in small workshops by a limited number of craftsmen. *Later, business made full use of the development of industrial technology* and organized the factory system of production. As early as 1890, the value of industrial output in our country exceeded its agricultural production. The adoption of electrical power further increased industrial output.

## Business Develops New Techniques

Using the technique of mass production, *business reduced the cost of each unit produced.* This made more and more goods available to larger numbers of people in successively lower income brackets. In numerous fields of business, small enterprises of individual businessmen maintained their old role, but new techniques of production required great concentration of capital and large investments.

*Business devised new forms of corporate enterprise* to meet the situation. Large corporations

were created to organize mass production, construct railroads, and build communication systems. Mass production eliminated much former waste, made possible the standardization of products, and thus reduced further the cost of production. By introduction of specialization, *business decreased the learning time for any job and allowed participation of less-skilled workers.* Women began to follow men in work in factories and offices.

The farmer—former bulwark of the old methods of doing business—began to produce cash crops for distant users. Out of the old system of distribution, business developed an intricate structure of markets. By decreasing the unit cost of transportation, business enlarged trading areas and former localized industries. The hours snatched from an overlong workday of the past became available for recreation, and motion pictures, radio and television were woven into American people's lives.

Use of scientific management techniques, based on the analysis and planning of each element of men's work, led to general *greater success through business planning.* This assured further benefits to workers, managers, owners, and the public, securing maximum production in shorter time, with less effort. Until recently, within our framework of business, production has been emphasized more than consumption because of the relative scarcity of goods and services.

## Organization Is Key to Success

The key to the remarkable development of American business is *business organization.*

Only through organization did the benefits of business become available to large masses of American people. Sometimes, it is pointed out that the American way of doing business fails to achieve perfect adjustment between production and consumption; leads to the alternation of prosperity and depression; and does not prevent the disturbing situation of people being in need—when unemployed—amid potential plenty. And yet, the organization of American business is the key to the social and economic welfare of our country. *It has provided us with the highest standard of living in the world.*

# HOW OUR NEEDS ARE MET

## FOOD



Raising Cows



Milking



Trucking to Market

## CLOTHING



Growing



Picking



Ginning

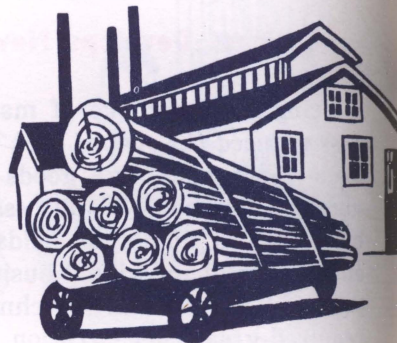
## SHELTER



Reforestation



Cutting Trees



Saw Mill

# NET THROUGH BUSINESS

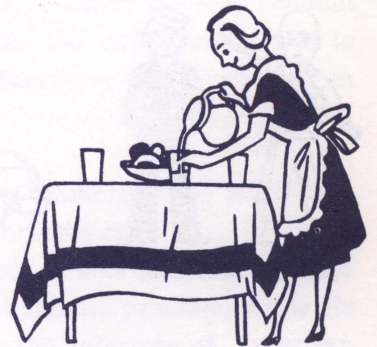
## (MILK)



Bottling



Delivery



On the Table

## (COTTON)



Spinning

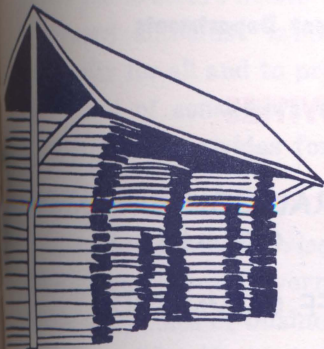


Sewing

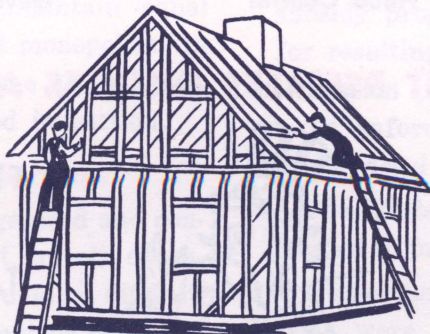


New Clothes

## (HOMES)



Lumber Yard



Building Houses



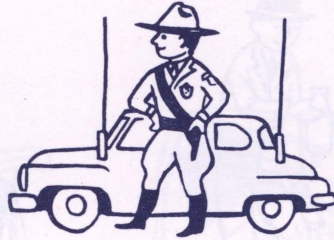
A New Home

# THE RELATION

## POLICE AND FIRE PROTECTION



Armed Services



State Police



Local Police

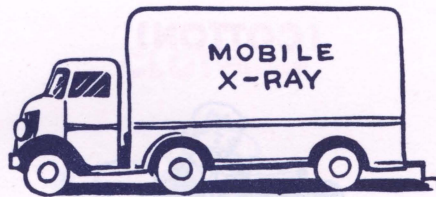


Fire Department

## HEALTH PROTECTION



Water Systems



Health Service



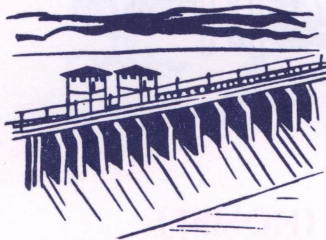
Food Inspection

## OTHER GOVERNMENT SERVICES

PARCEL POST



Post Office



Flood Control



Government Departments

## GOVERNMENT REFEREES BUSINESS ACTIVITIES

CIVIL AERONAUTICS BOARD  
FEDERAL TRADE COMMISSION  
INTERSTATE COMMERCE  
COMMISSION  
FEDERAL DEPOSIT INSURANCE  
CORPORATION



FEDERAL COMMUNICATIONS  
COMMISSION  
TARIFF COMMISSION  
FOOD AND DRUG  
ADMINISTRATION  
FEDERAL RESERVE BOARD

# GOVERNMENT TO BUSINESS

In our country, individual citizens have the greater part of control over the four factors it takes to make a business—natural resources, labor, capital, and management.

Nevertheless, while each individual has maximum freedom and incentive to do his best, it has been accepted that government must maintain order and restrain individuals if and when their activities are harmful to others. Government controls individual and group selfishness when necessary, removes obstructions to competition, and looks out for the best interests of all. Without the external defense and internal order maintained by government, normal operation of business would be impossible.

## Armed Services, Police, and Fire Protection

Protection is needed not only for the territory where the business takes place, and the safeguarding of life and property of those engaged in business, but protection is needed to assure a safe crossing of the street by a child walking to school.

## Laws and Regulations

Our national, state, and local governments make laws and regulations which make it possible for business to operate railroads, merchant fleets, public utilities, to use the country's water resources and to secure health protection. Congress has passed anti-trust laws to maintain equal opportunity for all and to prevent monopolies. In the interest of consumers and the trade itself, our government provides for food inspection.

## Other Governmental Services

Without the *Postal Service*, organized and conducted by the Federal Government, smooth operations in many lines of business would be difficult, if not impossible. Through its various executive departments, the government does work that is useful to numerous groups of business people that individually they would be unable to do.

*The Department of Agriculture*, for instance, employs many experts to make studies, conduct experiments, and pass the information on to millions of American farmers; it also exercises an important influence with respect to agricultural policy.

*The Department of Commerce* does work that furthers foreign and domestic commerce. Through its Bureau of Standards it sets a uniform set of standards needed for business practice, while its Patent Office protects the interests of American inventors.

*The Bureau of Labor Statistics of the Department of Labor* collects and reports statistics on the conditions of labor, and on the conditions and distribution of the products of labor. These statistics are of great importance to people in many lines of business.

Under impact of new methods of production, new forms of business, and the progress of science, governmental activities have been constantly expanding into new, hitherto unoccupied fields. New agencies were created to render new forms of assistance to business. Funds were advanced to farmers, to the housing industry, and to railroad companies. A number of agencies for governmental credit were developed for these purposes. An insurance system for bank deposits was set up. On a few occasions, prices to consumers were held back by various governmental subsidy programs and compensations were paid for resulting losses to the producers. Dams and irrigation projects were built.

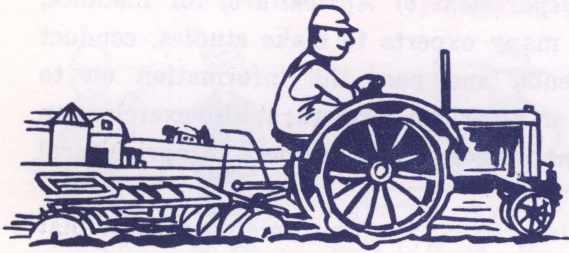
To enforce the law against unfair practices, the *Federal Trade Commission* was set up.

*The United States Maritime Commission* was created to promote and regulate foreign shipping.

Numerous other commissions and administrations were created. The volume of state and federal legislation dealing with the problems of inspection, regulation, and assistance to business has increased greatly.

# WHAT IS AMERICAN BUSINESS

## BASIC PRODUCTION — 8 MILLION WORKERS —



Farming



Fishing



Forestry

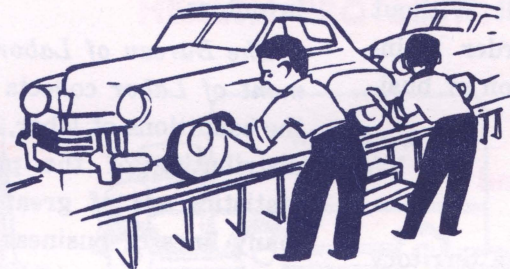


Mining

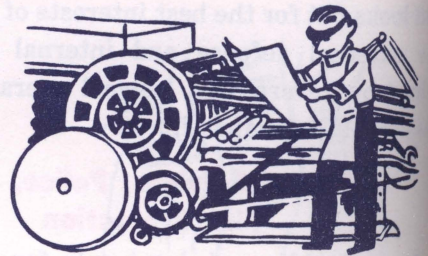
## PROCESSING OR MANUFACTURING — 14 MILLION WORKERS —



Steel

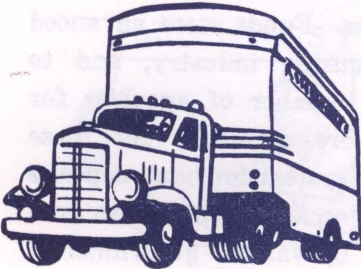


Automobiles



Printing & Publishing

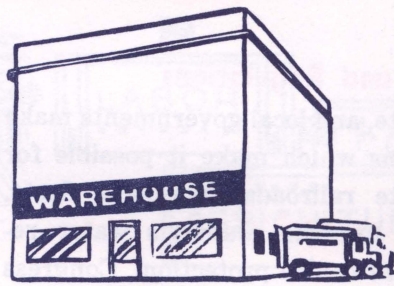
## DISTRIBUTION — 15 MILLION WORKERS —



Transportation



Communication



Wholesale



Retail

## SERVICES — 12 MILLION WORKERS —



Finance



Law



Amusement



Beauty Culture



Medicine

# BUSINESS?

Under the American system, business is directed not by orders from outside, but by the individual judgment of people who differ one from another in ability, knowledge, and understanding. The invisible hand of rivalry among those engaged in business—a rivalry called **COMPETITION**—helps keep a price from being too high. The rivalry among the buyers helps prevent it from being too low. As prices go down or up, in response to changes in demand or supply, producers of goods increase or decrease their output.

The field of business embraces an infinitely large number of activities, since the number of human wants which may be satisfied is almost unlimited. Each man is legally free to produce and consume, to buy and sell, and to engage in any type of business. Broadly speaking, however, the people engaged in business may be divided into four groups:

## 1. Production of Basic Commodities

Typical are wheat and cotton produced by the farmer; mineral ore and coal brought out by the miner; fish caught by the fisherman. Many other "original" goods and raw materials have to be either processed or transformed into other commodities before they are used by consumers.

## 2. Processing or Manufacturing

Tractors and typewriters, bread, canned peas and baby bottles, toothpaste and radios are some of the immense variety of goods produced from basic commodities by the people engaged in processing, manufacturing, or fabrication.

## 3. Distribution

It is not enough, however, to produce the goods in order to satisfy the needs of the consumer. After the product leaves the factory or the field, it must travel a long journey before it reaches the person who needs and desires it. Standardization, grading, packing, storing, transportation,

advertising, wholesaling, and retailing are only part of the activities included in distribution or marketing.

## 4. Services

Teacher and lawyer, doctor and nurse, architect and actress are typical examples of people who are doing business by providing all kinds of specialized services to other people. As our standard of living rises and modern civilization becomes more complex, we need more services, such as education and health services. The expansion of these services also provides employment for many who in past years did work that is now done by machines.

## American Business Is Complex

Production must be planned to fit the requirements of the consumers. If all consumers would be satisfied with black cars, brown shoes, or blue shirts, merchandising would be simpler. But people react individually, and differ in size and shape and in their tastes. The producer must anticipate the demand for a multitude of sizes, colors, and styles. The retailer must assemble and sell the goods which consumers want at the time and place and in the amounts they require. The commodities must be stored between the time of production and use. They also must be protected by proper packing from the elements of nature and abuses of handling.

In order to perform all these tasks, the persons engaged in business must choose not only the line of activity they wish to pursue, but the method of doing business to accomplish their goals. Each of the four methods of "doing business":

- (1) **INDIVIDUAL OWNERSHIP**
- (2) **PARTNERSHIP**
- (3) **ORDINARY BUSINESS CORPORATION**
- (4) **COOPERATIVE BUSINESS CORPORATION**

has different characteristics, advantages, and disadvantages.

# WHAT IT TAKES TO

## NATURAL RESOURCES



Land



Oil



Coal & Ore

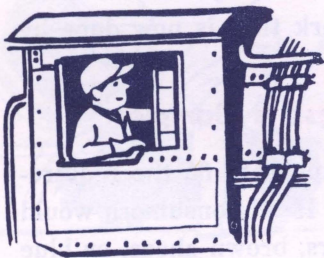


Forest



Water

## LABOR



Railroad Engineer



Electrical Worker



Construction Worker

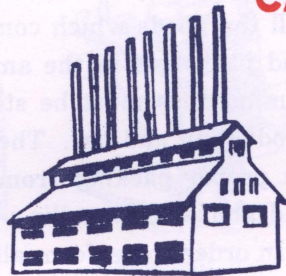


Miner

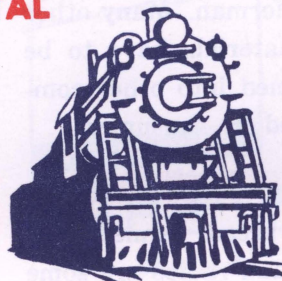
## CAPITAL



Oil Refinery



Factory

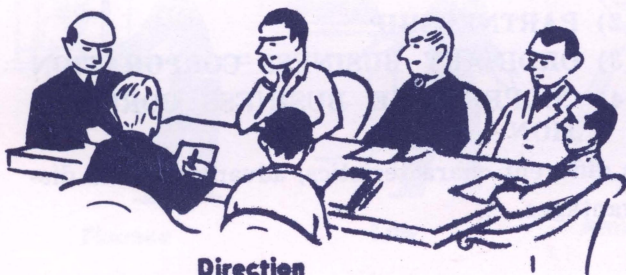


Railroad



Machinery

## MANAGEMENT



Direction



Designing



Research



# MAKE A BUSINESS

Many factors are involved in producing the commodities and services required for everyday living. Most of these can be grouped under four main categories: (1) natural resources, (2) labor, (3) capital, and (4) management. Whatever the product or service, these four factors are bound to be involved in one way or another.

## 1. Natural Resources

The soil provides the basis for all agriculture. The land's surface also provides room for building sites, factories, and residential properties. Natural resources on and under the land surface give rise to such industries as mining and forestry. Resources from the sea and other waterways furnish business with fishery products. Inland waterways produce electric power.

Natural resources—oil, coal, metal ores—may be limited in amount, and cannot be reproduced.

The value of land to a business may differ, depending upon location and on the quality and character of the goods and services it may produce. The quality of land for farming may be changed by irrigation, fertilizing, drainage, and other improved practices. Thus, its productivity may be increased by human labor.

## 2. Labor

The productivity of labor is measured by:

- (a) The number of people working
- (b) The skill of the workers
- (c) Their willingness to work and the rate at which they work
- (d) Their ingenuity
- (e) Their initiative
- (f) The number and kind of machines provided to save time and simplify tasks.
- (g) Income or remuneration

Proper division and specialization of labor contribute to the success of business. Work is divided into separate trades, crafts, and professions. The workers in each class often organize into labor unions to increase their bargaining power in dealing with business.

More complex division of labor results in the splitting up of simple trades into separate tasks, which makes continuous-line production possible. Under this system—practiced, for instance, in automobile manufacturing—each man performs

only one particular task, the work then moving to other workers for succeeding operations. Such an organization of work leads to a certain monotony resulting from the repeated performance of the same operations. Nevertheless, this system contributes to increased production, decreased costs, and a resultant rise in standards of living.

In the use of labor, its specialization by regions is also important. Some regions specialize in certain production or services because of the nearness of raw materials, an abundance of labor, water power, or for other reasons.

## 3. Capital

The accumulated surplus resulting from man's work and effort—tools and machines needed for production of other goods, farms, instruments of the doctor, factory buildings, office equipment, telephones, railroads, etc., are examples of how capital is used in business.

Harbors, railroads, telegraph lines, and similar capital resources are used by numerous business enterprises. Therefore, an accumulation of such capital equipment is of national concern and is important for the smooth operation of the whole system of business.

Not much use can be made of land or its natural resources without capital; and the rendering of services also requires some degree of capital.

## 4. Management

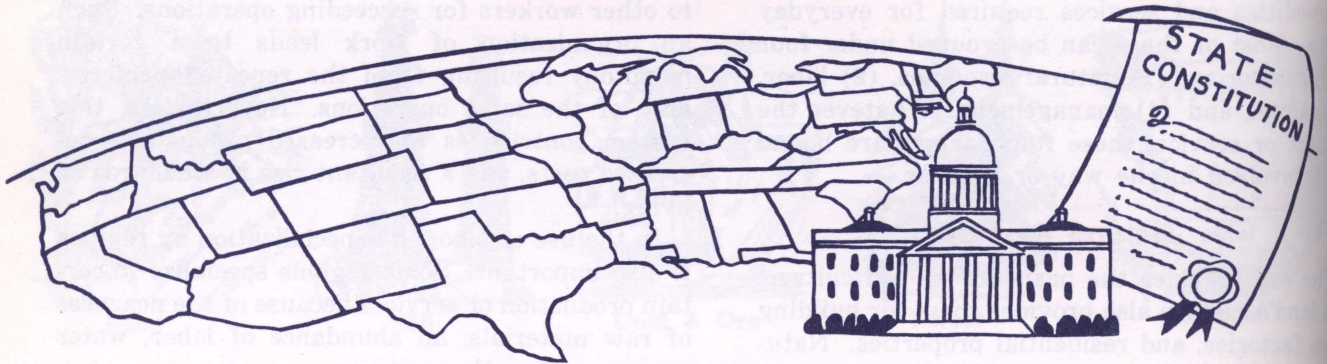
The most valuable land, abundant natural resources, expensive capital equipment, and industrious labor go to waste if there is no organization which provides for their proper and effective use. Without management, even a simple business would be impossible. In the case of large-scale business, engineers and directors, technical advisors and foremen must plan and supervise the work assisted by secretaries, typists, clerks, and other office employees.

The progress of science and research, the introduction of more intricate machines, and the ever-growing complexity of our life, have greatly increased the role of management in business.

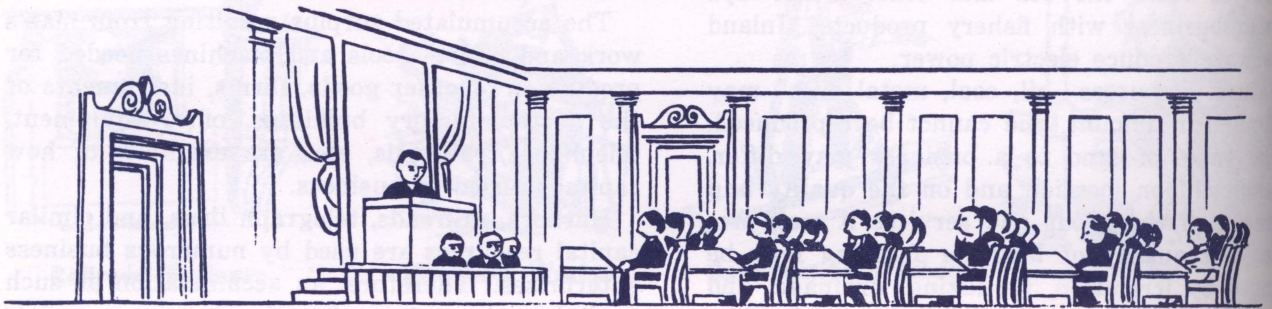
Achievements in the science of management have greatly contributed to the success of American business.

# HOW GOVERNMENT GIVES US THE

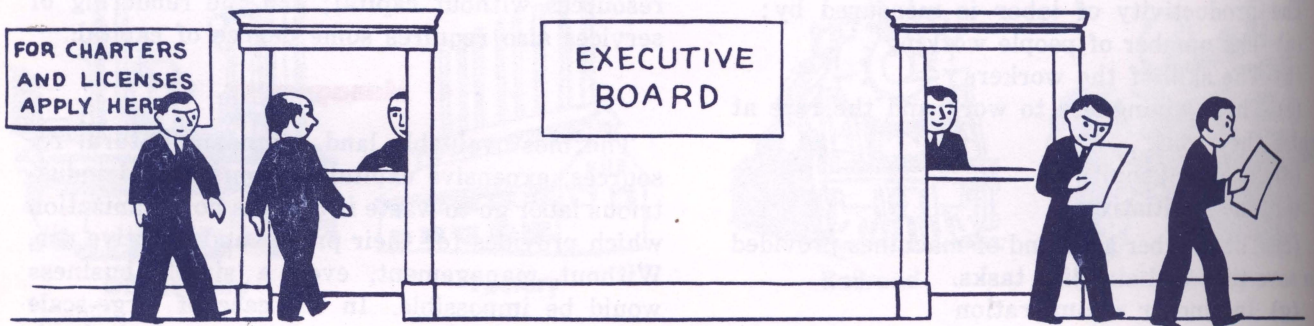
IN EACH OF 48 STATES



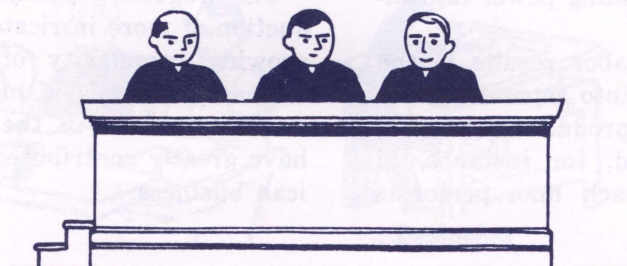
THE STATE LEGISLATURE PASSES LAWS



THE EXECUTIVE BRANCH REGULATES AND LICENSES



THE STATE COURTS DECIDE ON THE LEGALITY



# L RIGHT TO ORGANIZE A BUSINESS

The four major forms of organization which are used in doing business may be understood better if we look first at the way government gives each business a legal existence.

## States Give Us the Right to Organize Corporations

Each state specifies by state law the requirements which must be met before a business is permitted to incorporate. Some states impose more rigid conditions than others. A corporation doing business in several states may select the state in which it prefers to incorporate, and maintain its official office there.

Except in a few unusual cases where special Acts have been enacted by Congress, notably in the case of national banks, the federal government does not give a group the legal right to incorporate. The American Legion, the Boy Scouts of America, and the American Red Cross are among the exceptions where federal charters have been granted.

The right to incorporate a business is legally granted by the state government through the provisions of its constitution and laws passed in accordance with the constitution.

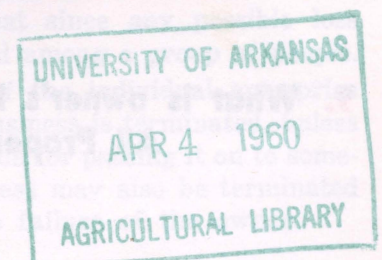
The requirements a business must meet before it can go into operation are to protect other businesses and the consumer against unscrupulous or

dishonest operations and to insure that those seeking incorporation will be responsible for its actions. These requirements are defined in the laws passed by the legislature and are interpreted by the courts of the state. If a decision of a lower court is appealed, it may go to the highest court in the state, or even to the United States Supreme Court. In their decisions, the courts have generally treated the corporation as having the same rights as a real person, although modifications are being made since it is obviously a different kind of being.

## What Is a Corporation?

Legally a corporation is an entity created by law. Some of the characteristics of a corporation are:

- (1) A *charter* granted by the state. This defines and limits the activities and purposes of the corporation. The bylaws usually indicate how the authorized business is to be conducted.
- (2) A *seal* which is officially authorized by the state.
- (3) An *address* which is the officially recognized office through which the corporation can always be reached on official matters, such as court actions.



# THE INDIVIDUAL

1. Who is served?  
The Consumer



2. Who decides policy?  
The Owner



3. Who manages?  
The Owner

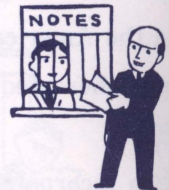


4. How is voting done?  
None Necessary

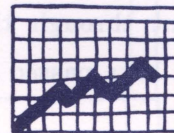
5. Who owns the business?  
The Individual



6. How is the business financed?  
Personal Capital and Loans



7. Returns on invested money?  
Unlimited



8. How may net margins be used?  
As Owner Desires



9. What is owner's liability?  
All Property of Owner



# OWNED BUSINESS

DOING BUSINESS as an individual is the oldest of all forms of business enterprise. Despite the growth of other forms of business organization, the individual enterprise remains very

popular. It is still the most common in this country. The farm and the general store serving small communities are typical examples of this form of business.

1. An individual businessman **SERVES THE PUBLIC** by the production or distribution of goods and services needed by the community. In doing so, he hopes to make a profit for himself.
2. **ONLY THE OWNER DECIDES POLICY.**
3. **ONLY THE OWNER HAS FULL RESPONSIBILITY FOR MANAGEMENT.** However, a manager may be hired to manage the business for a salary or for a share of the profits.
4. **NO VOTING TAKES PLACE** in order to make a decision. But the owner makes his own decisions based on what he thinks is best.
5. **THE INDIVIDUAL IS THE SOLE OWNER OF THE BUSINESS.**
6. **HE, HIMSELF, SUPPLIES THE LARGER PART OF THE ASSETS REQUIRED** to establish his business, although additional sums may be borrowed.
7. **THE OWNER'S RETURNS ON MONEY INVESTED ARE UNLIMITED.** If the business is successful, there is no legal restriction regarding the profits which may be gained.
8. **THE OWNER MAY USE THE NET MARGIN IN ANY WAY HE PLEASURES.**
9. In the event that the business fails, the individual has unlimited responsibility for his business debts and, according to law, **HIS LIABILITY IS ALL HIS PROPERTY** except certain legal exemptions.

## Pros and Cons

As in any other form of business, the individual enterprise has its merits and its disadvantages:

It is a very flexible method which may be employed in almost any field of human activity.

It offers great opportunities for personal initiative and ingenuity.

No special legal formalities are usually required to form an individual enterprise. If the law requires some in certain fields of business, these usually consist of the procurement of a business permit and payment of local license fees.

The individual enterprise offers opportunity for closer personal contact with the customers. It is

used to advantage when a small amount of capital per establishment is required, and a need for personal service to customers is important.

At the same time, it is difficult for an individual enterprise to operate when large capital is required to start or run the business.

Also, the business risk of the individual entrepreneur may be great since any possible loss cannot be apportioned among a group of people.

When the owner of the individual enterprise dies or retires, the business is terminated, unless he has made a provision for passing it on to somebody else. The business may also be terminated through the business failure of the owner.

**1. Who is served?  
The Consumer**



**2. Who decides policy?  
Partners Agree**



**3. Who manages?  
One or Both Partners**



**4. How is voting done?  
Partners Agree**



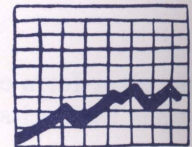
**5. Who owns the business?  
The Partners**



**6. How is the business financed?  
Partners' Capital and Loans**



**7. Returns on invested money?  
Unlimited**



**8. How may net returns be used?  
As Agreed by Partners**



**9. What is owner's liability?  
All Property of Partners**



# PARTNERSHIP

THE ESSENCE of doing business on a partnership basis lies in joint contributions of labor or property or both by the partners, joint control

of the operations, and a division of resulting profits or losses. The partners enter business in order to make a profit for themselves.

- 1. A PARTNERSHIP SERVES THE PUBLIC** by the production or distribution of goods and services needed by the people. Although in some states a partnership agreement must be in writing and filed with a state official, generally this is not required.
- 2. THE PARTNERS THEMSELVES DECIDE THE POLICY** of their business.
- 3. ALL PARTNERS SHARE IN THE MANAGEMENT** and each of them may act on behalf of all. They may agree, however, to delegate responsibility for management to one or several of the partners. Expenses incurred in the conduct of partnership business are borne by the partnership.
- 4. DECISIONS ARE MADE BY A MAJORITY OF VOTES.** Nevertheless, a unanimous consent of all partners is required in order to change the nature of the business. Also, the majority has no right to expel a partner.
- 5. THE PARTNERS ARE JOINT OWNERS OF THE BUSINESS.**
- 6. EACH PARTNER MAY CONTRIBUTE A PORTION OF THE CAPITAL NEEDED.**
- 7. THE PARTNERS' RETURNS ON CAPITAL INVESTED ARE UNLIMITED.** If the business operates with success, there is nothing in theory which limits the profits which may be gained.
- 8. THE PROFITS ARE DIVIDED IN ACCORDANCE WITH THE AGREEMENT MADE**—most commonly in proportion to the capital invested or work done.
- 9.** In the event that the business fails and its assets are insufficient to pay debts, **ALL PARTNERS ARE PERSONALLY LIABLE TO THE EXTENT OF ALL THEIR PROPERTY** (except legal exemptions) for the full amount of the partnership's debts, irrespective of the contributions originally made. The law also allows "limited partnership" under which liability is placed upon the managing partner, while "silent partners" are liable generally only to the extent of money invested by each of them.

## Pros and Cons

Partnership is an advantageous method of doing business when partners have insufficient capital or skill to operate individually, and labor is performed largely by the partners themselves. Also, it is more cheaply and speedily set up than a corporation and it is a suitable method in those fields of business where corporate organization is not authorized by law.

On the other hand, if there are too many partners, a partnership may turn into a rather

unwieldy enterprise. A partnership requires good teamwork, and it must be reorganized when one partner withdraws. Also, it may hardly serve the purpose when great concentration of capital is required.

Partnership ceases with the expiration of the agreed term, or when one of the partners withdraws or dies. In the latter case, new partners sometimes are invited in to secure continuity of the firm from generation to generation.

# THE ORDINARY

**1. Who is served?**  
**The Consumer**



**2. Who decides policy?**  
**Board of Directors**



**3. Who manages?**  
**Officers and Their Assistants**

- PRESIDENT
- VICE PRESIDENT
- SECRETARY
- TREASURER
- ETC.

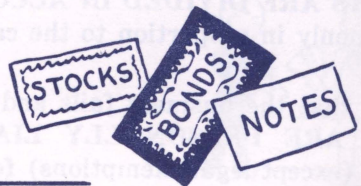
**4. How is voting done?**  
**Each Shareholder has One Vote for Each Share**



**5. Who owns the business?**  
**The Stockholders**



**6. How is business financed?**  
**Stocks, Bonds and Loans**



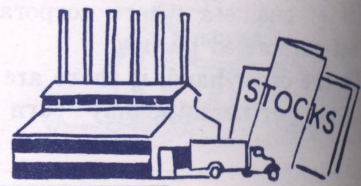
**7. Returns on invested money?**  
**Unlimited**



**8. How may net margins be used?**  
**Dividends, Reserves, Surplus**



**9. What is owners' liability?**  
**Limited to Assets of Corporation**





# BUSINESS CORPORATION

A UNIQUE feature of the corporation is that it is treated by the law as a "legal person" as distinct from its constituent human members. Another characteristic of a corporation is that

it may exist continually, notwithstanding the death or withdrawal of its owners. The primary purpose of a business corporation is to make a profit for its owners.

- 1. A CORPORATION SERVES THE PEOPLE** — generally non-owner customers — by providing goods and services which they need or desire.
- 2. CORPORATION POLICY IS DECIDED BY THE BOARD OF DIRECTORS** elected at the annual meetings of stockholders. Since a corporation is only a "legal person" and not a living one, it can act only through directors elected by its members.

The board's policy must be in harmony with the specific duties and rights conferred upon the corporation by the state in the form of its "charter." Obtained upon application of the incorporators, the charter indicates the nature of the corporation's business, its name, address, its right to have a seal, issue stocks, and so on. Each state has a law of its own prescribing the procedure for forming corporations.

- 3. THE BUSINESS OF THE CORPORATION IS MANAGED BY ITS PRESIDENT, SECRETARY, TREASURER, AND OTHER OFFICERS** employed by the board of directors to carry out its decisions. The judgment of the management is not subject to control by stockholders. The latter exercise their control only through annual meetings and through the directors whom they elect to represent them.
- 4. EACH STOCKHOLDER HAS AS MANY VOTES AS THE NUMBER OF VOTING SHARES OF STOCK HE OWNS.** Voting "by proxy"—that is, through agents named by the stockholders—is permitted.
- 5. THE STOCKHOLDERS ARE THE OWNERS OF THE CORPORATION.**
- 6. THE STOCKHOLDERS SUPPLY THE CAPITAL NEEDED** by subscribing for the corporation's stock divided into shares. These shares are sold by the corporation at a particular price. They may then be sold and bought by individual shareholders at will.
- 7. THE RETURNS ON CAPITAL INVESTED BY SHAREHOLDERS IN COMMON STOCK ARE NOT LIMITED.** From the profits made by the corporation, the board of directors declares "dividends" on shares.
- 8. DIVIDENDS ARE PAID TO STOCKHOLDERS IN PROPORTION TO THE NUMBER OF SHARES HELD BY EACH.** A proportion of the net margin usually remains with the corporation and is used for reserve funds, the extension of the business, and other corporate purposes.
- 9. THE CORPORATION, IF IT FAILS, IS LIABLE FOR DEBTS** to the extent of all its assets, while each stockholder cannot lose more than the amount invested in his shares.

## Pros and Cons

Corporations are a very effective method of doing business since they meet the need for bringing great accumulations of capital under a single control. At present, more business is carried on through corporations in this country than by all other forms of enterprise together. The corporate form of business is especially suitable when large operations are of primary importance and, at the same time, the entrepreneurs wish to avoid unlimited personal liability.

A large corporation makes possible complete

separation of ownership and control when the shareholders do not care to participate in the corporation's activity, or when the stock is so scattered that the stockholder's position as a "partner" becomes rather illusory. In this situation, the right of the individual stockholder to vote ceases to be a method of factual control, since the small stockholder seldom takes advantage of his opportunity to vote, and the managerial group, or a small group of organized shareholders, may get control of corporation.

# THE COOPERATIVE

- 1. Who is served?**  
The Members



- 2. Who decides policy?**  
Board of Directors



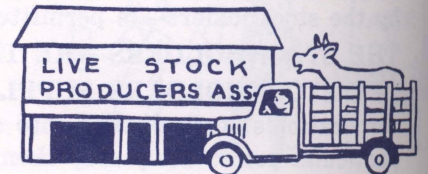
- 3. Who manages?**  
General Manager and Staff



- 4. How is voting done?**  
Members (usually one vote each)



- 5. Who owns the business?**  
The Members and Patrons



- 6. How is the business financed?**  
Members' Capital and Borrowing from Banks and Individuals



- 7. Returns on invested money?**  
Usually 4%-6%  
(normal interest rate)



- 8. How may net margins be used?**  
After Payment of Nominal Dividends on Stock, the Balance is Allocated to Patrons According to Amount of Patronage. Reserves and Surplus Same as Ordinary Corporation

- 9. What is owner's liability?**  
Limited to His Investment in Cooperative



# BUSINESS CORPORATION

THE COOPERATIVE, as a business corporation, is a "legal person" distinct from its members and continues to exist notwithstanding their individual deaths or withdrawal. In contrast to the ordinary corporation, the cooperative serves only as an agent for its members. The members of a

cooperative serve themselves. They are both the owners and users of the service, and a contractual arrangement requires all margins above the cost of operation to be returned to the members in the same proportion as their business with the cooperative.

- 1. COOPERATIVES SERVE THEIR MEMBERS.** Farmer marketing and purchasing cooperatives act as selling or buying agencies, respectively, for the farmers who operate their farms individually. Consumer cooperatives are organized to buy for and distribute goods to individual members and to improve their bargaining position as consumers. Cooperatives may also be organized to produce various commodities, or to provide various services for members such as credit, insurance, and health services.
- 2. IN COOPERATIVES, BASIC POLICY QUESTIONS ARE DECIDED AT GENERAL MEETINGS OF MEMBERS,** who also elect the board of directors.
- 3. THE BOARD OF DIRECTORS IS RESPONSIBLE FOR EFFICIENT MANAGEMENT** and employs necessary personnel to carry out adopted policies.
- 4. EACH MEMBER HAS ONE VOTE** in meetings of the members, irrespective of the number of shares of stock he owns. This is common practice, though not universally followed. The rule aims to emphasize the importance of personal participation in the affairs of the organization, rather than the member's financial contribution.
- 5. IN COOPERATIVES, THE MEMBER-PATRONS ARE THE SOLE OWNERS OF THEIR BUSINESS** unless non-voting Preferred Stock has been sold.
- 6. THE MEMBER-PATRONS SUPPLY NEEDED CAPITAL** by purchasing shares of capital stock or other equities and/or paying membership fees. Part of the money needed may also be borrowed from members or from others. Purchasing cooperatives usually encourage cash trading. In transactions with members, underpayments are made for member products marketed, over-charges are made for goods and services purchased. This is done in order to cover unforeseeable operating expenses, including interest costs. The balance then is credited to the patrons to whom it belongs.
- 7. COOPERATIVES PAY FIXED INTEREST—LIMITED BY STATUTE AND PRACTICE—ON THE CAPITAL PROVIDED BY MEMBERS.**
- 8. THE REST OF THE NET MARGIN IS RETURNED TO MEMBERS IN THE FORM OF PATRONAGE REFUNDS** paid in proportion to the amount of business transacted by each member through the cooperative.
- 9. LIABILITY OF MEMBERS IS LIMITED TO THE ASSETS OF THE COOPERATIVE** and no member can lose more than he furnished to the cooperative, in case it fails.

## Pros and Cons

As voluntary organizations open to everybody, irrespective of race, nationality, or religion, and accessible even to people with small incomes, cooperatives are part of the American tradition. By pooling the efforts and funds of members, and without interfering with their individual businesses, cooperatives help them to solve problems better than they could by acting individually.

Cooperatives provide a means whereby the small storekeeper, dealer or producer may pool

his purchases or sales with others in similar enterprises so as to compete with or gain the efficiency of chain store or multiple operations.

The less-centralized control of the cooperative method of doing business tends to result in slowness in action when new economic conditions must be met. Cooperatives progress slowly, and only where their services are needed, efficiently operated, and understood by the members.

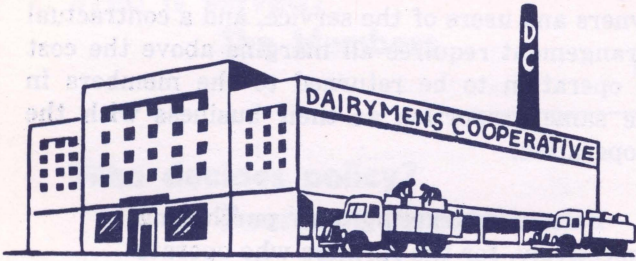
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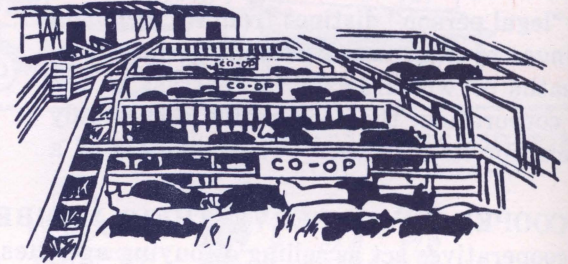
AGRICULTURAL LIBRARY

# WAYS MEMBERS SERVE THEMSELVES

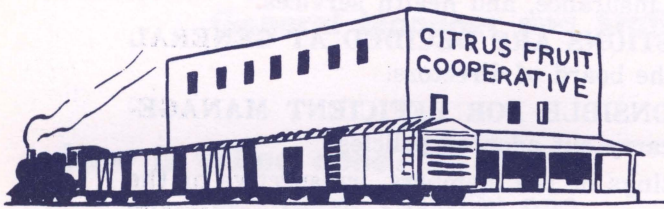
## PRODUCERS MARKET THEIR PRODUCTS —



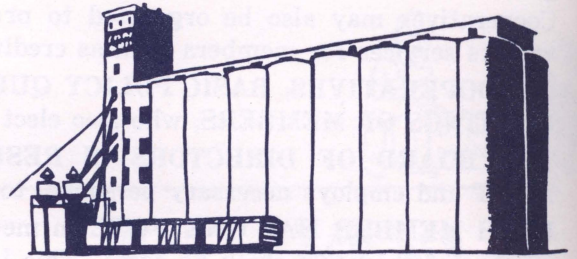
Dairy Products



Livestock



Fruit

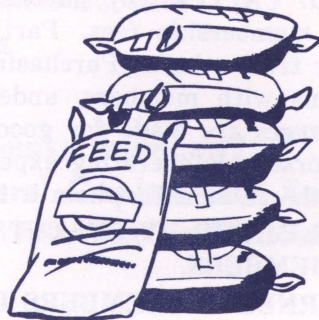


Grains

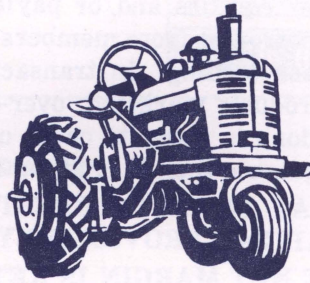
## PRODUCERS PURCHASE PRODUCTION SUPPLIES



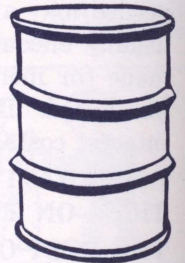
Fertilizers



Stock Feed



Farm Machinery



Tractor Fuel

## CONSUMERS OBTAIN GOODS AND SERVICES



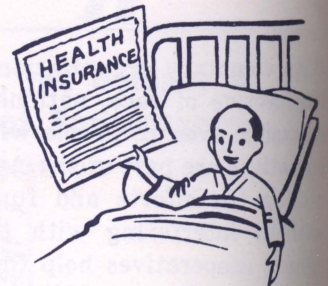
Electricity



Credit Union



Food



Health Service

# THROUGH COOPERATIVE CORPORATIONS

The cooperative method of doing business may be used to serve a great variety of needs:

## 1. Agricultural Marketing Associations

Marketing cooperatives are organized for the collective marketing of members' produce. Depending upon the nature of this produce, they may engage in the cooperative marketing of cotton, dairy products, fruits and vegetables, grain, dry beans, rice, livestock, nuts, poultry products, tobacco, wool, and others.

Such marketing cooperatives range in size from small local organizations to powerful centralized groups which have sales representatives in numerous markets and handle considerable portions of the respective agricultural produce. Many marketing cooperatives engage in processing of commodities produced by the members. Some engage in freezing and canning, butter-making, and other forms of processing. Many have developed great volume and strength in this country.

## 2. Farmer Purchasing Cooperatives

The cooperative method of doing business may also be used by producers in buying supplies needed for production. In the case of agriculture, such purchasing cooperatives may specialize in handling fertilizers, seed, dairy and poultry feed, machinery, petroleum products, and other items needed on the farm.

## 3. Consumer Cooperatives

Similar functions are performed by consumer cooperatives through which members arrange for the purchase and distribution of food, groceries, household supplies and general merchandise for themselves.

Both farmer purchasing cooperatives and consumer cooperatives may engage in *wholesale* and *retail* operations. Wholesale cooperatives often unite in *city-wide*, *regional*, and *national* associations. Such COOPERATIVE FEDERATIONS may supply member cooperatives with centralized services, such as auditing, advice on merchandise methods, and educational literature.

## 4. Credit Unions

Numerous other cooperatives specialize in rendering various types of service to their members. Typical of these are credit unions found in almost every city. Through the pooling of members'

savings in credit unions, members are able to borrow small sums at lower rates and on better terms than those required by commercial banks. Such loans are restricted to members only.

In order to insure the safety of loans made, it is essential that the members know one another and thus be able to judge the trustworthiness of those who apply for loans. For this reason, it is usually required by law that credit unions be formed among persons having a common bond of employment, religious faith, or other association.

## 5. Cooperative Housing Associations

Housing cooperatives, through joint effort, make apartments or houses available at less cost to members who would otherwise not be able to afford them. Sometimes the cooperative housing associations obtain savings for a group of house-builders by providing the service of a single architect and contractor, and by making bulk purchases of material and equipment.

## 6. Cooperative Health Associations

Health associations employ one or more doctors and provide medical care for members at regular monthly rates. They also arrange for periodic medical examinations of all members, promote preventive medicine and group health practices, and, when sufficiently strong financially, run their own hospitals for members.

## 7. Other Types of Cooperatives

Many rural communities and approximately half of the farmers in the United States purchase their electric light and power through their own cooperatives.

More than half of the fire insurance and life insurance written in the United States is in mutual companies that are similar to cooperatives.

The newspapers of the United States operate a world-wide news-gathering cooperative known as the Associated Press.

Thousands of independently-owned grocery stores, jewelry stores, hardware stores, drug stores, and small businesses of nearly every type pool their purchases through a wholesale buying agency, operate jointly an insurance program, a retail credit bureau, delivery service, or other type of activity on a cooperative basis.

# DIFFERENT KINDS WORK TOGETHER

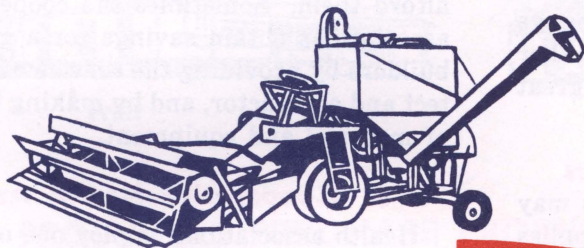
ORGANIZATIONS SUPPLY THE  
FARMERS' PRODUCTION NEEDS

SO HE CAN  
PRODUCE

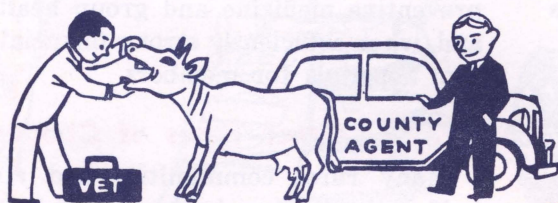
MINES, OIL WELLS, FACTORIES, ETC.



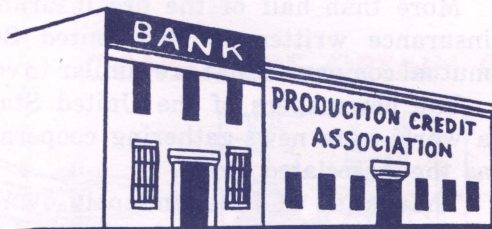
SUPPLIES



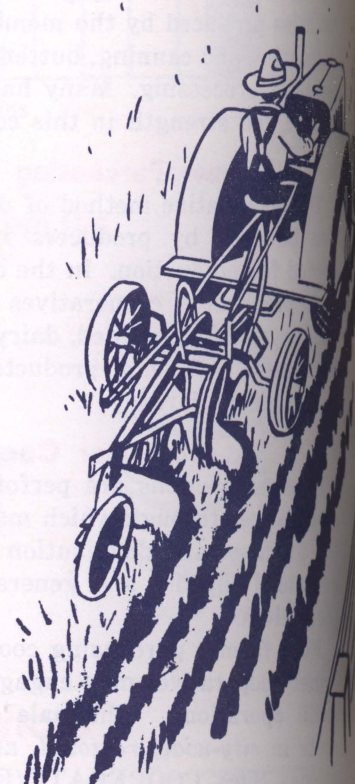
EQUIPMENT



SERVICES



CAPITAL



THE FAMILY-TYPE FARM

The average farmer operates his farm as an Individual Enterprise — To do and services to,

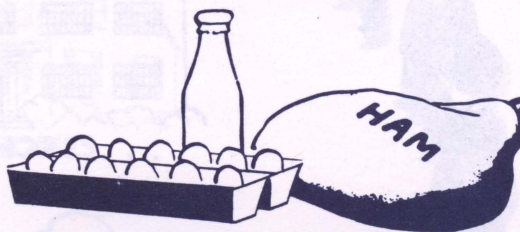
# BUSINESS ORGANIZATIONS THE AMERICAN SYSTEM

FOOD AND  
FIBER

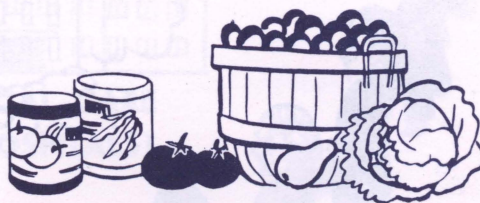
ORGANIZATIONS PROCESS AND  
DISTRIBUTE HIS PRODUCTS TO CONSUMER



BREAD AND CEREALS



MEAT AND DAIRY PRODUCTS



FRUITS AND VEGETABLES

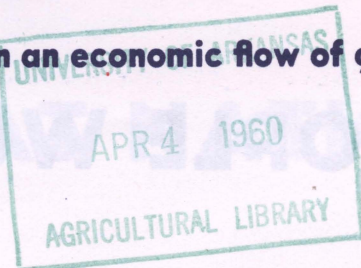


FIBER

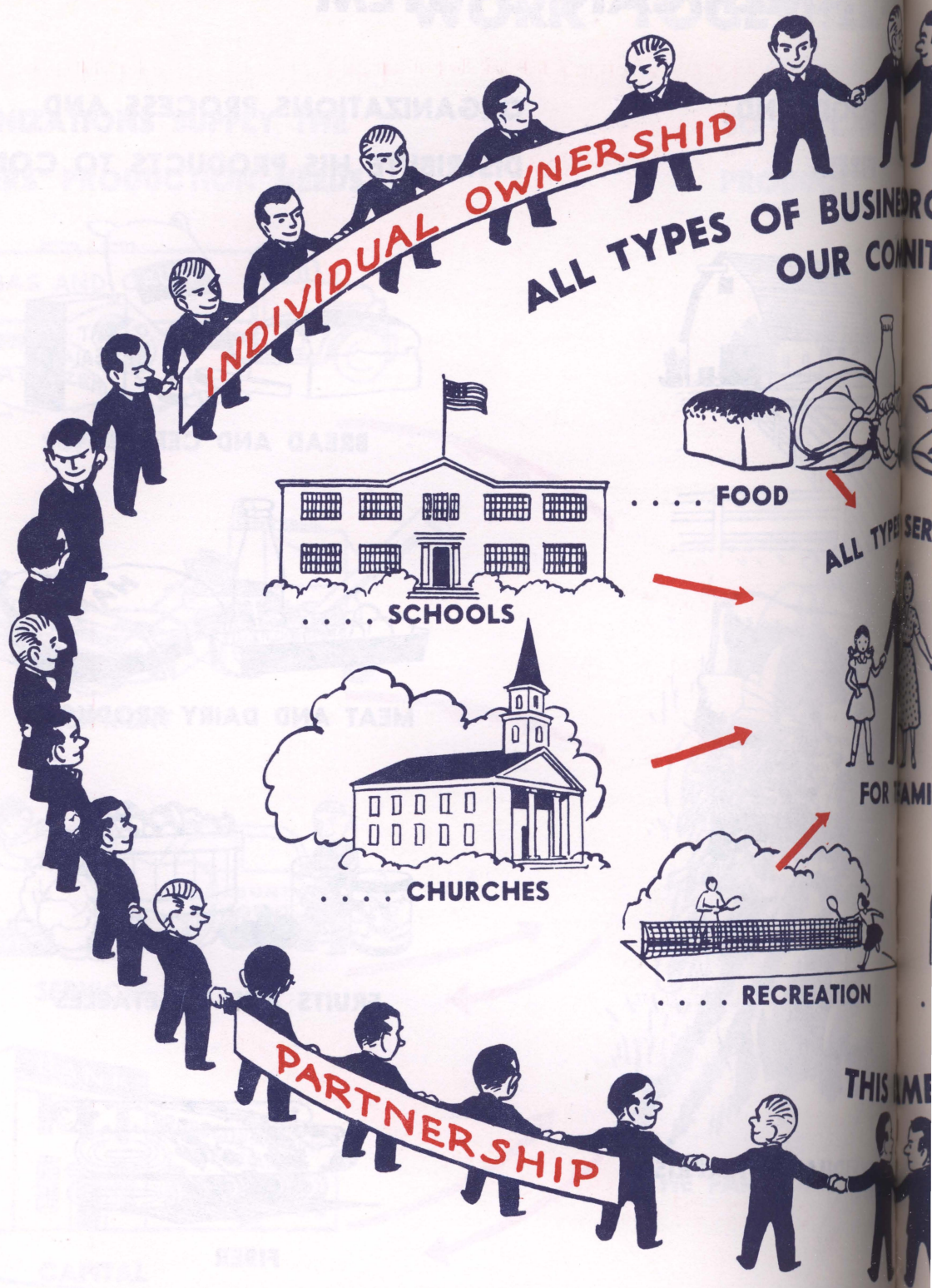
THE AMERICAN FAMILY

AN INDIVIDUAL ENTERPRISE

Successfully, he often cooperates with others to maintain an economic flow of goods and products from his farm.



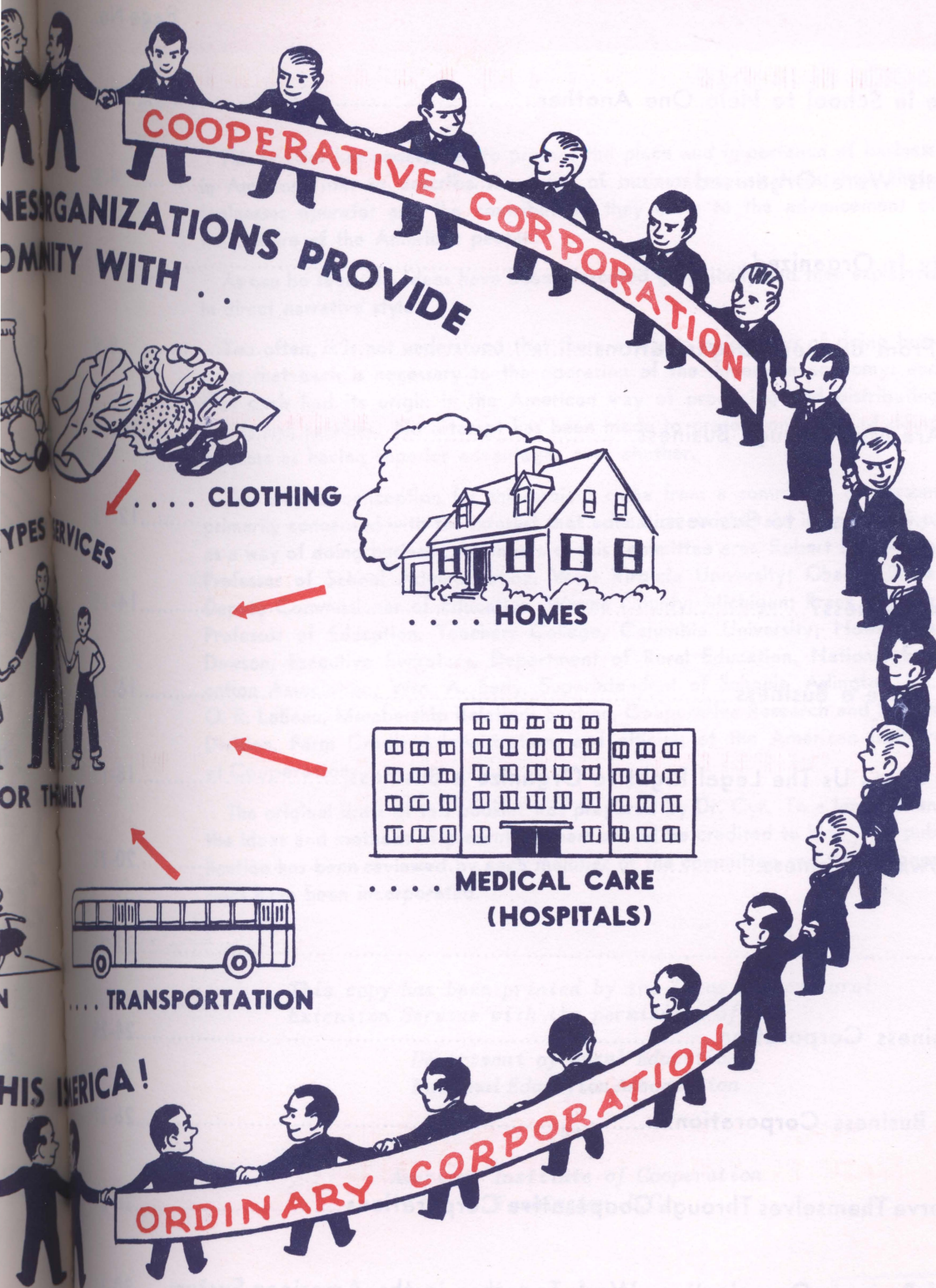
# THE AMERICAN PRIVATE



PEOPLE WORKING TOGETHER RE



# ENTERPRISE SYSTEM



ER-SOURCES = A GREAT NATION!

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This booklet has undertaken to present the place and importance of business in American life; to describe the types of business organizations; how these businesses operate; and the contributions they make to the advancement of the welfare of the American people.

As can be seen, the ideas have been presented graphically and then explained in direct narrative style.

Too often, it is not understood that there are four major ways of doing business; that each is necessary to the operation of the American economy; and that each had its origin in the American way of producing and distributing goods and services. No attempt has been made to present one type of doing business as having superior advantages over another.

The original conception for this project came from a committee of persons primarily concerned with the interest that education should take in cooperatives as a way of doing business. Members of this committee are: Robert D. Baldwin, Professor of School Administration, West Virginia University; Charles Brake, Deputy Commissioner of Education, Wayne County, Michigan; Frank W. Cyr, Professor of Education, Teachers College, Columbia University; Howard A. Dawson, Executive Secretary, Department of Rural Education, National Education Association; Wm. A. Early, Superintendent of Schools, Arlington, Va.; O. R. LeBeau, Membership Relations Section, Cooperative Research and Service Division, Farm Credit Administration; and officials of the American Institute of Cooperation.

The original draft of this booklet was prepared by Dr. Cyr. To a large extent the ideas and methods of presenting them should be credited to him. This publication has been reviewed by each member of the committee and their suggestions have been incorporated.

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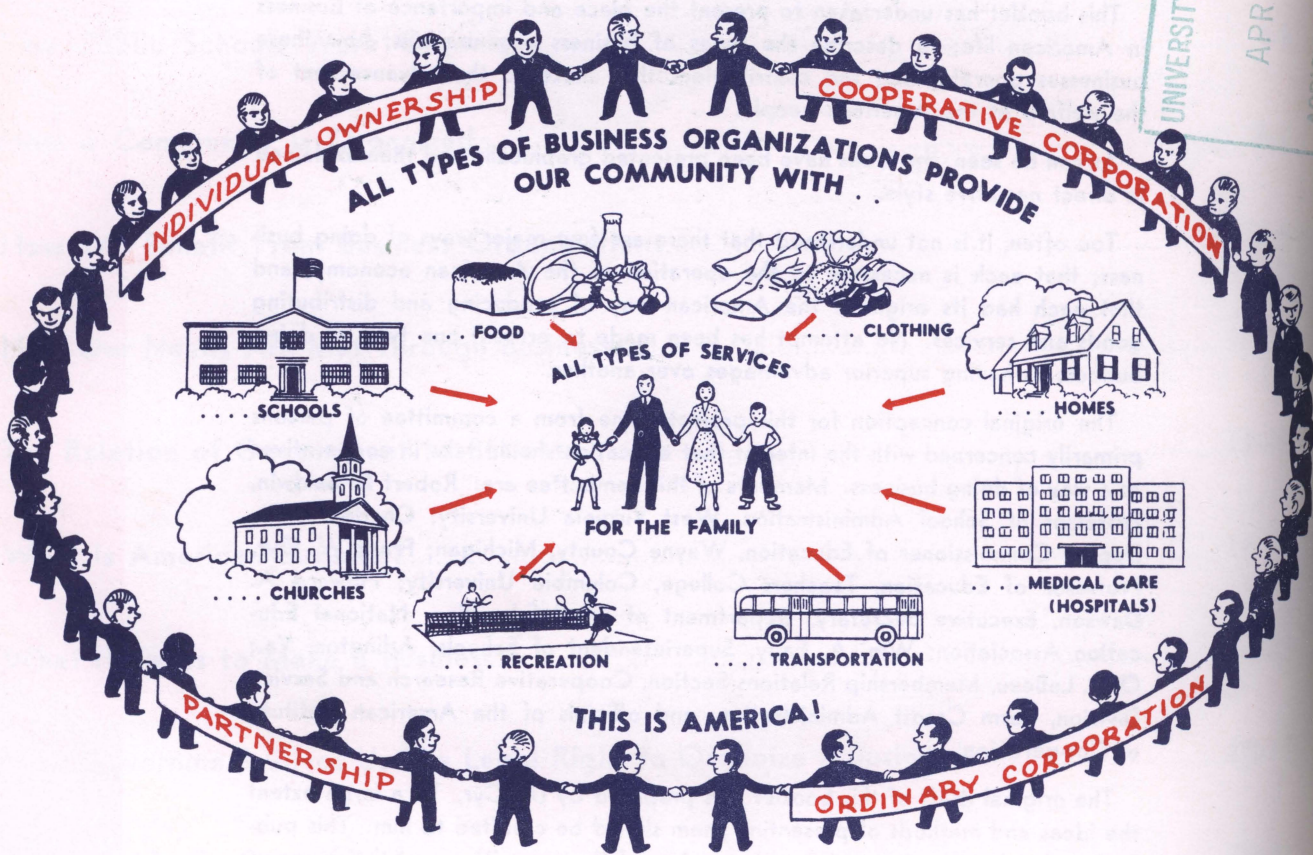
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# THE AMERICAN PRIVATE ENTERPRISE SYSTEM



## PEOPLE WORKING TOGETHER + RESOURCES = A GREAT NATION!

The American private enterprise system, though not perfect, is the best system yet devised by man to provide himself with goods and services.

It offers more opportunity to more people and has permitted a higher standard of living than any other in the world.

Cooperative Extension Work in Agriculture and Home Economics, the Texas A. and M. College System and United States Department of Agriculture Cooperating. Distributed in furtherance of the Acts of Congress of May 8, 1914, as amended, and June 30, 1914.