

# FREE RIDING OR TRUST? WHY MEMBERS (DO NOT) MONITOR THEIR COOPERATIVES

by

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## Abstract

It is often observed that members have little interest in monitoring their cooperatives. One explanation is that the members are free riders, hoping that others will perform the task. Another explanation is that the weak member interest is a consequence of members having trust in the leadership. These competing explanations refer to the theory of collective action and the social capital paradigm, respectively, and may be linked to the classical *Gesellschaft* and *Gemeinschaft* concepts. Hence, one may expect free-rider behavior when conditions of *Gesellschaft* exist and trustful behavior when *Gemeinschaft* conditions rule. These propositions get support from five previous studies of members' readership of the annual reports of their cooperative. In large and heterogeneous memberships there is free-riding behavior, which explains the members' low interest in governing their cooperatives. To a limited extent a membership may have a subset of members who trust the leadership so they do not read the annual reports.

**Keywords:** free riding, trust, *Gemeinschaft*, *Gesellschaft*, cooperative