



# BEYOND CAPITALISM

Building Democratic Alternatives for Today and the Future

Edited by Jeff Shantz and José Brendan Macdonald



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and the Future

**EDITED BY**  
**JEFF SHANTZ AND**  
**JOSÉ BRENDAN MACDONALD**

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*To the memory of Gilda de Vasconcelos Macdonald,  
loving and faithful companion for many memorable years.*

*For Jailson and Talita, hoping they will live in a far  
better world than today's.*

**J. B. Macdonald**

*To Molly and Saoirse Shantz. For a future beyond capitalism.*

**J. Shantz**



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# FOREWORD

## Beyond Capitalism: From Here to There

At the turn of the millennium the peoples of the world have witnessed the pangs of discontent. In 1999 the pacific protesters who supported an alternative globalization confronted police brutality in Seattle. In the following years the same would be repeated in Genoa, Copenhagen, and elsewhere. The defense of Pacha Mama or Mother Earth is no real matter of concern for today's elite. Certainly an equitable brand of globalization isn't either. And in 2008 the orgies of the deregulation of finance imposed what is and will be a long crisis with tremendous destructive power. Poverty is hitting the advanced capitalist countries as never since the depression of the 1930s. We are witnessing the worst crisis of the capitalist system, indeed a crisis warned against for some time by independent economists. And the peoples of those countries are paying for the mistakes which they themselves have not caused. Not unsurprisingly a scent of discontent against that and widespread unemployment and poverty emerges in the air in many countries: the so-called Arab Spring, the Indignant movement in Spain, the anti-Wall Street movement in the United States, and so on.

But alas not all is despair. As the new millennium was born, the first World Social Forum in Porto Alegre, Brazil occurred. Thousands of people from all continents were present to debate new prospects for the economy and society. "Another world is possible" then became the motto and came to stay. Thereafter, in Porto Alegre and elsewhere, in both world and regional social forums, the event has been repeated and has grown in perspective. Not only is a loss of faith in capitalism manifested but above all else new ways of dealing with the problems of our time, especially when related to the economy, are pondered.

Considering new ways of running society, suggesting the organization of the economy in a postcapitalist society, obviously involves problems. It is never easy to speak of a conceivable future, of a utopia in the etymological sense (no place) of the term for it, as a whole at least, is still out of sight. However, speaking of utopia is easier—or, to put it more cautiously,



less difficult—than speaking of the crossing, that is, the transition to a new type of society. Nobody knows how or when such a challenging and difficult undertaking will be successful. Indeed, one cannot even foresee *whether* it will occur. Thus, a revolutionary faith and hope are necessary for the lack of the same would mean the successful persistence of the status quo. Such a sin of omission cannot be afforded vis-à-vis an increasingly barbarian world.

Indeed another society is already being built, whether at a national level in some very rare or infrequent cases such as that of Venezuela or through neighborhood and workplace organizing projects in countless countries all over the globe. These quests for change, these experiments which can be seen as both cause and effect of theories on the matter, have not thus far gained full momentum. That is why we here speak of alternatives for today and the future. It is quite possible that, albeit thus far in only partial or incomplete terms, the future has already begun. That is what, more frequently implicitly than explicitly, the 12 chapters of this book provocatively suggest.

## Neoliberal capitalism

Despite spectacular failures (most recently the financial crisis of 2008 to present) neoliberalism continues to dominate the policy visions and commitments of global decision-making elites. Within projects of neoliberal capitalism most people are in need of liberation from their socioeconomic circumstances. Neoliberalism creates an increasingly polarized and impoverished society. This includes economic inequalities within countries as well as the oppression of poorer countries and the poor globally.

Neoliberalism includes the domination globally of financial markets, investment, and speculation over traditional production economies (as under industrialism or secondary sector dominance). The domination of financial markets is enacted partly through neoliberal social policies that subordinate poor people and poorer economies to the priorities of capitalist markets and trade. There is also concern over the neoliberal constitution of subjectivity—the creation of neoliberal subjects for whom neoliberalism is regarded simply as a “way of life,” the only possible world, as it has been recently put, or, to use Margaret Thatcher’s slogan propagated a few decades ago, “TINA—there is no alternative.” The production of neoliberal subjects is a key aspect of contemporary struggles over dispossession and exploitation.

For many commentators, 1989 and 2001 provide key dates in the periodization of the symbolic history of neoliberalism. The year 1989 signaled, of course, the collapse of the Soviet regimes as well as the final years in office of Reagan and Thatcher, whose mythologies of the renaissance of the

United States and Britain as the “rightful” world powers provided impetus for the rule of “free market values” and the demise of social welfare (and social movements). Notably, the collapse of distinctions between Left and Right, and the loss of belief in possibilities of revolutionary transformation, became widely entrenched after the collapse of the Soviet forms of “communism” after 1989. The other symbolic date is 9–11, 2001. This moment has served as the mobilizing myth behind the recent nationalist and expansionist drives to war and occupation and the US pursuit of global geopolitical domination.

The Reagan-Thatcher project was a response to the decline of the period of postwar economic growth, the so-called golden years or the glorious 30 years (roughly 1945–75) when social democratic Keynesian ideas on the economy were practiced in the global North after which economic liberalism was resuscitated (hence the term *neoliberalism*) with a vengeance. The neoliberal ideology, that was part of a broader structural adjustment project, offered several diagnoses for the collapse of the postwar boom—all of which were viewed as systemic. The pillars of neoliberal mythology involved attempts to overcome the supposed imposition of market rigidities, always attributed to the purported power or interference of labor unions, government regulation, “unfair” tax burdens on entrepreneurs who were presented as the real engines of the economy, and the excessive costs (in capital’s view) of welfare systems that had among their imagined faults the creation of a “culture of poverty” which removed incentives for the working class to accept work in lower paying jobs, with little or no security. Indeed, these were the very work conditions sought by the budding entrepreneurs with their service sector economies. These pillars all remain as part of current political and economic discourses, even if some of the rough edges have been smoothed down (such as the most virulent attacks on single moms under popular Reagan and Bush discourses).

The task for neoliberal governments has been, and continues to be, the removal of the supposed market rigidities, government regulations, and interventions in social welfare. Governments are said to exist to create or expand markets and protect property (militarily as well as judicially), especially from movements of the working classes and poor. Nothing more. The catchwords are deregulation and privatization. Notions of equality are reduced to an “equality of opportunity” that refuses even minimal efforts toward any actual redistribution of income (unless it goes from poor to wealthy).

In fact, despite the claims of neoliberal mythologizing, neoliberalism has actually been effected through what might be called more appropriately a “Military Keynesianism.” While claiming to desire “less government” or “smaller government,” ruling parties from Reagan through Obama and Thatcher through Cameron have massively grown the military and police functions of the state, at enormous cost, operating staggering deficits and

running up record debts (as did the Reagan administrations, despite recent Republican revisionism). Neoliberal governments also, despite the mythology, have worked to centralize government, reaching the heights of executive exercise of authority as practiced under Bush the Younger. In addition, despite the antiwelfare bootstrapping rhetoric of successive administrations, neoliberal governments have also increased tax cuts, public grants, and interest free loans to corporations. What some term “corporate welfare,” these polices have effected a massive transfer of wealth upward from poor to rich. Never mind the usual complaints about wealth redistribution offered by neoliberal parties.

The political outcome of neoliberalism has been the reduction of political action to the spectacle of mass media panics, poll chasing, and public relations focus group driven “issues management.” In the North, a range of moral panics (typically centered around the poor and working classes) have been, and continue to be, regularly deployed to excite the electorate. So-called terrorists and “illegal” migrants have formed some of the most popular recent manifestations. Homeless people, “squeegee youth,” and “riot girls” (punk influenced feminist activists) posed some of the earlier examples. The hegemony of neoliberalism among parties of both Left and Right constructs politics as a matter of “positioning conformist citizens in front of the market.”

Under such conditions, politics lost much meaning and distinctions between Left and Right, in mainstream party politics, dissolved in the electorally strategic, and highly profitable, pursuit of the marketable “centrist” position. Politics has been evacuated under economic managerialism and the forever-deferred promise of trickle-down economics according to which increases in wealth for the rich will, over time, filter down somehow to the poor. This approach, of course, has actually increased wealth even more for the already rich while devastating the poor and their communities.

Notably, the purportedly alternative politics of Clinton and Blair, supposed liberals, actually served to consolidate and extend the Reagan-Thatcher projects making them more palatable (at least initially) to working-class voters. Many disappointed liberals and social democrats are beginning to realize that Obama represents a similar “alternative” politics (or Trojan horse neoliberal).

The current period requires nothing less than a proliferation of new democratic projects. As Kenneth Surin argues in his *Freedom Not Yet: Liberation and the New World Order*, “What is desperately needed today, therefore, is a new sociopolitical settlement, at once practical and theoretical, that will reclaim the political for the project of a democracy that will place the interests of the dispossessed at its heart” (2009: 11). Overall this new democracy is possible only as a project of liberation from the dispossession and exploitation that are at the center of capitalist structures of domination and power.

## Renewing resistance: The historic year 2011 and beyond

If 1989 and 2001 represent symbolic markers in the periodization of recent struggles, at least as far as the ruling class counterrevolutions are concerned, it can also be said that 2011 will stand as a signature moment in social history—this time on the side of resistance. The uprisings and mass mobilizations of 2011, from the Arab Spring to Occupy, suggest a renewal of resistance and social struggles that had been in some ways obscured after 2001.

On December 17, 2010 a young Tunisian college graduate who was obliged to make a living as a street vendor in order to survive was mistreated and humiliated by the police. Whether he was bearing in mind the historic antecedent or not, the young man repeated a gesture practiced by Vietnamese bonzos as a protest against the occupation of their country by American troops four decades earlier, and, setting his body on fire, offered himself as a holocaust.

Why did this gesture touch all Tunisia and the entire Arab world and inflame the latter, indeed to the extent that that is happening to this very day? Well, in the Arab world and indeed in the world at large, unemployment has been increasing frightfully, especially for the young as they can barely get into the labor market. Furthermore in many poor countries the prices of food have increased beyond the capacity the public has to pay. Many Arab, European, and American youths as well as youths from other countries have been waiting for jobs for years without being able to make it.

All that was propitious for commencing the “Arab Spring.” Democracy, even that highly limited bourgeois democracy or liberal democracy as its pundits call it, has not prevailed in the Arab world. For this reason and others, Arabs are considered backward in the West when in reality it’s all been a question of a conglomeration of dictatorships and absolutist monarchies patronized by the West itself for decades. Thanks to the linguistic unity of the Arab world from Morocco to Iraq and also to internet, the whole Arab world was inflamed to revolt: revolt against the high prices for food, revolt against unemployment, revolt against authoritarianism.

Some dictators fall but the vacuum is filled in by partisans of the status quo. That is notorious in the case of Egypt, a country with 80 million inhabitants. Dictator Mubarak lost power. But the military junta, his own child and holding strong ties with multinational enterprises, took the reins of the country into its own hands. The junta has surreptitiously encouraged discord among Muslim activists (not all of whom are religious) and the Coptic Christian minority. But the young activists insist that both Christians and Muslims are Egyptians. Tahrir Square in Cairo is frequently

occupied by tens of thousands of demonstrators. The police have even used a new poison gas imported from the United States and threw it against many activists. And they threw the bodies of many fatal victims along the more distant sides of the Square. But the struggle goes on.

Through various new media, the longing demands made by Arab youth spread to Spain's youth by contagion. In Madrid, Barcelona, and other cities a new movement is gradually formed. They have christened themselves the Indignados—the Indignant. In England the youth from the slums, discriminated against by the police sometimes quite brutally, are also rebelling. They know they are condemned to grow without ever conquering a job amidst governments which call for cuts from social spending by the national budget.

Finally in the heart of the Empire the Occupy Wall Street movement begins. Once again the demonstrators are by far mainly youths with the same worries. Countless numbers of them observe, as do their peers in other countries, that the “democracy” we know does not favor the real anxieties and needs of the people.

The Occupy movement has reached a thousand towns in the United States according to its organizers. Although the figure may be exaggerated, surely it involves a high number of participants. In Brussels, the capital of the European Union, young Belgian, French, and Spanish demonstrators plus demonstrators of other European nationalities recently organized marches.

In Spain, the United States, and elsewhere the situation suggests the presence of anarchists. Anarchists have always avoided interaction among political parties. The anarchists had a most active role in the Paris Commune of 1871. Later they struggled against the status quo in Russia and still decades later in Spain. But it is not only a question of anarchist demonstrators. It is a question of young people who perceive that with the present system there is no future in sight. In each country there is not a neatly knit movement, that is, there are no clear leaderships. That kind of activism has been formed spontaneously as answers to so evident anxieties. One instinctively feels the need to guarantee an organization. Subjects such as the setting up of places for sleeping for people who have come from farther away and use sleeping bags, the provisions each individual or each group makes for food, and so on are all solved and not infrequently with the support of a large part of the public who do not occupy squares but who want to be of some help materially.

There are not yet any demands, there is no greater program or project. Owing to the complexity of the present state of affairs it is natural that such be the case in the beginning. But just to expound what one does not want is quite significant. One does not want capitalism. That is quite clear. The building of an alternative will have to come with time, will have to ripen.

In the United States and western Europe, regions that were harshly hit by the worst crisis of the capitalist system, which began in 2008 and will

last quite a long time, the movement to occupy the squares got less intense during the winter in 2011–12. But later with the spring all tends to begin anew.

Probably the crisis which began in 2008 will be the last one. Beginning half a century ago in the advanced capitalist nations the rate of profit has been decreasing dramatically as Karl Marx had foreseen. Virtual capital, which was only 10 percent of all the capital on the planet in 1970, is now something like 97 or 98 percent of it. Although the system is only decades from its end—historically, therefore, very close to it—it will continue to devour millions of innocent people until it draws its last breath. It is important the vacuum left by capitalism be not filled by a new oppressive system. So that the struggle will be worth while it will be necessary to build an egalitarian society, that is, a society without social classes.

There are various factors favorable to the social struggle that has been intensified since 2011. As an American observer has said, unlike what has happened on the occasion of the G20 and G8 and similar meetings, the new demonstrations which arose in the historic year of 2011 can occur more often because they no longer occur necessarily in opposition to meetings set up by the governments of the biggest economies in the world of our time. A second positive factor is that there is always strong support by people not directly involved in the demonstrations, which becomes evident thanks to the supplying of food for the demonstrators and also frequent expressions of supportive opinions. A survey done in late 2011, for instance, showed that 46 percent of the Americans believe that the Occupy movement people have the right to have their demonstrations whereas a smaller proportion has the opposite opinion. And in countries where over the years there are occupations by the workers, the population of the vicinity (and beyond) tend to defend the rebellious workers. About ten years ago in Brazil over 50 percent of the people interviewed for a survey declared themselves favorable to the occupation of unproductive *latifúndios* (big landed properties) by peasants who were willing to plant in them. All that happens despite the orientation of the opinion formers of the great private media for people to believe the opposite.

But, as was foreseeable, the bourgeois state reacted to that. The police in various countries became truculent. To deter the Occupy Wall Street movement President Obama in March 2012 signed an unconstitutional law that provides for the imprisonment of demonstrators who enter grounds close to buildings of the federal government. Also there are and there will be attempts to create new legislation which will restrain freedom of expression on internet.

Therefore the questions remain: How confront state forces which are often hostile or even brutal? How confront a restrictive legislation whose purpose is to promote the interests of the mega bourgeoisie, especially the bankers, and not the interests of the people? How confront the media? This

last problem is being confronted with a certain degree of success as we suggested a few lines above. In a nutshell: to confront the mega bourgeoisie which has extremely strong means to defend its interests is a challenge with a difficult solution. What is needed is enormous pressure by the people. As long as there is repression there will be rebellion.

## The path ahead

Political innovation, and indeed the alteration of politics, is required to achieve social liberation from neoliberal capitalism. Opposition to neoliberal politics and the possibilities of social transformation and the development of real alternative social relations beyond state capitalism are at the heart of a range of new social projects. These form the basis for the works analyzed and discussed in the present volume.

The first part of the book is concerned with prospects for a democratic economy without privileging any particular geographic area. It begins with an essay where José Brendan Macdonald views the role of workers as participants in the productive system thanks to the invention of cooperatives two centuries ago. Although the egalitarian ideals of the cooperative movement have been eroded over time in so many cases, the presence of self-managed enterprises and the diffusion of their need and their advantages is a strong indication in favor of a project for a new civilization.

In an anarchistic perspective, Michael Albert presents the basics of the *parecon* or participatory economics theory. Its four basic values—solidarity, diversity, equity, and self-management—are expounded. In such a truly egalitarian, classless society the interests of others will necessarily reflect positively on one's own interests.

Dada Maheshvarananda expounds Prout or the progressive utilization theory, which is quite foreign to current individualism that pervades the society today. The economy for the well-being of all is seen not only in physical but also in ecological and spiritual perspective. The highest development of the various aspects of individual and collective well-being is proposed. Five basic principles are put forward.

In his chapter, Jeff Shantz examines the ideas and practices of *especifist* groups—an approach to anarchist organization that has developed over the past half-century, primarily in South America. He explains platformist anarchism and discusses its influence on *especifist* practices. A crucial element is the process of “social insertion” or the involvement of anarchists in popular social movements and the daily struggles of the oppressed and working classes. This includes work in neighborhood committees, landless tenant movements, or rank-and-file union organizing. The revival of platformism recently has provided an important impetus for anarchist workplace and community organizing in various contexts globally. Shantz

outlines debates within and between especificist groups and provides an analysis of specific movement practices, strategies, and tactics with particular emphasis on especificist organizing in Brazil and Argentina.

Heloisa Primavera introduces ideas on social currencies and the solidarity economy or solidararian economy as some of us prefer to call it. Social currencies are created and managed by communities, used as a medium of exchange and of account but not as a value reserve because they produce no interest when they are not in use, which makes them useful for the distribution of wealth and useless for speculation or accumulation of capital. Although Argentina and Brazil are the countries where social currencies flourish most today, the phenomenon occurs on all continents.

Chapters 6 through 12 are dedicated to specific cases of alternative forms of the economy in concrete historical practice. Chapters 6 through 9 concern cases from the global North whereas the rest speak of the global South.

Alessandra Azevedo and Leda Gitahy are concerned with the role of technological education and innovation in the Mondragón cooperative complex in the Basque Country in Spain. In striking contrast to capitalism a brief history of the Mondragón cooperatives, their principles, and their development of technology are reviewed.

Gregor Gall examines worker occupations and worker cooperatives at present bearing in mind lessons from such experiences in the 1970s and 1980s in Britain. Such phenomena were not ideologically motivated and are often prey to neoliberal or social liberal discourse. Spending with judicial disputes and the worsening of working conditions and difficulties with obtaining credit are pointed out. All this is borne in mind notwithstanding the author's inexplicit moral rejection of capitalism or indeed in a certain sense because of it as certain realities can be seen as admonitions before new action is taken.

Jeff Shantz examines the crucial challenges facing movements for positive social change in Canada, as in the broad mobilizations opposing the G20 meetings in Toronto during the summer of 2010. Alliances are made between unions and community-based social movements. The chapter begins by looking at union responses to direct actions during the G20 and attempts to contextualize these responses within ongoing practices and perspectives on organizing. It ends by highlighting a couple of projects that point toward a transcending of the divide between labor/community organizing and mass/direct action that has contributed to something of an impasse in political mobilizing in Ontario.

Gar Alperovitz considers what happens in advanced industrial economies like that of the United States, where traditional redistributive economic policies and programs have fallen out of favor, yet forces of crisis, which radicals once predicted would usher in a new, more egalitarian and democratic era, are well attenuated. It is argued that, paradoxically, as the



growth potential of corporate capitalism declines and traditional redistributive mechanisms weaken, new spaces are opening up in which new, democratized forms of ownership and control of wealth are slowly emerging. After describing these developments, the chapter explores the long-run possibilities and prospects their evolution.

Chapter 10 is the first one to set the scene for alternatives to capitalism in the global South. A critical approach to the Bolivarian Revolution in Venezuela is formulated by one of its many foreign sympathizers. Juan Carlos Monedero speaks of the “social debt” to Venezuela’s poor, and the attempts to reinvent the state through the so-called missions. Partly due to the inheritance of the petroleum income, the presence of a social economy in contradistinction to the capitalist and state sectors of the national economy is still quantitatively timid.

Peter Ranis analyzes enterprises recuperated by workers from capitalists, and other types of worker cooperatives in Argentina. These occupations represent dramatic confrontations between private property rights and the labor rights of the working class faced with unemployment and poverty, all of which must confront the legal-constitutional and political-institutional frameworks embedded in the body politic. By their capacity to form alliances with progressive community, legal, political, and labor forces, these mobilizations represent an alternative path to economic development that is predicated on worker solidarity and democracy in the workplace.

In the last chapter, Vishwas Satgar gives us a view of the former apartheid agro-food complex in South Africa which has been restructured and globalized. This has been translated by the imposition of neoliberal policies which search for advantages based on competition and not on meeting people’s needs. Food insecurity is spreading but forms of resistance to it have also appeared. Some of the solidararian economy practices which respond to this neoliberal pattern are portrayed here. A special emphasis on two cooperatives—one rural and the other urban—which illustrate this resistance is given. Finally, the challenges facing solidararian economy food sovereignty cooperative alternatives are shown.

## Onward

History—both past and present—is cruel. The challenge is to defeat barbarity. It is not a question of creating another world without imperfections. The human condition teaches us that there cannot be a society which is perfect, without problems. But that does not invalidate the intent to mounting a civilization which inhibits injustice notoriously. Through new mechanisms it will be possible to get there.

A key feature of the rise of neoliberalism has been the failure to problematize categories of class struggle. Notions of social class and class struggle have clearly been marginalized throughout the past three decades. This marginalization has been deepened in media manipulated politics of the neoliberal period.

The need for categorical innovation provides impetus for contemporary movement projects. Radicalism—socialism and anarchism—requires a renovation of its own categories, and the current period of crises provides some encouragement for that effort. The bureaucratic, centralized state (of Sovietism and corporatism) has had its day—belief in the need for a state apparatus to manage affairs, even in a liberated society, must be superseded. In the end it is not enough to seek only a politics to the Left of social democracy. This is extremely limited. The real issue is the existence of those institutions themselves, not their democratization. The real questions are power, access, decision making (and, indeed, property and wealth) rather than the return of regulatory bodies (that might again degenerate in the face of the above structures). This is a social democratization rather than a formally political one.

There remain attempts to divert politics once again into the party politics of different parts that still make up the same whole (with loyal oppositions of Left and Right). Yet the real problem is party politics, representative democracy, and the domination of politics by professional organizations. The real problems might be understood as authoritarianism and statism, which create, maintain, and thrive on the dispossession that is the root of state capitalism.

The great pressing necessity in the present period is the crucial need for the development and extension of bonds of community solidarity: locally and globally. In our view, there is a real need for liberation movements, especially in the North, to build what Shantz prefers to call infrastructures of resistance. These are the institutions and shared resources that might sustain communities and movements in struggles over time. There must be institutional analysis, both of the decline of previous infrastructures of resistance within the working classes (unions, mutual aid societies, flying squads, workers centers) and of emerging alternatives and their promise and prospects for continued development. The construction and maintenance of these infrastructures of resistance are at the heart of many of the projects discussed in this collection.

Even more, the works of the contributors to this collection, and the projects they analyze, suggest one must have reservations about any duality of revolution/reform that frames much of political movement debate. These works offer living examples of efforts that move well beyond reform and provide the basis for thoroughgoing social transformation while avoiding the political stereotypes that pose revolution as a moment of violent rupture or break with history. Rather these works engage with projects

that offer real possibilities for sustaining communities and struggles in the real world while also providing the capacity necessary for broader social transformations—for movements beyond capitalism.

At the same time, there is a continued need for radical theory, which remains indispensable. In much academic work there has been too little engagement with the political theorizing, strategies, or tactics being produced and debated within contemporary movements and by activists and organizers. The contributors to the present volume engage the philosophical possibilities of radical, socialist, and anarchist, perspectives on liberation from capitalist regimes of economic exploitation and political domination.

Unlike many post-Marxist theorists who, over the past few decades of “end of history” defeatism in Marxist circles, have given up hopes for revolutionary transformation and turned instead to social democracy (so-called radical democracy), the contributors seek the conditions and prospects for revolutionary or radical change (change that gets to the roots of problems) in the twenty-first century.

From an anticapitalist perspective, economic crises, such as the current financial crisis of 2008 to the present, are results of the structures of capitalist development, of regimes of production and accumulation. Indeed the financial crisis is the product of deep tensions within the capitalist system of accumulation which can only be removed through removal of the system that produced, and continues to produce, them in the first place. This distinguishes such anticapitalist approaches from those of other critics—liberal, conservative, postmodern, and post-Marxist alike—for whom the question of capitalism as a system of accumulation to be superseded is largely avoided or discounted.

New ways of developing associated workers, of practicing trade fairly, of using social currencies, of defending the rights of workers and common people, and even of developing the economy at large on a national and international scale are being experimented. What happens in Argentina, or Canada, or Spain, or South Africa can be examples for what can happen in other latitudes. Cultural differences will continue but that does not mean that human needs and aspirations have no common denominators. Indeed they have many whether one speaks Chinese, Arabic, English, Portuguese, or whatever.

This is a book of the radical imagination, of the images, hopes, and desires that motivate or inspire political actors, movements, or communities. It is also a book of the here and now of practical reality. The desire for freedom and equity are multiplying today perhaps more than ever before. Indeed another world is possible. And there are many signs that it may already be on its way.

Jeff Shantz—Surrey, Canada  
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## CHAPTER ONE

# The Challenge of a Democratic Economy

*José Brendan Macdonald*

In this essay we hold it as a given that the so-called democracy implanted during the eighteenth and nineteenth centuries and still referred to as such today stops at the doorway to the business enterprise. Since the dawn of the capitalist social formation it has been contested by the workers who conquered universal suffrage but who must still build enterprises which surpass the capital/labor dichotomy. In many cases the ideal of self-management by the workers is translated into practice but in many others—indeed in most cases—thanks to the omnipresence of bourgeois culture it is seriously jeopardized. In order for self-management to be successful the forces of the market and the state must be faced. Although it is impossible to foresee the outcome of this struggle, the presence of self-managed enterprises and the diffusion of their need and their advantages is a strong indication in favor of a project for a new civilization.

### **The two-centuries-old liberalism in force**

The main ideas still in force on democracy and economics came to the surface first in the eighteenth century, the so-called century of the Enlightenment. The *économistes* or physiocrats in France elaborated what is held today by many to be the beginning of an economic science. They diffused the doctrine of laissez-faire or a minimum state in the economy

since the market, that ensemble of the comings and goings of the exchange of merchandise, is supposed to have its own laws which would make the interference of governments in the economy unnecessary. The so-called classical British economists—Smith, Malthus, Ricardo, and others—also defended the free market. Whence comes the expression *liberalism* applied to economic thought. But not only economic thought. One also speaks of political liberalism. It is said that all are equal before the law, all have the right of freedom of religion, of assembly, of demanding rights before the legal authorities, and so on. It is during the eighteenth century that the encyclopedists in their Parisian drawing rooms exalt their ideas on freedom. Carlyle ([1837] 1934) calls them Anglomaniacs, influenced as they were by British institutions, then freer than those of France. All that nascent political democracy has created a powerful impact which has endured to this day. The great majority of national states today have constitutions which exalt these liberal values. The institution of the eighteenth-century idea of the rule of law and order pervades to a greater or lesser extent all the continents today.

When the encyclopedists defended the thesis that all are equal before the law, that all exercised this or that right, the *all* they had in mind included only property owners—the nobility and the rising middle and wealthy class. It was only to them, perhaps 1 or 2 percent of the population, that the right to participate in political life as electors and as candidates to political posts was reserved. This was inherited from the medieval and modern burg. Only they were the literate, the ones capable of governing. Politics was not permitted for the ignorant masses.

It was in the 1840s in England that the ruling class first conceded the right of universal suffrage to the masses (i.e. to all male nonproprietors). This was due to painful pressure from the people. As Karl Polanyi [1944] shows, the British bourgeoisie made that concession only after they were convinced that the new situation would not do away with their privileges. This historic experience became the fashion all over the world during the following decades.

The discourse of both political and economic liberalism supposes an equality of rights that does not exist. On the one hand one speaks of the equality of all—the equality between capitalist and laborer when both sign a labor contract, equality of freedom of speech which both the poor and the rich person are supposed to have, inviolability both of the poor person's and the rich person's property, and so forth. On paper a capitalist country is a republic of free and equal people. Hence it is understood that the market is free for all too, that competition between capitalists departs from the right of all to compete. Those who win the competition struggle are exalted in the thought of the economic elite and of opinion formers as national heroes to be emulated somehow. Those who lose are said to be less ingenuous, hardly given to discipline and creativity.

On the one hand there is the discourse of economic wisdom which is said to have a scientific character: competition is free, trade must be free, decisions of capitalists and laborers are free. And, albeit not saying so publicly, there are entrepreneurs who even view any legislation on a minimum wage as an encroachment on their freedom.

Free too is supposed to be the political atmosphere: free is the right to information although an enormous part of it is manipulated by the elite through the mainstream media and other means; free is the choosing of the people's representatives although they don't have to promise and certainly don't have to materialize solutions which would take into account the needs of all the citizens. Free is the press although the owners of its organs disseminate news through Goebbelsian tactics.

## **There arises the ideal of equality and solidarity**

There is no denying that bourgeois democracy—self-named liberal democracy—has potentially emancipative elements. Doubtless the right of freedom of conscience on religious and other matters, periodic elections, the right of a responsible freedom of expression and other rights of the liberal creed of the eighteenth and nineteenth centuries need not be belittled per se. But they hardly function fully since a supposed political freedom and equality in the last analysis are the hostage of an economic inequality which reaches today the proportions of an abysmal asymmetry. As it expresses what it has potentially better, liberal bourgeois democracy is bound to formalities. As an observer put it acutely and ironically about a century ago: “Both the banker and the beggar are forbidden to sleep under the bridge.”

Two centuries ago there is born, first in England, and shortly thereafter in other countries, the working class—the wage-makers (and the unemployed who are frequently potential wage-makers) on a large scale—as the counterpart to the rising bourgeoisie. It was the working class, as we have already stated, that broke the privilege of voting as something exclusive to proprietors. Since the bourgeois discourse speaks of liberty and equality as if they were universal or absolute, the best labor leaders have for a long time taken advantage of what political liberalism promises. And for various reasons they frequently manage things in such a way that the bourgeois elite make concessions to them. They develop various forms of the defense of their class: benefit societies, labor unions, cooperatives. The latter bring us to what interests us here. A cooperative in principle, unlike a capitalist enterprise (and a state enterprise too) is a democratic enterprise or, at least in principle, is supposed to be.

The cooperative was an invention of common people, hence of the working class. One frequently refers to a group of 28 tailors, the so-called Pioneers of Rochdale, England, in 1844 as the beginning of the cooperative

movement. Indeed the movement gains force from that. But Birchall (1997: 4) tells us that there is news from the 1760s about English dockyard shipwrights who began to dedicate themselves to running their own flour mills so as to be no longer subject to the high price and poor quality of bread in their towns. This development and others during the rest of the eighteenth century were the reflections of the first attempts by workers to organize their own production and consumption. Thus there arise the first cooperatives in England, and in the first half of the nineteenth century in France too. One can speak of a cooperative movement in those two countries and soon thereafter in many others. This movement was sometimes supported by philanthropic middle- and upper-class people who understood and sympathized with the needs of the majority of the population.

Today there are numerous cooperatives with varying degrees of success on all continents. Already during the nineteenth century they were present worldwide. Every cooperative by definition is an enterprise. But in principle it is not a capitalist enterprise. In the latter profit, stimulated by interminable competition, is an end in itself.<sup>1</sup> In a cooperative, profit is to be seen as a means: a means to improve the quality of the work and the life of the members of the cooperative and to be one of the factors of the improvement of the quality of life of both member and nonmember consumers.

There are various kinds of cooperative: production cooperatives, consumer, credit and other types of cooperatives, cooperatives in activities such as industry, agriculture, mining, electric energy, services, and so on.

It was in the decade of the 1840s in Great Britain that organized workers first formulated cooperative values or principles. And at the end of the nineteenth century the International Cooperative Alliance was founded. The cooperative principles first formulated in Great Britain went through a certain evolution for a century and a half. During the congress which celebrated the centennial of the ICA in 1995 they were formulated as the following seven: (1) voluntary (spontaneous) and open membership; (2) control through a democratic process, which includes the practice of one vote for each member; (3) the economic participation of all; (4) autonomy and independence especially in economic and financial matters so that a cooperative be not the hostage of banks and other external entities; (5) constant education, training, and information for their members; (6) cooperation among cooperatives; and (7) concern for community (Birchall, 1997: 65).<sup>2</sup>

Nowadays the various forms of economic organization alternative to capitalism express similar values or principles. The second cooperative principle is the equivalent to self-management, which is cultivated by the solidararian economy, by Parecon or participatory economics and by the followers of P. R. Sarkar, that is, the Prout movement. (All these three forms of thought and action are presented in various chapters in this book.) All these three forms of thinking and acting also esteem the greatest solidarity possible, which is an aspect that pervades the whole discourse of the ICA

besides its seventh principle particularly. Due to the dangerous exhaustive exploitation of the environment and the resources of the Earth, the cooperative movement and the three movements cited emphasize the importance of respecting Nature, of not committing aggression against her. Furthermore, the cooperative is the present day juridical form most found all over the world which is most tuned in to the aspirations which have historically motivated the formulation of ideas and doings alternative to capitalism.

The origin of many values such as those brings us to ancient attitudes opposed to Mammonism.<sup>3</sup> The peasant, that chiliastic character who has had to resist the aggressiveness of aristocrats and later on of bourgeois, sees the land and its material goods above all else as a means of reproducing life, of giving it continuity. To the peasant the earth and its riches should belong to whoever makes their living out of it, which, as we know, does not usually occur in the societies where the peasant lives. The peasant is the one who in a class society exploits the land exactly for that reason, his survival, besides having to hand over a part of the product of his labor to a landowner who reaps where he has not planted. As a defense mechanism the medieval European peasant had access to the commons, not infrequently of a quality inferior to the private lands of his lord, and belonging to the local peasant community as a whole.

Up to the present where there are still peasants and aboriginal peoples, those simple people have a *weltanschauung* or a social ethic quite different from the ethic which is the mobilizing force of capitalism. Instead of the ideal of "each one for himself" there prevails the ideal of "one for all and all for one." That simple person sees in others his own image or the image of God or the gods whereas the bourgeois exalts individualism as the guarantee for progress.

Thus, values such as self-management, solidarity, a view of profit as a means and not an end among others incorporated by the cooperative movement, by the three movements cited above and still other alternatives to the capitalist ideals and practices, which have flourished since the defense of people's interests in the nineteenth century have got, albeit in a not highly elaborated way, chiliastic roots.

For more than two centuries the bourgeoisie has exalted democracy and freedom. But liberal democracy and freedom refer par excellence to the very bourgeoisie itself and not necessarily to other sectors of the population. As a matter of formality, due to historical pressures they can be extended to almost the whole adult population. Adherence or nonadherence to that is a question of a correlation of forces. There are conquests and there are regressions for the materialization of the common good.

Our own concept of liberty does not fit into the liberal scheme. To us "*[a] person is free when they do not give in to pressures which prevent them from fully developing their capacities and fully materializing their needs*" (Macdonald, 1987: 5, emphasis added). The possibility of achieving that



is reserved to the elite or ruling class. Then we have what could be called *individualistic liberty*, which is not for everybody. We can also think of a *universalistic liberty*, where all enjoy liberty because there are no segments which prevent it from flourishing. But does it really exist? Today it does not exist. Such a society was seen only when there were no social classes, that is, during the Stone Age. It is not impossible for it to come back into existence in a future classless society. It will have to be *invented* for obviously we are not recommending a return to the Stone Age.

*In liberal society democracy stops at the doorway to the enterprise.* The liberal insists that the right to make decisions and give orders in an enterprise is to be attributed only to the owner of the enterprise. And he or she will construct a whole discourse to justify that. To speak of a democratic enterprise for him or her is a contradiction in terms: it is like speaking of a pregnant male.

Thus the wage-maker as such cannot feel free. He or she runs the risk of losing his or her job. The determination of their working conditions do not depend on them. Hundreds of millions or even billions of people around the world must submit to monotonous and tedious jobs. A similar fate also subjects legions of workers to outsourcing and the degradation of the terms of their working conditions. And even in the case of qualified laborers whose work may be more stimulating and edifying the obligation of following orders reminds them to what degree they are not free as laborers.

Historically, cooperatives began when the capitalist mode of production was beginning to become hegemonic, that is, when, due to the First Industrial Revolution and the irreversible use of the steam machine on a growing scale as of the decade of 1800 first in England, there arises the tendency of private interests to generalize the hiring of wage labor. As we have already said, cooperatives were one of the ways of defending the new working class. To put it in informal terms we might say that the cooperative is in principle an *enterprise without bosses* and therefore a democratic enterprise where profit is held to be a means and not an end in itself. But both during its early history and nowadays, the cooperative is immersed in a vigorous capitalist sea. Competition hardly offers a truce. There is a formidable concentration and centralization of capital which can have perverse effects on cooperatives.

## The struggle of the ideologies<sup>4</sup>

Cooperatives cannot avoid feeling the winds of capitalism. Furthermore they are not totally foreign to bourgeois ideology. Between the ideal of the democratic and solidaritarian enterprise and the *bourgeois seduction* to profit heralded as a guarantee for grandiose progress the distance need not be

great. Mammon is capable of corrupting even those who began by saying they would not render him homage.

Thus those two influences—capitalist competition and bourgeois seduction—quite often show their face.

Competition is dictated by an impersonal market which demands there be a constant alert for every businessperson to take measures which aim at minimizing costs and maximizing profits. It can demand the dismissal of laborers, the intensification of work even when that harms the laborer's health, deceitful advertising, the increase of red tape methods, and so on. Self-management which turns to assemblies vertically directed by technocrat partners to set up a ritual said to be democratic may get a hold on many cooperatives. Thus, a cooperative may face capitalist competition more efficaciously.

Here is an example of this phenomenon: the case of many credit cooperatives in the so-called developed countries:

Credit cooperatives in the developed countries face the competition of private and public financial middlepersons of a great dimension and capacity to develop and apply advanced informatics technologies. To face such competition the credit cooperative movement tends to get centralized and bureaucratized while looking for gains in scale and waiting on huge numbers of people. Thus it loses hold on its self-management and the communal character of the credit cooperative. Even though it heeds the formality of the cooperative movement, its complete functioning has come to be more and more similar to that of conventional middlepersons. (Singer, 2002: 73)

One need not be surprised by a certain degree of seduction of many cooperatives by the hegemonic liberal bourgeois ideology. This ideology is omnipresent today and begins to pervade a person even before he or she learns how to walk. Many members of cooperatives do not have an adequate degree of solidarity and democratic consciousness. They can view their labor as a job, as the holding of a post where they make an income as they would in a capitalist enterprise. Not infrequently the interest in participating is numb. And through a system of alternation of terms, two groups can manage to be elected and reelected indefinitely over the years.

Thus many cooperatives, jeopardizing a great many of their values, are kept alive while resisting competition and allow their ideological makeup which brought forth the beginning of the cooperative movement to weaken.

We once said that the capitalist entrepreneur is a prisoner of competition (Macdonald, 1995: 26). But the cooperative entrepreneur too has to take into account the existence of competition. There are cooperatives with a high degree of democratic and solidaristic consciousness. The Mondragón

Corporación Cooperativa is perhaps the most illustrious example of that. During the dramatic spreading of unemployment in Spain in the 1980s, MCC heroically managed to keep its associates at their posts. But due to competition as of another moment it had to open factories in other countries too, where, thanks to diverse local conditions in questions of legislation, it could no longer honor completely certain cooperative principles (Azevedo and Gitahy, 2010).

Quite frequently cooperatives are founded by people who do that for the sake of conveniences which are foreign to the cooperative spirit. Thus we have news, for instance, of cattle raisers in Brazil who founded their cooperative because cooperatives by the legislation of the country do not pay income tax. Also in Brazil there is a great and prosperous network of health cooperatives which also invest in automobile insurance. Thus evidently by an objective analysis one can see that profit is not a means but rather an end in itself as in capitalism.

Cooperative legislation around the world allows a cooperative to employ wage labor too. The correlation of forces in the market today does not yet allow that to be eliminated. A cooperative may be obliged to hire certain technicians as laborers whose wages are dictated by the capitalist labor market, thus somewhat violating the scale of salaries idealized by the associates, but of course with their consent.<sup>5</sup> During each historical period those who desire institutional changes can obtain them only insofar as reaction to them loses ground.

The challenge of the democratization of the economy is a revolutionary proposal. And as every human being, consciously or not, accommodates a notorious penchant for self-complacent comfort, there is built the force of a conservatism which over the millennia wields great weight on the human spirit. Thus we need not be surprised that there are difficulties which slow down any march toward this utopia of universalistic liberty, of equality and of solidarity. Regarding this last ideological component, the vehement bourgeois cult of individualism in the name of what is supposed to bring about progress still pervades the heads of more than a billion citizens of the so-called middle classes and subverts to a considerable degree the self-esteem of the majority of the 5 billion poor in the world. Whether due to self-complacent comfort, a lack of self-esteem or fear (or a mixture of two or all three of these forces of our psyche), the common person—that is, men and women of the so-called middle and poor classes, in a word almost the whole population of the planet—will have to build their means for surviving collectively on these hopefully revolutionary bases with a lot of insistence and a spirit of combat.

It will be worth while for us to consider some aspects of the construction of the changes necessary for the democratization of the economy. Let's refer to what we perceive as challenges to obtaining the changes desired, first to

what we shall call the *challenges of endogenous origin* and next the *challenges of exogenous origin*.

We have already said a little about the self-complacent spirit living in our psyche. Let us further observe that in the work of government and non-government organs dedicated to counseling for the generation of income and of self-management practices, one frequently sees among the poor certain immediate expectations when it comes to conquering niches in the market because concern for survival is pressing. This can lead many people to pay less attention to the values of democracy and solidarity and more to simple income earning. The need for income is urgent because it is a question of making a living or suffering the deprivation of basic needs.

Another challenge, in this case for building new forms of collective production is the new knowledge which must be assimilated by the workers involved in it. Besides the taking advantage of and the reelaboration of ancestral values desirable for our time, there is also on the other hand the need to assimilate and develop new knowledge on technologies and on the organization of production. For 6 thousand years the common person has had to work while being subordinated to orders coming from outside or, to put it in exact terms, from above. In any society divided between a ruling class and the mass of the ruled (slaves, serfs, wage earners of capital or of the state, etc.) the common man and woman have to work following orders. But in a self-managed enterprise there arises the challenge to the common person to administer their own business. That sounds off key from the hegemonic mode of production today which is capitalism. The common person has novelties to learn: to deal with this impersonal phenomenon called the market which demands a capacity to follow in its direction; to get organized with their peers as a laborer, not infrequently on a larger scale, that is, with the involvement of a greater number of workers than in the past to periodically plan production and make the pertinent evaluations of the plan at the end of a period. They must command new arts like notions of accounting, finances, architectural layout and engineering and above all participatory planning and participation in assemblies. Since the imposition of the construction of the pyramids in Egypt, the following of orders instead of the taking of initiatives and collective planning in matters of production is what is demanded of the common person. The new challenge (in terms of historical time) is now self-administration, that is, self-management of the economy by the common person, in a word their protagonism. Indeed it is not surprising that defaults still occur in such attempts as both the past and present history of cooperatives teaches us. Every beginning is difficult.

In this toiling for production and trading by solidaritarian economic groups it will be worth our while to consider the facing of it by the middle and lower layers of the population. The former have the comparative advantage

of having greater access to the new arts indicated in the previous paragraph since their more advantageous income situation allows them a greater command of them which is guaranteed by a higher degree of formal schooling and thus a greater command of the general knowledge which culture offers. Furthermore, they generally have a higher degree of self-esteem than the poorer layers and feel more confident when they negotiate credit and interact with the bureaucracy of government and nongovernment agencies with which they must contend. Even so, our work as well as that of others with the lower classes reveals successful cases among small self-managed enterprises obtained with much persistence.

There can be formal self-management, however, where there is an informal government by the technocrats. Several cases have been registered in case studies in some countries. The one who put the question in generic terms more than three decades ago was Harry Braverman (1974: 445) when he wrote:

The conception of a democracy in the workplace based simply upon the imposition of a formal structure of parliamentarianism—election of directors, the making of production and other decisions by ballot, etc.—upon the existing organization of production is delusory. Without the return of requisite technical knowledge to the mass of workers and the reshaping of the organization of labor—without, in a word, a new truly collective mode of production—balloting within factories and offices does not alter the fact that the workers remain as dependent as before upon “experts,” and can only choose among them, or vote for alternatives presented by them.

Although empirical studies are found confirming that in the 2000s we are somewhat more optimistic today, some three to four decades after Braverman’s classical book because in many self-managed enterprises many laborers have had more experience and better firsthand acquaintance with their technocrat collaborators. In many self-managed factories—notoriously at MCC in Spain but also in Brazil, Venezuela, and other countries—many of the direct laborers are taking higher education courses during alternative schedules and this has gotten the approval and encouragement of their enterprises which realize the value of that both for the personal development of the laborer and for the collective development of the enterprise.

In a word there are cases where the technocrats—in a middle sized factory, for instance—notwithstanding the formal approval of an assembly, manage to establish which important decisions will be made; nevertheless there are also records of real democracy which is not only formal in self-managed enterprises. Whatever contradiction which still persists will be eliminated only when the command of all the technology necessary will

be shared by all, when in short the dichotomy intellectual labor/manual labor is eliminated.

As for the *challenges of exogenous or external origin* for the self-managed enterprise they are to be found basically in two areas: the almost omnipresent capitalist market and the liberal bourgeois state.

As for the market, it is at least as old as the first class-based societies. The world market, that is, the presence of intercontinental trade and the uninterrupted accumulation of capital goes back to the fifteenth century with the incursions of the Portuguese on the whole Atlantic coast of Africa, thus commencing the maritime expansion of Europe. And today with the flexible accumulation of capital its presence is globalitarian, to use a fortunate neologism to portray a not exactly fortunate panorama.

How should—how can—a self-managed enterprise react to the enormous phenomenon which is the market in such a way that it not only keeps going but also manages to witness an increase of other democratic enterprises? The answer is not easy.

Let's begin with some successful attempts to achieve such objectives.

A half century ago there began an international movement called *fair trade*. It is characterized by the encouragement of groups in the wealthy countries of the North, where the movement began, to buy some kinds of food and handicrafts of small producers in countries of the poor South (Latin America, Africa, and Asia). In 1964 the slogan *trade not aid* was created, thus making quite clear the progressive and antipaternalist intention of the movement. In Europe alone there are thousands of fair trade shops. There is also the Fair Trade Labeling Organisations International, which, as can be read at the beginning of its site, is composed of "24 organisations working to secure a better deal for producers. We own the Fairtrade Mark—the product label that certifies international Fairtrade standards have been met" ([www.fairtrade.net](http://www.fairtrade.net)). Fair trade has grown very much in recent years and in 2008 involved 7.5 million small producers with their families totaling sales worth 4.08 billion dollars. The article "Fair Trade" in the Wikipedia exalts this success without denying its difficulties.

These figures are not so big in comparison to the figures for the sum total of world trade and of the workers in the whole world. But it is worth bearing in mind that all great changes begin with minorities.

At the beginning of an interesting article the Brazilian economist Henrique Tahan Novaes (2008) inserts an epigraph taken from Marx: "The tyranny of circulation is not less perverse than the tyranny of production." Novaes criticizes various theorists of solidarism in Brazil because they believe that solidarism or the associated solidarism labor of the self-managing workers must tolerate its dependence on the capitalist market where capitalist enterprises are their suppliers and/or clients. What is worse, self-managing enterprises would have to compete with one another

too because of the impossibility of breaking loose from the tentacles of the capitalist market. Novaes (2008) also warns that

transnational capital commands practically all the stages of the production chain. When one tries to integrate relations between cooperatives one readily verifies that enterprises are really competitors for the same market or have a low degree of mutual supplementing.

He points out rightly the importance of the collective planning of associated workers but has his reservations about attempts to create a parallel economy.

He ends his article saying:

In order for cooperatives and the associated labor of workers to be able to flourish they have to get included in a proposal to build a society “beyond capital” and to that end it is necessary to reestablish the debate on the coordination of production by the associated producers.

We agree with that conclusion. However, there is still the question about what to do as long as the capitalist mode of production does not enter the phase of clear decline.

It is inevitable that a certain subjection to the capitalist market by the self-managed enterprise persists at this moment in history. But the sooner such enterprises are disentailed from such interdependence—which to them is above all else really dependence since they are the weakest link on the production chain—the better it will be. Otherwise, there will persist the danger of the self-managing enterprise suffering abusive prices dictated by suppliers and/or insufficient profits or even losses caused by the buyer enterprises. Many such cases exist. When it is a question of retail sales however the conditions are favorable.

To avoid this market socialism niches are already being created. However, insofar as the criterion for trade is not the law of supply and demand we can say that they are not niches in the market. Such is the case, for instance, of the international fair trade referred to above. It is also the case of exchange clubs in Argentina and other countries where social currencies are used (see Chapter 5 by Heloisa Primavera in this book). The concern for the *iustum pretium* or fair price, banished centuries ago as a doctrine and practice—or a variation of it—has come back through fair trade and similar initiatives. It is something which is dear to a minority hardly visible yet. But, we repeat, all changes begin with minorities.

As for the state, two centuries ago it began to get transformed into a clearly liberal state, which was the effect of the rise of the bourgeoisie to the zenith of power at the expense of the old aristocracies. True, there was the interlude in many countries during a large part of the twentieth century

of experiences of the Soviet type with the substitution of the *nomenklatura* in eastern Europe and the Soviet Union by a new bourgeoisie consented to and encouraged by the state and by the noncategorical but real abandoning of statism<sup>6</sup> in China shortly before that.

Being liberal, the modern state has as its first function to defend the interests of the bourgeoisie. It does not heed to the people's demands without pressure from the people. It was through such pressure that in many countries conquests were obtained although with the end of the welfare state at the end of the 1970s, economic liberalism returned with renewed energy and hence the label *neoliberalism*. Then all around the globe energetic privatization programs were installed and a legislation in favor of the undoing of a considerable portion of social protection was established, all of that being an answer to the megabourgeoisie's need to dispose of labor which had become superfluous.

As long as cooperatives and other forms of a solidarian and participative economy do not contradict bourgeois interests, they are tolerated. But, of course, they are not usually accepted enthusiastically by the bourgeois state. That is obvious in the case of legislation, which depends on parliaments dominated by bourgeois parties all over the world. The case of Brazil is illustrative. A new law on cooperatives was created in 1971, in the era of an iron dictatorship and has been in force ever since. The essence of this law has not been changed. In the country's Congress there are three bills on the matter, not at all bold but promising some advancements for the people. Some of these bills have been in Congress for a decade. The law in force sustains a merely formal kind of cooperative. It demands a minimum of 20 members for a cooperative to be able to begin, which makes legalization notoriously difficult. On the other hand there is no limit to the number of members, and that can make direct democracy more difficult. There is no norm concerning the proportion between the members and the employees of a cooperative, which means that a cooperative can have more employees than members. The maximum capital which a member can have is one-third of the shares. A capitalist enterprise of the same branch of the economy can be a member of a cooperative. These last two provisions can allow, at an informal but quite efficacious level, a control over the cooperative's development by unconfessed interests. Furthermore, to be registered every Brazilian cooperative must be approved by the Brazilian Organization of Cooperatives, which is fully involved with big business interests and is hostile to advancements in cooperative legislation held to be opposed to those interests.

The rates charged for the registration of a new cooperative are prohibitive for poor people. Likewise the taxes, which are around 17 percent. For cooperatives organized by people from the upper classes that evidently does not cause difficulties. In a word that scheme establishes equal treatment for obviously unequal groups.



If we concentrated on the legislation for Brazilian cooperatives, it is because we are more familiar with it than with that of other countries. Doubtless however there are various unpopular dictates of the kind mentioned above in not just a few other countries too. After all the liberal bourgeois state is omnipresent. Even in those very few countries where with many difficulties attempts are being made to promote a noncapitalist people's society, generally labeled as societies moving toward socialism of the twenty-first century or simply socialism (Venezuela, Bolivia, and Ecuador), legislation still tolerates provisions favorable to the national and foreign bourgeoisies. And it could hardly be different with the correlation of forces that exists today.

Also in the peripheral countries, public policy on cooperatives and participative and solidararian economy are sporadic and quite often subject to a certain discontinuity when a more conservative group is elected as a new government whether on a national, regional, or local level.

Another problem for self-managed enterprises is the access to credit for short-term capital. Commercial banks are not as open to such enterprises as they are to conventional enterprises. There are also some credit cooperatives although frequently smaller than what would be desirable in the poor countries. During their initial phases, such enterprises often get donations from domestic and foreign ONGs as well as from labor unions.

Let's now have a look at a phenomenon which at a worldwide level is not very visible but which in certain countries, notoriously in Argentina and Brazil, is noteworthy. We are referring to what some call recuperated factories but which others, more careful to register a complete comprehension of the phenomenon, call recuperated enterprises because the phenomenon is known not only in the case of factories but also in other types of capitalist enterprises which have been taken over and occupied by the workers. In Argentina and Brazil the phenomenon has been occurring since the decade of 1990. It was then that imports were stimulated by government policies inspired by the neoliberal catechism, which broke various national or domestic enterprises, especially middle sized industries. In Argentina some businessmen preferred to abandon their factories during an imminent disaster by taking out or even destroying equipment, thus performing an inside-out Ludditism.<sup>7</sup> As for the number of recuperated enterprises, Professor Peter Ranis, citing five Argentine sources between 2003 and 2004 mentions that there are estimations which vary between 98 enterprises with around 8 thousand workers and as many as 200 with around 15 thousand workers, the differences being due to variable criteria on the concept of recuperation—whether above all an enterprise has already been totally considered the legal property of the workers or whether it is still in a phase of litigation while it is totally or partially occupied by them as well as other factors (Ranis, 2006: 17–18).

As we haven't had access to quantitative data on recuperated enterprises in Brazil we can use some data from ANTEAG—the Portuguese initials

for the National Association of Workers in Self-Managing Enterprises. According to the information available on their site accessed in April 2010 we know that in the past 15 years their technical counselors created 32 thousand work posts. This has not only occurred in various fields of industry but also in agriculture, mining, and services. Historically specialized in recuperated enterprises, it has also prepared self-managing enterprises which have begun from scratch ([www.anteag.org.br/index.asp?pag=7&cód=4](http://www.anteag.org.br/index.asp?pag=7&cód=4)).

We might also mention that there have been various cases of the satisfaction and hope of workers who self-manage their recuperated enterprises in Argentina, Brazil, and elsewhere. The literature on this phenomenon, especially as it has occurred in Argentina, has been growing.<sup>8</sup> In some countries that brings about the organization of civil society as a means whereby workers get organized in defense of their right to generate their own businesses in those cases where the capitalist proprietors due to incompetence, bad faith, or the acrimoniousness of an economic crisis don't have their enterprises fulfill their social function of producing for society. We have already seen the case of the ANTEAG. In Argentina there are two similar entities, namely, the National Movement of Recuperated Enterprises and the National Movement of Factories Recuperated by the Workers. Thus workers get organized in terms of solidarity among those enterprises which are or were involved in attempts to take over the control and property of those enterprises which were founded by capitalists. At a local and provincial level there has been a relative acquiescence of the authorities whose sympathies and collaboration to some extent are conquered. But at a federal level the hostility of the judiciary power is greater. In Brazil, thanks largely to the efforts of ANTEAG, many enterprises conquer the legalization of their possession and property of enterprises in terms of self-management. But in the case of both countries the struggle is long and arduous.

At this very historic moment, the year 2011, we have no news of the takeover and recuperation of enterprises which would give rise to juridical controversies in the so-called developed countries. But with the systemic crisis which came to the surface in August 2008 and the dramatic unemployment which it is causing in the United States and other countries whose industrialization began early, the hypothesis of such developments in future should not be eliminated.

## **The point of departure, the passage, and the point of arrival of our people's solidarian utopia**

The collapse of the virtual economy in 2008, which was a crisis announced a few years earlier by various independent economists, is probably the lethal

crisis of capitalism. For decades there has been no way to deter the fall of the rate of profit. The US treasury is broke. Liberal economic doctrine has lost credibility. The long command of the government by a conservative party in Japan had to come to an end so that the other great conservative party of the country come into power. The resigning government was incapable of resolving the crisis. But the newly installed government will not resolve the crisis either since they don't have the imagination and the courage to adopt untraditional economic policy measures.

A new chapter in human history is open. We are on our way out of the two-centuries-old liberal era. Is mankind on its way to what many call socialism? We cannot be sure of that. On this matter we can only be sure that we are near the end of the liberal era.

But *let's simply imagine* that the arrival of socialism is historically speaking very close. Notwithstanding the unfortunateness of the term *socialism* because of its ambivalence, or better yet, "trivalence," we shall define it here as an ideal and a collective practice or social system in which there is a distribution of income, of knowledge and of political articulation according to the capacities and necessities of each individual in such a way that the interests of some are not guaranteed by the sacrifice of the interests of others. All that would suppose mechanisms instituted to guarantee the enforcement of a world society without social classes. Regarding its economic aspects such a society evidently would function only if the articulation of production and consumption were carried out by and for everybody.<sup>9</sup>

In a provocative passage, Paul Singer proposes a differentiation between *social revolution* and *political revolution*. He defines the former as a "centuries long process of passage from one social formation to another" and the latter as "an episode of institutional transformation of the relations of power" (Singer, 1998: 11). Thus as a mode of production capitalism or what was then the employment of wage labor by the putting-out system persisted for at least three centuries in western Europe until the rise of industrialism in England in the nineteenth century transferred industry to the new factories. A struggle was still carried on in the nineteenth century between the old aristocracies and the rising bourgeoisie. The bourgeoisie won that struggle and managed to impose new legislation favorable to its interests. During the sixteenth, seventeenth, and eighteenth centuries, western Europe went through a capitalist social revolution. In a similar fashion the multiplication, albeit slow, of self-managing enterprises on all the continents could be seen as a social revolution of another kind, of the kind that may turn out to be a democratic and solidararian economy as long as there arise institutions which guarantee its efficacious functioning.

Singer views universal suffrage, labor laws, social security, and cooperatives, which are conquests of the working class, as "institutions which contradict the logic intrinsic to capitalism" (1998: 12). All these people's conquests—including universal suffrage—were the results of pressure. But

during recent decades as a general rule labor unions have been domesticated by the interests of capital, and social protection has been largely dismantled all over the world. As for cooperatives, only a minority of them—indeed a minority of quite significant importance—has fully cultivated a democratic and solidarian spirit, that is, the cooperative spirit.

For Singer, and for us too, a socialist social revolution has begun on a worldwide scale. The working class rose as the counterpart to the bourgeoisie. Hence there is a class struggle, now latent, now overt. This struggle is manifested by strikes, by the recuperation of enterprises still infrequent on a worldwide scale, in the labor courts and in the parliaments. What is to be said of cooperatives and other possible forms of self-managed enterprises in recent historical times and during the present period whether they are of the kind founded as such from scratch or those which have been the fruit of capitalist enterprises taken over by workers from their original owners but finally recognized by a legal statute and where the flame of entrepreneurial democracy and solidarity is still alive? They too are involved in the class struggle because they perceive that class cohesion is in their very interest and believe that the interests of their peers are in principle the interests of the *whole* working class (wage laborers, the unemployed, and self-managing collective workers).

A passage for socialism has already been potentially in progress for two centuries since the forming of the working class and its efforts for self-defense through cooperatives, labor unions, and so on.

*The point of departure* then for this utopia of a society of full democracy derived from the inclusion of the economy in the political concept of democracy is, right after the appearance of the working class a little more than two centuries ago, the beginning of the cooperative movement by leaders of that same working class. The *passage* is all those two centuries—and still some more historical time yet to come—of the struggle of the working class. The *point of arrival* is an object of contemplation but not yet materialized for its proper moment has not yet arrived.

In at least three countries today—Venezuela, Bolivia, and Ecuador—there arose at the dawn of this millennium political developments which, unless they are aborted, may manifest socialist political revolutions. In all three, political power was conquered through traditional elections notwithstanding the most powerful obstacles faced since their first electoral disputes until this very moment. It is clear that unless there are similar developments around the world those revolutions will hardly be able to improve and survive.

*If* in fact we have already entered the lethal crisis of capitalism, then a series of political socialist revolutions will be *possible*. The persistence of the transnational oligopolies is such that the survival of many self-managed enterprises and their multiplication are even more problematic as we have already seen.

So that the new kind of enterprise advocated here can survive and become more and more generalized, one of the requirements will be that it is not very big, that is, that it does not include many workers. In a large enterprise it is difficult, if not impossible, to practice direct democracy. Its atmosphere is rather impersonal and thus less open to solidarity. It will be convenient to institute a limit to the number of members and the geographic or territorial comprehension of the supposedly self-managing enterprise. Only in those situations where the nature of the field of activities demands it should exceptionally larger enterprises be permitted. For example, let's imagine that Air France, which by its very nature must have workers in a large geographic orbit, is self-managed. Or that a copper mine is self-managed even though it needs a few hundred or a thousand workers in order to function. In such cases it would be necessary to organize such enterprises in nuclei so that at that level all the workers would habitually know each other by sight. With the new technology of the video conference and other mechanisms it would be possible for such exceptional cases to practice a reliable direct democracy.

In a word, everything which promotes direct democracy must be promoted in any project of a self-managing enterprise. Regarding the economy, socialism will be able to function if there prevail myriads of small enterprises. The trend will have to be just the opposite of the historical trend of capitalism, where for a century and a half the gigantic corporations have set the stage for the world economy—and society.

When the capitalist mode of production is in frank decline, if socialist political revolutions are in progress in not just a few countries and if also in nonrevolutionary countries the working class conquers new legislation and public policies which at least partly facilitate the multiplication and strengthening of self-managed enterprises, there can be no doubt that legions of the growing army of the unemployed will be more attracted to found their own enterprises. In such an atmosphere for any person working without bosses, working without fear of being discharged, working without having to obey policies with whose creation they have not even collaborated will be much more attractive than working as a mere executer of orders of the manager of a capitalist or state enterprise. In a democratic enterprise there is much room for the workers' creativity. One does not obey orders. One simply avoids violating rules in force and decisions established in assemblies. The self-managing enterprise belongs to the worker. The capitalist or state enterprise does not belong to the worker. Nowadays more visibly than a few decades ago the capitalist or state enterprise does not depend on this or that laborer and one might almost say that it does not depend on workers in general. Twenty years ago it was said that the capitalist no longer has any need of workers. Strictly speaking that was not true then nor is it now. But this exaggeration is due in truth to the acute crisis of unemployment. And instead of this sad picture of unemployment and

poverty what is lacking is only strong and indefatigable pressure from the people to make way for the worker without a boss. It is a huge and terrible struggle, a struggle which demands the surpassing of the alienation and political somnolence of the masses.

Contrary to what probably the greater part of public opinion around the world imagines today, experiences by workers who begin their own collective businesses from scratch and those by others who take over enterprises so they themselves can learn how to govern them despite hardly negligible obstacles such as battles in court and the difficulty of obtaining financing demonstrate the pleasure of the growth of their self-esteem. As it was put by one of the 60 and some odd self-managing laborers who took over the Brukman clothing factory in Buenos Aires: "We already know how much a suit costs, how much the raw materials cost. Perhaps this is why they want to throw us out, because we know how to manage a factory, and we know that if workers can run a factory they can also run a country, and that is what the owners of businesses fear" (Ranis, 2006: 15). Then there is also the testimony of one of the founding members of the little self-managing factory (19 workers, including 3 temporary and 1 permanent salaried workers), Bruscor Rope and String Company Ltd in southern Brazil: "Democracy [in a mercantile enterprise] is a synonym for efficiency, it encourages creativity, eliminates costs, makes the enterprise work better and also fulfills us with a sense of achievement personally" (ANTEAG, 2000: 48).

On the other side of the world, in Bangkok, capital of Thailand, we can see the case of the old Bed & Bath Factory, which as of 2003 has been legally governed by its 30 or so workers under the name Dignity Returns. Due to mismanagement the owners had to shut down the factory on October 7, 2002 without previous notice, severance pay, or any other kind of payment. Out of the original workforce of 800 employees, 400 camped on the ground floor of the Ministry of Labor Building, and 3 months later their right to the abandoned factory was recognized. The swiftness of this process was obviously atypical. Thereafter for a few years the 30 or so who remained earned equal pay, which was extremely low until they began to make money at a level which allowed them to recuperate their business with a worthy income. They got some aid, including help from Austria and Australia. They decided to establish the slogan *Dignity Returns*, using it too as their new name. Business began to work well and it's not just by chance that they use sayings like "in this place, there is no boss banging over or taking advantage of us. There is no threat and insult. Most importantly, here is our own factory," "a worker's brand is not impossible," "Let's show capitalists that global labor solidarity is real," and "if we can do it, other workers can do it too." Hence, one can see some of the sentiments of the workers who once worked for starvation wages *every* day in the week in subhuman conditions, which is typical of that field on the periphery of the world today (Yimprasert, 2006; Templer, 2007).

These three examples taken from Argentina, Brazil, and Thailand show us how so much can be learnt from successful cases of self-management. One immediately notices the energetic and enthusiastic self-esteem of workers who feel they are lords and ladies of their own destiny and fulfilled and stimulated toward creativity. They know and tell us that if they can govern their enterprises, others can enjoy the same capacity. In the case of what the laborer from the Bruscor factory said, a new fact is evoked: economy or the elimination of certain costs. A capitalist enterprise spends a lot on public relations and advertising and, if it is very big, on very high wages for high echelon workers and even on lobbying, political partisan campaigns, and so on. When it's a question of recuperated enterprises, joy due to a perception of creativity and self-esteem in comparison to their previous situation is especially strong.

During today's period of a depressed economy two factors may occur: the multiplication of enterprise takeovers by the workers and a lot of pressure from the people for changes in the legislation more favorable to workers' rights at the expense of some of the interests of the ruling class in many countries. It would be illusory to believe that with growing unemployment and poverty no measures in defense of the people will occur.

During the coming years, just as during the past decades, it will be fundamental that what is best in the cooperative movement, the advancements in theory and practice of the solidararian economy, participatory economics, Prout, and suchlike, can be propagated more and more widely. Dogmatism and sectarianism should be avoided. People of different persuasions such as Marxists and anarchists, religious and nonreligious people, and so on should collaborate. When various groups and people have peculiarities that don't completely coincide but that have in common an esteem for an ever growing degree of social equality and social justice regarding the property and distribution of wealth and of knowledge with mechanisms for egalitarian political participation too, then it can be said that a road toward not only a postcapitalist but also a postclass society is still being attempted. There may not be—and indeed there is not yet fully—in the minds of many of the movement's activists a clear consciousness of a need for a classless society as an eventual goal. Frequently, practice shows up before theory notwithstanding the errors along the road.

*The tolerance of differences inside one great ideal will be the reflection of unity in the diversity.*

With the disappearance of capitalism will such a society fill in the vacuum? Now then, more than one development is possible. In Russia and eastern Europe many are the nouveaux riches who have come from the high echelons of the old Communist parties. A new postcapitalist society based on another class system could emerge and experience similar episodes of opportunism perhaps. But it is our conviction that the more experiments with the property and administration of enterprises by the workers and no

one else, while consumers' monitoring mechanisms are diffused along the forthcoming years, the greater will be the possibility of the occupation of new room by a fully democratic society thanks to the democratization of the economy.

*Translated from the Portuguese by the author*

## Notes

- 1 Surely profit, as quickly made as possible, is the *only* goal of the great corporations since the founding of the first ones which occurred about a century and a half ago. Of course that's not the impression their public relations and advertising departments can give and intend to give the public. As far as middle sized and small capitalist enterprises are concerned, their proprietors may or may not show a sensitiveness which up to a point escapes the individualistic bourgeois ethic. But even they, as playthings of omnipresent competition, must pay attention to their survival in the market.
- 2 These principles are also available on the site of the International Cooperative Alliance at [www.ica.coop/al-ica/](http://www.ica.coop/al-ica/).
- 3 We have already characterized Mammonism as "*the human attitude and behavior whereby the possession of an amount of material goods greater than that possessed by other social actors is considered the absolute sign or symbol of human prestige*" (Macdonald, 1997: 360). Mammon is an Aramaic term which according to some scholars denoted a kind of divinity of money but according to others it meant simply an exaggerated esteem for material goods. This Aramaic term was incorporated into the Greek version of the Gospel according to Matthew 6.24 ("you cannot serve God and Mammon"), a document whose original version in Aramaic has been lost.
- 4 We are not using the term *ideology* here in the sense Marx usually attributes to it—in the sense of false consciousness. Or rather, we are not necessarily using it in that sense. Ideology to us will be an ensemble of beliefs and values shared by several—even many—people. Thus considerations of what is desirable or undesirable, possible or impossible, real or unreal, and so on are typical of an ideology.
- 5 This may be the case, for instance, of the hiring of medics by a middle sized cooperative in the field of metallurgy. However, this should not be taken for the hiring of someone for short-term services as, for example, an accountant who spends only 6 to 8 hours a month at a small cooperative of medical services.
- 6 For reasons not to be dealt with here we don't see the Soviet and similar models during the twentieth century as socialism. We say this notwithstanding the constant use of that term both by their activists and by their enemies. We see them as a kind of *productivist statism* or simply *statism* (even though the term *statism* doesn't exist in the dictionary). The new bourgeoisie, especially in eastern Europe and the former Soviet Union is made up of many people once enjoying good positions in the Communist parties of those countries, which per se is one of the indications of their barely socialist character in what we may now call the *Ancien Régime*.



- 7 Economist Henrique Tahan Novaes kindly sent us in 2005 a then still unpublished article of his called “Notas sobre fábricas recuperadas na Argentina e no Uruguai” in which he speaks of certain Argentine businessmen who undid their factories like “inside out Luddites.” The Luddites were English workers who in the 1810s destroyed machines in the factories to demonstrate the revolt against factories that were eliminating the livelihood of the craftsmen.
- 8 As we looked on internet for references to factories and other enterprises taken over or recuperated by workers we saw several mentions frequently referred to Argentina not only in Spanish but also in English and French.
- 9 The two other meanings of the “trivalence” of the term socialism as used even today are (1) what we call *statism* or *productive statism* as referred to in note 6 above and (2) what many call social democracy, which insists on a less liberal capitalism with a greater right for the state to intervene in education, in health, and to enforce a certain regulation of the economy without however questioning an extensive control—certainly by far most of the control—of the economy by private interests. It will still be necessary, it seems to us, that a new term be coined and come into fashion, some term instead of socialism, communism, and democracy—terms which are now worn out and ambiguous—a term which will essentially characterize what we have just proposed in the text above with the term *socialism*.

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## CHAPTER TWO

# The Parecon Proposal

*Michael Albert*

Participatory economics, or parecon for short, is a proposal for the defining features of a postcapitalist economy. Economies incorporate an almost infinite array of components. Two different societies, whether France and Mexico or the United States and South Africa, even if they have the same type of economy, such as capitalism, certainly won't have the same exact economic attributes.

Instead, two societies, even when both are capitalist, will have a myriad of economic differences ranging from population numbers and skills, to resources and infrastructure, to different specific industries, organizational approaches, secondary economic institutions, and class histories and relations. And the same will also hold for other economic types than capitalism, including participatory economies. Different societies with participatory economies, say a future France or Mexico, or the United States or South Africa, will have different features beyond the few shared ones that define the economic type.

Capitalism's first defining feature is private ownership of the means of production. A few percent of the population own almost all industry, machinery, resources, and farmland. They have ultimate say over the disposal and use of this property. They accrue income and wealth, or what are called profits, due to the property's productivity.

Capitalism is also defined by corporate workplace divisions of labor and authoritative decision making. That is, beneath the owners, about 20 percent of employees of capitalist workplaces do mostly conceptual and empowering tasks for their jobs, while the other 80 percent do mostly rote

and obedient tasks. The former make many decisions and impact social choices. The latter make few decisions and mainly obey orders. Decisions are made using different means and methods for different situations, but the means and methods always convey authoritative power to a relative few people from among the 20 percent empowered workers, while conveying even more authority to the economy's owners.

People's income in capitalist economies comes mostly from their bargaining power. We get from economic output what we can take. A very important contributor to bargaining power is ownership of property because it conveys rights to profit. Also important to one's bargaining power, and thus to the income one can take, is the control one has over needed assets or skills, the value of the output one generates, one's social attributes like gender and race, and one's organizational affiliations such as union membership.

Another defining feature of capitalism is that the amount of any particular good or service produced and the relative valuations of different products are largely determined by competitive markets. Buyers and sellers each aggrandize themselves essentially oblivious to the impact of their choices on others. I sell at the highest price I can impose the least costly items I can provide. You buy at the lowest price you can impose the most valuable items you can find. We fleece each other. Competition drives growth and determines valuations. Prices account for the preferences and especially the bargaining power of direct buyers and sellers, but not for the preferences of people who are not directly involved in specific transactions but who are affected nonetheless, for example, by associated pollution. More, in market exchanges, as the famous and quotable baseball manager Leo Durocher put it, "nice guys finish last."

Beyond commonly shared private ownership of means of production, corporate workplace organization, authoritative decision making, remuneration for bargaining power, property, and output, and market allocation, myriad variations in secondary institutions, population, local history, and impositions from other parts of society distinguish different instances of capitalism from one another.

Referring to capitalism, John Stuart Mill, one of the foremost philosophers of the nineteenth century wrote

I confess that I am not charmed with the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other's heels, which form the existing type of social life, are the most desirable lot of human beings. (Mill, 1965: 754)

John Maynard Keynes, arguably the most influential economist of the twentieth century is said to have written: "Capitalism is the astounding

belief that the most wickedest of men will do the most wickedest of things for the greatest good of everyone” (apocryphal).

Warren Buffet, one of the richest capitalists in America, supposedly said, not about capitalism as a whole but just as revealingly about a particular industry: “I’ll tell you why I like the cigarette business. It costs a penny to make. Sell it for a dollar. It’s addictive. And there’s fantastic brand loyalty.”

Charles Dickens summarized both the vagaries and even more the narrowness and unforgivingness of capitalism when he wrote: “Annual income twenty pounds, annual expenditure nineteen pounds and six, result happiness. Annual income twenty pounds, annual expenditures twenty pounds naught and six, result misery” (1850: 185).

The great Latin American writer Eduardo Galeano, is said to have explained how capitalism has nearly all its valuations upside down, as follows:

From the point of view of the economy, the sale of weapons is indistinguishable from the sale of food. When a building collapses or a plane crashes, it’s rather inconvenient from the point of view of those inside, but it’s altogether convenient for the growth of the gross national product, which sometimes ought to be called the “gross criminal product.”

And in my own view Capitalism is a thug’s economy, a heartless economy, a base and vile and largely boring economy. It is the antithesis of human fulfillment and development. It mocks equity and justice. It enshrines greed. It is unworthy of humanity.

I doubt that many who are reading this book want to contest all that. In fact, I even think relatively few citizens would contest much of it, which means we ought to proceed to a better economy.

Parecon has completely different defining features from capitalism. Extensive explorations of its economic logic are available online at the parecon website ([www.parecon.org](http://www.parecon.org)). Here I can only summarize parecon’s main features.

## **Parecon’s values**

Parecon seeks to fulfill four key values in addition to meeting needs and fulfilling potentials. And to do this, it incorporates four key defining institutional commitments.

The four values are solidarity, diversity, equity, and self-management.

The four institutions are workers and consumers councils with self-managed decision-making norms and methods, remuneration for effort and sacrifice, balanced job complexes, and participatory planning.

## **Solidarity**

The first value a good economy ought to have bears upon how its actors relate to one another. In capitalism to get ahead one must trample others. To increase your income and power you must ignore the horrible pain suffered by those left below or you must literally help to push them farther down. In capitalism not only do “nice guys finish last” but in my own somewhat more aggressive formulation of the same sentiment, “garbage rises.”

Here is Ursula LeGuin having a character in her famous and wonderful novel *The Dispossessed* (1974: 131–2) wonder how anyone relating to a typical capitalist mall can responsibly act in light of the impact of their choices on others:

Saemtenevia Prospect was two miles long, and it was a solid mass of things to buy, things for sale. Coats, dresses, gowns, robes, trousers, breeches, shirts, umbrellas, clothes to wear while sleeping, while swimming, while playing games, while at an afternoon party, while at an evening theatre, while riding horses, gardening, receiving guests, boating, dining, hunting—all different, all in hundreds of different cuts, styles, colors, textures, materials. Perfumes, clocks, lamps, statues, cosmetics, candles, pictures, cameras, hassocks, jewels, carpets, toothpicks, calendars, a baby’s teeth rattle of platinum with a handle of rock crystal, an electrical machine to sharpen pencils, a wristwatch with diamond numerals, figurines and souvenir and kickshaws and mementos and gewgaws and bric-a-brac, everything either useless to begin with or ornamented so as to disguise its use; acres of luxuries, acres of excrement. After one block, Shevek had felt utterly exhausted. He could not look any more. He wanted to hide his eyes. But to Shevek the strangest thing about the nightmare street was that none of the millions of things for sale were made there. They were only sold there. Where were the workmen, the miners, the weavers, the chemists, the carvers, the dyers, the designers, the machinists, where were the hands, the people who made? Out of sight, somewhere else. Behind walls. All the people in all the shops were either buyers or sellers. They had no relation to the things but that of possessions. How was he to know what a goods’ production entailed? How could they expect him to decide if he wanted something? The whole experience was totally bewildering. Were his hosts in this strange world, the “shoppers” of A-Io, really capable of such daily acts of social irresponsibility?

In contrast to the capitalist rat race, a good economy should be intrinsically a solidarity economy generating sociality rather than social irresponsibility. Its institutions for production, consumption, and allocation would propel even antisocial people into having to address other people’s well-being to

advance their own. To get ahead in a good economy, in other words, you would have to act on the basis of considering and respecting the conditions of others.

Interestingly, this first parecon value, so contrary to the capitalist logic of “me first and the rest be damned,” is entirely uncontroversial. Only a psychopath would argue that if we could have the same output, the same conditions, the same distribution of income, and so on, an economy would be better if it produced hostility and antisociality in its participants than if it produced mutual concern and interconnection. Other than psychopaths, we all value solidarity and we would prefer to do without humans trampling other humans.

## ***Diversity***

The second value we want a good economy to advance has to do with the range of options and opportunities an economy generates. Capitalist markets homogenize options. Their rhetoric trumpets opportunity but their structure curtails most avenues of satisfaction and development by replacing virtually everything human and caring with only what is most commercial, most profitable, and most in accord with preserving existing hierarchies of power and wealth.

As time passes, the tremendous variety of tastes, preferences, and choices that humans naturally display are truncated by capitalism into conformist patterns imposed by advertising, by narrow class delimited role offerings, and by coercive marketing environments that produce commercial attitudes and habits.

As a result, within capitalism we seek best sellers regardless of the quality of their impact instead of seeking a wide range of sellers with as desirable impact as possible.

We seek the one best method (generally for profit) instead of many parallel methods (for diverse preferences), and we seek the biggest of almost anything virtually always crowding out the more diverse instances that could instead be sought as a means to much greater and more widespread personal fulfillment.

In contrast, good institutions for production, consumption, and allocation not only wouldn't reduce variety but their operations would emphasize finding and respecting diverse solutions to problems. A good economy would recognize that we are finite beings who can benefit from enjoying what others do that we ourselves have no time to do, and also that we are fallible beings who should not vest all our hopes in single routes of advance but should instead insure against damage by exploring diverse parallel avenues and options.

Interestingly, this value too, like solidarity, is entirely uncontroversial. Only a perverse individual would argue that all other things equal, an



economy is better if it homogenizes and narrows options than if it diversifies or expands them. So we value diversity, not homogeneity.

## ***Equity***

The third value we want a good economy to advance has to do with the distribution of outputs to actors. Capitalism overwhelmingly rewards property and bargaining power. It says that those who have a deed to productive property by virtue of that piece of paper deserve profits. And it says that those who have great bargaining power based on anything from monopolizing knowledge or skills, to having better tools or other organizational advantages, to being born with special talents, to being able to command brute force, are entitled to whatever they can take.

A good economy would instead be an equity economy whose institutions for production, consumption, and allocation not only wouldn't destroy or obstruct equity, but would propel it. But then the question arises, what is equity?

People seeking equity of course reject rewarding property ownership. It can't be equitable that due to having a deed in your pocket you earn 100, 1,000, or even a million or 10 million times the income some other person earns who works harder and longer. To be born and inherit ownership and by virtue of that inheritance and ownership, despite having done nothing of merit, to have vastly better circumstances and vastly more influence than others—cannot possibly be equitable.

We also reject rewarding power with income. The logic of Al Capone, Genghis Khan, and the Harvard Business School is that each actor should earn as remuneration for their economic activity whatever they can get away with taking. This norm worships not equitable outcomes, but thuggishness. Being civilized, we of course reject it.

But more controversially and complexly, what about output? Should people get back from the social product an amount equal to what they themselves by their own labors produce as part of that social product?

This seems equitable. After all, what reason can justify that we should get less than what we ourselves contribute, or for that matter that we should get more than our own contribution? Surely we should get an equivalent amount to what we produce, shouldn't we?

It may seem so, but suppose two people do the same work for the same length of time at the same intensity, why should someone who has better tools with which to generate more output get more income than someone who has worse tools and as a result generates less output even though working as hard or harder?

Why should someone who happens to produce something highly valued be rewarded more than someone who happens to produce something less

valued but still socially desired and important to provide, again, even if the less productive person works equally hard and long and endures similar conditions as the more productive person?

Why should someone who was lucky in the genetic lottery, perhaps getting genes for big size or for musical talent or for tremendous reflexes or peripheral vision or for conceptual competency get rewarded more than someone who was less lucky genetically?

You are borne with a wonderful attribute. You didn't do anything to get it. Why, on top of the luck of having it are you then regaled with greater income as well? There is no earning going on. No meritable activity is being rewarded. No morality is being fulfilled.

In light of the implicit logic of these cursory examples, it seems that to be equitable remuneration should be for effort and sacrifice in producing socially desired items.

If you work longer, you should get more reward. If you work harder, you should get more reward. If you work in worse conditions and at more onerous tasks, you should get more reward. But you should not get more for having better tools, or for producing something that happens to be more valued, or even for having innate highly productive talents, nor should you get it even for the output of learned skills (though you should get rewarded for the effort and sacrifice of learning those skills), nor of course should you get rewarded for work that isn't socially warranted.

Unlike our first two values, solidarity and diversity, our third value of rewarding only the effort and sacrifice that people expend in their socially valued work is controversial.

Some anticapitalists think that people should be rewarded for the overall volume of their output, so that a great athlete should earn fortunes, and a quality doctor should earn way more than a hard working farmer or short order cook. An equitable economy, however, or at any rate a participatory economy, rejects that norm.

Pareconish equity requires instead that if one person has a nice, comfortable, pleasant, highly productive job, and another person has an onerous, debilitating, and less productive but still socially valuable and warranted job, for comparable intensity of work the latter person should earn more per hour than the former. Parecon rewards effort and sacrifice at socially valued labor, not property, power, or output.

There are two other anticapitalist stances regarding remuneration that we should address. They have in common that they take a wise insight past its applicability to a counterproductive extreme.

The first approach says work itself is intrinsically negative. It asks why anyone thinking about a better economy should be thinking in terms of organizing or apportioning work. Why not instead just eliminate it?

This insight correctly notices that our efforts to innovate should seek to diminish onerous components of work in favor of more fulfilling ones. But

it moves from that worthy advisory to suggesting eliminating work entirely, and that is simply nonsense.

First and most obviously, work yields results we cannot and do not want to do without. The bounty that work generates, in other words, justifies the costs of undertaking it. In a good economy, people would desist before suffering insufficient returns. In *parecon*, we expend our effort and make our sacrifice only up to the point where the value of the income we receive outweighs the costs of the exertions we undertake. At that point, we opt for leisure, not more work.

Second, as the famed geographer and anarchist Peter Kropotkin expressed the point, “Overwork is repulsive to human nature—not work. Overwork for supplying the few with luxury—not work for the well-being of all. Work, labor, is a physiological necessity, a necessity of spending accumulated bodily energy, a necessity which is health and life itself” (1927: n.p.).

In other words, the merits of work are not solely in its outputs, but also in the process and act itself. We want to eliminate work that is onerous and debilitating, but not work *per se*. So we need to keep work, but to figure out how to do it differently from now.

A second and related anticapitalist inclination that rejects our approach to remunerating duration, intensity, and onerousness of work, claims that the only criterion for remuneration ought to be human need. “From each according to ability, to each according to need” is the summary aphorism of this perspective.

What this view rightly highlights is that we believe people deserve respect and support by virtue of their very existence. If a person cannot work, then surely we don’t starve them or deny them income at the level others enjoy. Their needs, modulated in accord with social averages, are met. If, likewise, someone has special medical needs, these too are met even beyond just the volume or intensity or character of work the person is able to do.

The problem with rewarding need arises not regarding people who can’t work or who have special medical needs, but when we try to take the norm further than that.

What does it mean, really, to apply this norm for people who can work and who have no special medical needs?

If I am such a person, can I opt not to work and yet consume anyhow? And can I consume as much as I choose, with no external limits imposed? This is obviously not viable. We could have no one working and at the same time have everyone expecting to consume way more than now.

Usually what those who advocate payment for need and working to capacity have in mind is that each actor will responsibly take an appropriate share of consumption out of the social total and will responsibly contribute an appropriate amount of work to its production.

But the problem then arises, how do I know what is appropriate to consume or to produce? And, for that matter, how does the economy itself determine what is appropriate?

It turns out, in other words, that in real practice the norm “work to ability and consumption to need” becomes work in accord with social averages and consume in accord with social averages as well, with people going over and under the average only when warranted.

But how is it warranted, and more, how does one know what the social average is? How does the economy, for that matter, decide how much of anything to produce? How does anyone know the relative values of outputs if we have no measure of the value of the labor involved? How do we know if labor is apportioned sensibly and if we need innovations here or there on behalf of improving work life, and so on?

Whether one believes that remuneration for need and working to one’s ability is a higher moral norm than remuneration for effort and sacrifice—and this too is an open question—the former is not a practical norm unless there is an external measure of need and ability plus a valuation of different labor types, plus a way for me to weigh all this to determine what is warranted behavior on my part, plus an expectation I will do so. But all this is precisely what the parecon reward effort and sacrifice norm (and its institutions that we will describe shortly) provide, while also meeting the actual underlying moral intent of the reward need norm, and while also enabling people who are able to do so to work more or less and to, as a result, consume more or less as they prefer, and permitting everyone to judge relative values in tune with labor expended as well as in tune with resources included and effects embodied, which is to say in accord with full true social costs and benefits, as we will see shortly.

So, we have our third value, a controversial one even among anticapitalists. We want a good economy to remunerate effort and sacrifice, and, when people can’t work, to provide full income and health care based on need, a humane addendum that even capitalism’s advocates honor.

## ***Self-management***

The fourth and final value on which a good economy ought to incorporate has to do with decisions.

In capitalism owners have tremendous say. Managers and high-level lawyers, engineers, financial officers, and doctors, each of whom monopolize empowering work and daily decision-making levers, have substantial say. And people doing rote and obedient labor rarely even know what decisions are being made, much less influence them.

In contrast, a good economy will be a richly democratic economy. People will control their own lives consistent with others doing likewise. Each person will have a level of say that won’t impinge on other people having the same level of say. We will impact decisions in proportion as we are affected by them. This is called self-management.

Imagine a worker wants to place a picture of his daughter on his workstation. Who should make that decision? Should some owner decide? Should a manager decide? Should all the workers decide? Obviously none of that makes any sense. The one worker whose child it is should decide, alone, with full authority. He should be literally a dictator in this particular case. Sometimes, in other words, we think making decisions dictatorially makes sense.

Now suppose instead that a worker wants to put a radio on her desk and to play it very loudly listening to raucous rock and roll. Who should decide? We all intuitively know that the answer is that those who will hear the radio should have a say and that those who will be more bothered or more benefited should have more say. The worker no longer gets to be a dictator, nor does anyone else. Instead, those who would hear the radio have a say, and others outside the range of hearing, do not.

And at this point, we have already implicitly arrived at a value vis-à-vis decision making. We easily realize that we don't want one person one vote and 50 percent plus one to decide everything all the time. Nor do we always want one person one vote and some other percentage required for agreement. Nor do we always want one person to decide authoritatively, as a dictator. Nor do we always want consensus. Nor do we always want any other single approach to discussing issues, expressing preferences, and tallying them. All the various methods of making decisions make sense in some cases but are horribly unfair, or intrusive, or authoritarian, in other cases, because different decisions require different approaches.

What we hope to accomplish when we choose from among all possibilities a particular mode of decision making and processes of discussing issues, agenda setting, information sharing, and so on, is that each actor should have an influence on decisions in proportion to the degree he or she is affected by them. And that is our fourth *parecon* value, called self-management.

Participatory Economics pursues the above listed values of solidarity, diversity, equity, and self-management via a few centrally defining institutional choices.

## Parecon's institutions

Advocating preferred values like those we have enumerated is necessary but not alone sufficient when people ask, what do you want? We can say we want solidarity, diversity, equity, and self-management, but if we implicitly or explicitly advocate institutions that have a logic that leads instead to other outcomes, what good is our rhetorical attachment to the exemplary values? We need the values, but we also need a set of institutions that can make them real.

## ***Workers and consumers councils***

Workers and consumers need a place to express and pursue their preferences. Historically, when workers and consumers have attempted to seize control of their own lives in tumultuous times, they have invariably created as the venue of their debate and decision making, workers and consumers councils.

In a parecon, within workers and consumers councils essentially like those that have historically emerged in past struggles, there is an additional commitment to using decision-making procedures and modes of communication that self-consciously apportion to each actor about each decision a degree of say proportionate to the degree he or she is affected.

Votes to make decisions in councils could be majority rule, three-quarters, two-thirds, consensus, or other possibilities. They are taken at different levels, with fewer or more participants, and using information dispersal and discussion procedures as well as voting norms that depend on the particular implications of the decisions in question.

Sometimes after due deliberation a team or individual makes a decision pretty much on its own. Sometimes a whole workplace or even an industry, or a neighborhood, county, or country would be the decision body and special mechanisms for getting relevant information to all members and deliberating possibilities are employed. Different voting and tallying methods would also be enacted as needed for different decisions.

Consider, as an example, a publishing house. It could have teams addressing different functions like promotion, book production, editing, and so on. Each of these might make its own workday decisions in context of broader policies decided by the whole workers council. Decisions to publish a book might involve teams in related areas, and might require, for example, a two-thirds or three-quarters positive vote, including considerable time for appraisals and reappraisals. Many other decisions in the workplace could be one person one vote majority rule of the primarily affected workers or could require slightly different majorities or methods of accounting and challenging outcomes. Hiring might require consensus in the workgroup that the new person would be part of due to the tremendous effect a new worker can have on a group that he or she is constantly working with.

The point is, in workplaces, workers decide both the broad and the narrower decisions, both the norms and the methods for decision making, and then also the day-to-day and more policy-oriented choices in groups of nested councils, teams, and so on.

The reader may note that for full self-management, however, it must also be the case that by some means the decisions of a workplace regarding what to produce are also influenced appropriately by all the people affected by its production—which turns out to be not only those who wind up consuming the workplace's books, bicycles, band-aids, or whatever, but also those

who don't get some other product because energy, time, and assets went to the ends in question and not to some other ends, plus those affected by by-products such as pollution. But this is all a matter of allocation, not of workplace organization, and it enters our discussion just a bit later where we will also see how consumers councils fit into the picture. For now, we have self-managing councils.

### ***Remuneration for effort and sacrifice***

The next institutional commitment is to remunerate for effort and sacrifice, not for property, power, or even output. But who decides how hard we have worked? Of course, by what we have already said, it must be our workers councils in context of the broad economic setting established by all the economy's institutions.

If you work longer, and you do it effectively of course, you are entitled to more of the social product. If you work more intensely, socially usefully, again you are entitled to more. If you work at more onerous or dangerous or boring but also socially warranted tasks, again, you are entitled to more.

But you are not entitled to more due to owning productive property because no one owns productive property—it is all socially owned. And you are not entitled to more due to working with better tools, or producing something more valued, or even having personal traits that make you more productive, because these attributes do not involve effort or sacrifice, but luck and endowment.

Greater output is appreciated, of course, and it is important that means of accomplishing it are utilized, to be sure . . . but there is no extra pay for greater output. Yes, my working longer or harder yields more output, and greater output can even be a revealing indicator of greater effort, but while output is often relevant as an indicator of effort its absolute level is beside the point regarding remuneration.

Both morally and in terms of incentives, parecon does precisely what makes sense. The extra pay we get is for what we deserve to have rewarded, our sacrifice at work, and the extra pay we earn elicits what we can contribute more of, which is our time and effort. As to how the economy elicits appropriate use of productive capacities, that is a matter of allocation, still to come.

### ***Balanced job complexes***

Suppose that as proposed we have workers and consumers councils. Suppose we also believe in participation and even in self-management. But suppose

as well that our workplace has a typical corporate division of labor. What will happen?

The roughly 20 percent of the workforce who via their positions in the corporate division of labor monopolize the daily decision-making positions and the knowledge that is essential to comprehending what is going on and what options exist, are going to set agendas. The pronouncements of these engineers, lawyers, doctors, and other empowered actors will be authoritative. Indeed, even if other workers have formal voting rights in workers councils committed to self-management, their participation will be only to vote on plans and options put forth by only this group of privileged workers who I call the coordinator class.

The will of this coordinator class will decide outcomes and in time this elite will also decide that it deserves more pay to nurture and reward its great wisdom. It will separate itself not only in power, but in income and status. In other words, it isn't enough to have workers and consumers councils and to believe in and try to implement self-management along with remuneration for effort and sacrifice. If on top of all those desirable features we have a division of labor which militates against sought after equity and self-management and instead imposes class division, our greatest hopes and pursuits will be dashed against the structural implications of our job design.

Adam Smith understood the above very well when he wrote "The understandings of the greater part of men are necessarily formed by their ordinary employments." That being so, Smith added, "the man whose life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding . . . and generally becomes as stupid and ignorant as it is possible for a human creature to be."

So what is parecon's alternative to familiar corporate divisions of labor? We seek to extend the insights of William Morris, the noted nineteenth-century artist and wordsmith, who wrote:

Now, as to occupations, we shall clearly not be able to have the same division of labor as now: vicarious servanting, sewer emptying, butchering, letter carrying, boot-blackening, hair dressing, and the rest of it will have to come to an end . . . we shan't put a pattern on a cloth or a twiddle on a jug-handle to sell it, but to make it prettier and to amuse ourselves and others. (Morris quoted in Zcom, n.d.: n.p.)

Morris was right not only about changing the motives of work to meeting needs and developing the potentials of those enjoying the products and those doing the labor, but also about the need to alter the division of labor en route to that achievement.



Parecon concurs with Smith's perception of the debilitating effect of corporate divisions of labor and with Morris's aspirations for future work. That is why participatory economics utilizes what it calls balanced job complexes.

Instead of combining tasks so that some jobs are highly empowering and other jobs are horribly stultifying, so that some jobs convey knowledge and authority while other jobs rob mentality and convey only obedience, and so that those doing some jobs rule as a coordinator class accruing to themselves more income and influence while those doing more menial work obey as a traditional working-class subordinate in influence and income—parecon says let's make each job comparable to all others in its quality of life effects and even more importantly in its empowerment effects.

From a corporate division of labor that enshrines a coordinator class above workers, we move to a classless division of labor that elevates all actors to their fullest potentials.

Each person has a job. Each job involves many tasks. Of course each job should be suited to the talents, capacities, and energies of the person doing it. But in a parecon each job must also contain a mix of tasks and responsibilities such that the overall quality of life and especially the overall empowerment effects of work are comparable for all.

A parecon does not have someone who does only surgery and someone else who only cleans bed pans. It instead has people who do some surgery and some cleaning of the hospital, as well as some other tasks—such that the sum of all that they do incorporates a fair mix of conditions and responsibilities.

A parecon does not have some people in a factory who only manage operations and others who only do rote tasks, but instead has people throughout factories who do a mix of conceptual and rote tasks.

A parecon does not have lawyers and short-order cooks and engineers and assembly line workers as we now know them. All the tasks associated with these jobs must get done, but in a parecon they are mixed and matched very differently than in capitalist workplaces.

A parecon's populace all does a mix of tasks in their work such that each person's mix accords with their abilities and also conveys a fair share of rote, tedious, interesting, and empowering conditions and responsibilities.

Our work does not prepare a few of us to rule and the rest of us to obey. Instead our work equally prepares all of us to participate in self-managing our activities via our councils. It equally readies all of us to engage sensibly in self-managing our lives and institutions.

But to move on to our next institutional feature, what happens if we have a new economy with workers and consumers councils, with self-managing decision-making rules, with remuneration for effort and sacrifice, and with balanced job complexes—but we combine all this with markets or with central planning for allocation? Would that constitute a good economy?

## ***Allocation: Markets and central planning***

First, markets would destroy the remuneration scheme, rewarding output, and bargaining power instead of effort and sacrifice. Second, markets would also force buyers and sellers to try to buy cheap and sell dear, each fleecing the other as much as possible in the name not only of private advance but of market survival. Markets, in other words, would generate inequitable allocation and also antisociality.

Third, however, markets would even produce dissatisfaction because it is only the dissatisfied who will buy and then buy again, and buy again, and again. Consider what the general director of General Motors' Research Labs, Charles Kettering, thought of the matter, as researched and summarized by Juliet Schor:

[B]usiness needs to create a "dissatisfied consumer"; its mission is "the organized creation of dissatisfaction." Kettering led the way by introducing annual model changes for GM cars—planned obsolescence designed to make the consumer discontented with what he or she already had. (Schor, 1991: 120)

Fourth, markets also misprice items, taking into account only the impact of work and consumption on the immediate buyers and sellers but not on those affected peripherally, including those affected by pollution or, for that matter, by positive side effects. This exclusion means markets routinely violate ecological balance and sustainability while subjecting all but the wealthiest communities to collective debit in water, air, sound, and public availabilities.

Fifth, markets, more subtly and even beyond all the above, create a competitive context in which workplaces have to cut costs and seek market share regardless of implications for others. To do this, even our workplaces with self-managing councils and wanting to have equitable remuneration and balanced job complexes would have no choice but to insulate from the discomfort that cost cutting imposes precisely those people who they would earmark to figure out what costs to cut and how to generate more output at the expense of worker (and even consumer) fulfillment.

To cut costs and otherwise impose market discipline there would emerge, again, a coordinator class, located above workers, violating our preferred norms of remuneration, accruing power to themselves, and obliterating the self-management we desire.

In other words, under the pressure of market competition the firm I work at must try to maximize its revenues so as to keep up with or outstrip competing firms. We would also have to try to dump our costs on others, to bring in as much revenue as possible via inducing even excessive consumption, to cut our costs of production as much as we can, to reduce comforts

for workers, to win market share regardless of benefits and costs to others, and so on.

To do all these things requires both a managerial surplus-seeking mind-set, and also freedom from suffering the pains that managerial choices induce. So we hire folks with appropriately callous and calculating minds of the sort business schools produce, and we give these new employees air conditioned offices and comfortable surroundings, and say to them, okay, cut our costs.

In other words, ironically we impose on ourselves a coordinator class, not as a matter of natural law, or because we want to, but because markets force us to do that or to lose market share, lose revenues, and eventually go out of business to others who don't hesitate at being cutthroat.

There are those who will claim that all these ills I have listed, and more, are a product not of markets per se but of imperfect markets, markets that have not attained a condition of perfect competition. Aside from the fact that this is a bit like saying the ills associated with imbibing arsenic are always due to the oddity that we never get pure arsenic but always get only arsenic that is tainted with one or another additional ingredient, and aside from the fact that in a real society there is literally no such thing as frictionless competition in any event, we can point to the fact that the closer we have historically come to a pure market system without state intervention and with as few sectors as possible dominated by single firms or groups of firms or with as few unions as possible, the worse the social implications of exactly the sort we have described above become. So, there have rarely if ever been markets as competitive as those of Britain in the early nineteenth century. Under the sway of those nearly perfect markets, however, as the economist Robert Solow put it, "infants typically toiled their way to an early death in the pits and mills of the Black Country." He adds that "well-functioning markets have no innate tendency to promote excellence in any form. They offer no resistance to forces making for a descent into cultural barbarity or moral depravity" (quoted in Albert, 2004), in accord with our own perceptions.

And the same broad result would hold (and has held) for central planning as well. Central planning too would immediately elevate planners, and shortly after that elevate planners' managerial agents in each workplace, and then also for legitimacy and consistency it would elevate all those actors in the economy sharing the same type of credentials.

In other words, the central planners need local agents to interact with who will hold workers to norms the central planners set. Such folks must be authoritative. Their credentials must legitimize them and reduce other actors to relative obedience. Central planning would thus by a different logic also impose, like markets, coordinator class rule over workers who would in turn be made subordinate not only nationally but also in each workplace.

The allocation problem that we face in trying to propose a good economy is therefore that (as we saw in the old Yugoslavia and Soviet Union) markets and central planning each subvert the values and the associated structures we have so far deemed worthy. They obliterate equitable remuneration, annihilate self-management, horribly misspecify the values of produced items, impose narrow and antisocial motivations, and impose class division and class rule.

Allocation is the nervous system of economic life, and is comparably intricate and essential. Consider the view of the French economist of the first half of the nineteenth century, Frédéric Bastiat, who wrote:

Upon entering Paris which I had come to visit, I said to myself, here are a million human beings who would all die in a short time if provisions of every sort ceased to go towards this great metropolis. Imagination is baffled when it tries to appreciate the multiplicity of commodities which must enter tomorrow through the barriers in order to preserve the inhabitants from falling prey to all the convulsions of famine, rebellion, and pillage. (Bastiat, 2006: 104)

However baffled Bastiat's imagination was, to round out a new economic vision our imagination must conceive a mechanism that can properly and efficiently determine and communicate accurate information about the true social costs and benefits of economic options to actors and then also apportion to those actors influence over choices in proportion to the degree they are affected.

This is no little ambition given that virtually everyone is at least to some degree affected by each decision. Consider Noam Chomsky, the most influential linguist and social critic of the twentieth century, describing elements of the situation:

In any institution—factory, university, health center, or whatever—there are a variety of interests that ought to be represented in decision-making: the work force itself, the community in which it is located, users of its products or services, institutions that compete for the same resources. These interests should be directly represented in democratic structures that displace and eliminate private ownership of the means of production or resources, an anachronism with no legitimacy. (Chomsky, 1971: n.p.)

While Chomsky was quite right in identifying private ownership as problematic in these regards, the deeper and arguably even deadlier villains, as we have all too briefly indicated, are markets and central planning.

## ***Participatory planning***

So suppose in place of top-down allocation via centrally planned choices and in place of competitive market allocation by atomized buyers and sellers, we opt for informed self-managed, cooperative negotiation of inputs and outputs by socially entwined actors who each have a say in proportion as choices impact them, who can each access accurate information and valuations, and who each have appropriate training, confidence, conditions, and motivation to develop, communicate, and manifest their preferences.

That allocation approach, if we could conceive institutions able to make it effective, could compatibly advance council centered participatory self-management, remuneration for effort and sacrifice, and balanced job complexes, and also provide proper valuations of personal, social, and ecological impacts while promoting classlessness.

Participatory planning is conceived to accomplish all this. Worker and consumer councils propose their work activities and consumption preferences in light of best available and constantly updated knowledge of local and national implications in the form of true valuations of the full social benefits and costs of their choices.

Their negotiation features a back and forth cooperative communication of mutually informed preferences via a variety of simple communicative and organizing principles including what are called indicative prices, facilitation boards, rounds of accommodation to new information, and other features which permit actors to express, mediate, and refine their desires in light of feedback about other actor's desires. In short, everyone together interactively negotiates compatible choices consistent with advancing the values we have highlighted.

Workers and consumers indicate their personal and group preferences. They learn what others have indicated. They alter their preferences seeking a personally fulfilling pattern of work and consumption as well as a viable overall plan.

At each new step in the cooperative negotiation each actor seeks personal well-being and development, but each can improve his or her situation only by acting in accord with more general social benefit.

As in any economy, consumers take account of their income and the relative costs of available items and choose what they desire. This occurs not only for individual consumption, but also for groups, neighborhoods, and regions, all via consumer councils.

Workers similarly indicate how much work they wish to do in light of requests for their output as well as their own labor/leisure preferences.

In capitalism, as Sinclair Lewis succinctly conveys, to be able to fleece others is a welcome trait: "His name was George F. Babbitt, and . . . he was nimble in the calling of selling houses for more than people could afford to pay" (quoted in Miner and Rawson, 2006: 421).

Or as the famous advertising executive Ernest Dichter says about American advertising:

We must use the modern techniques of motivational thinking and social science to make people constructively discontented. . . . If you are relatively happy with your life, if you enjoy spending time with your children, playing with them and talking with them; if you like nature . . . if you just like talking to people . . . if you enjoy living simply, if you sense no need to compete with your friends or neighbors—what good are you economically? (Quoted in Miller and Albert, 2009: 9)

But in a parecon, not only does no one have any interest in selling at an inflated price, no one has any interest in selling more for the sake of income either—because that is not how income is earned. Nor is there any competition for market share. Motives are simply to meet needs and to develop potentials without wasting assets, which is to say to produce what is socially acceptable and useful and to fulfill one's own as well as the rest of society's preferences compatibly.

Actors' proposals about their desired production and consumption are communicated each to every other via special mechanisms for the purpose. Negotiations occur in a series of planning rounds or iterations. Every actor has an interest in the most effective utilization of productive potentials to meet needs since each actor gets a share of output that is equitable and grows as the whole output grows.

Every actor also has an interest in investments that reduce drudge work and improve the quality and empowerment of the average balanced job complex since this is the job quality and empowerment everyone on average enjoys.

It is impossible to describe this whole parecon system and all its diverse mechanisms and features, much less the countless possible additional aspects in any given implementation of parecon, much less to show convincingly how the model is both viable and worthy, in a summary chapter such as this. I'd like to here provide only a brief concluding summary of the model's main virtues.

## **Parecon's virtues**

Participatory economics creates a context of classlessness and social solidarity. I can get better work conditions if the average job complex improves. I can get higher income if I work harder or longer with my workmates' consent, or if the average income throughout society increases. I not only advance in solidarity with other economic actors, but I influence all economic decisions, including those in my workplace and even those throughout the rest of the economy, at a level proportionate to the impact those decisions have on me.

Parecon not only eliminates inequitable disparities in wealth and income, it attains just distribution. It not only doesn't force actors to undervalue or violate one another's lives, it produces solidarity. It not only doesn't homogenize outcomes, it generates diversity. It not only doesn't give a small ruling class tremendous power while burdening the bulk of the population with powerlessness, it produces appropriate self-managing influence for all via true classlessness.

Parecon's economic viability and worthiness are argued in great detail in the book *Parecon: Life After Capitalism* (2003) and on the parecon website ([www.parecon.org](http://www.parecon.org)) including addressing detailed concerns about productivity, efficiency, incentives, and so on. Readers who are not familiar with parecon's features and who have not yet thought through their economic logic may wish to consult either of those sources.

My claim is that a participatory economy is a viable and worthy one. My claim is that it is a solidarity economy, a diversity economy, an equitable economy, and a self-managing economy. If that claim is true, people of serious social intent should invest time and focus in figuring out how to implement parecon. If the claim is false, such people should go back to the drawing board until we do have a worthy economy to pursue. What we cannot do is settle for capitalism in any form at all. To do that would be moral, material, social, and ecological suicide, sooner or later, for all of humanity.

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## CHAPTER THREE

# Economic Democracy through Prout, Progressive Utilization Theory

*Dada Maheshvarananda*

Free market economists, staunch advocates of privatization, claim that any country can achieve economic efficiency and success through free market trade. Often called neoliberal economists or supporters of the “Washington Consensus,” they portray economics as a value-free, objective science that describes timeless truths independent of ideology or cultural norms. Yet, such free market analysts are woefully unable to accurately predict the future of currency rates, property values, inflation, and so on. This is because the very implementation of their discipline has created a highly volatile and extremely aggressive global economy in which the quest for profits is the ultimate goal.

A clever trick of neoliberal economists has been to call the license of individuals and corporations to amass wealth beyond measure “economic freedom,” as though it were equal to human rights. They claim the *right* to maximize one’s wealth.

The idea of “economic freedom” conflicts with the reality that the world’s resources are limited and that some actions limit the opportunities of others. In law, we grant individual rights only to the extent that they do not harm others. The same principle should also apply to economics.

The Progressive Utilization Theory or Prout is a socioeconomic alternative model that promotes the welfare and development of every person,



physically, mentally, and spiritually. Prout's essential characteristic is economic liberation, freeing human beings from mundane problems so that all will have increasing opportunities for intellectual and spiritual liberation.

The founder of Prout was Indian philosopher Prabhat Ranjan Sarkar (1921–90), author, composer, and spiritual master, who was imprisoned for seven years in India for his stand against corruption, the exploitation of women, the caste system, and political exploitation.

Sarkar's writings on Prout total nearly 1,500 pages, and include extensive details on how various states of India, especially the poorest ones, can become self-sufficient. Prout is an integrated macroeconomic model designed to develop and benefit socioeconomic regions and the people who live there, while at the same time preserving and enhancing the natural environment. It is a model of great depth and sophistication. This essay offers an overview of Prout's basic concepts and structures.

Prout's model is not a mold to be rigidly forced on any society. Rather it is a holistic set of dynamic concepts that can be applied appropriately by citizens and leaders to help their region or country prosper and achieve self-reliance in an ecological way.

## **Economic democracy**

Prout proposes a dynamic economy of the people, by the people, and for the people. Rejecting profit making as the goal of the economy, Prout bases its economic policy on meeting the actual needs of the people.

Political democracy, in which all citizens have the right to elect their government representatives, has serious shortcomings under capitalism, because big money influences elections and elected officials. Economic democracy, on the other hand, empowers people through cooperative management of most enterprises. It decentralizes decision making and gives citizens the right to choose how their local economy should be run.

P. R. Sarkar (1992) identified four prerequisites for economic democracy to be successful, and designed the economic structure of Prout to fulfill them.

The first is that the minimum requirements of life must be made available to everyone, in order to free all from the desperation of poverty and want. Prout recognizes five fundamental necessities of life: food (including pure drinking water), clothing, housing (including adequate sanitation and energy), medical care, and education. Supplemental requirements are local transportation and water for irrigation. Providing the basic necessities should be the primary function and duty of every economy. Human beings require these in order to realize their individual potentialities, to develop culturally, to achieve inner fulfillment. Without necessities, the "pursuit of happiness" remains beyond the reach of the world's poor.

Secondly, the people should enjoy a gradually increasing quality of life so that they feel that their lives are improving. Measuring purchasing capacity is the most direct and accurate way to assess their standard of living and the true state of the economy. To grow, local incomes, raw materials, agricultural produce, and other assets of each region should be processed and refined close to their origin. In this way, improvements in technology and manufacturing benefit the local inhabitants of every region. Economic democracy will bring about full employment and increase the standard of living of everyone, while encouraging the free flow of goods and capital. Thus, Prout promotes sustainable local economies, rather than the exploitation that floods the world with cheap goods from China and undeveloped countries that we see today.

To control inflation, the real wages of people will be regularly reviewed according to the actual cost of all goods and services available. While in capitalist economies, the rate of inflation often fluctuates significantly, a cooperative-based economy can keep inflation low for long periods. By guaranteeing the basic requirements of life, capital costs will remain low, allowing capital to be continually reinvested in productive enterprises, and the wealth generated by cooperatives will be spread equitably throughout society.

The third requirement is that local people deserve the right to make the economic decisions which directly affect their lives. In a decentralized economy, each country, region, district, and even community will strive to be as self-reliant as possible. By attracting city dwellers toward new job opportunities, this creates a higher standard of living and a better quality of life in small towns and rural areas. It also eliminates the need for migrant populations of farm workers to travel from region to region each season harvesting crops. Local economic control is maximized in a vibrant community process to develop appropriate plans to achieve economic self-sufficiency and development while protecting the natural environment.

The final requirement is to prevent outside investors from negatively interfering in the business of local economies. Without outside ownership of land and resources, profits earned in the region cannot be siphoned off and sent elsewhere or hoarded; rather they would be reinvested locally in productive enterprises. This does not refer to immigrant laborers who are welcome to settle and become part of the community, but rather to landlords and corporations.

Material incentives for those who work harder, are more skilled, and who contribute more to society are integral to a Proutist economy, but the incentives must be reasonable. The goal is to gradually raise the standard of living and quality of life of everyone, while reducing damage to the natural world and other creatures.

## Providing goods and services to the people

Sarkar created an important field of economics that he termed “people’s economy.” This analyzes the lives of individuals in relation to the economy as a whole, including their living standard, purchasing capacity, and economic problems. The primary goal of the people’s economy is to ensure that everyone receives the minimum requirements. This responsibility includes overseeing the production, distribution, storage, marketing, and pricing of consumable goods.

To do this, the federal government will need to classify every type of commodity into three basic categories: essential, semiessential, and nonessential. Essential commodities are those needed to maintain an adequate standard of life: clean water, most foods, most clothing, medicines, housing materials, textbooks and other educational materials, electricity and energy. Semiessential commodities include some types of food and clothing, books other than textbooks, most electronic goods, various household items, and so on. Nonessential commodities include luxury goods.

Cooperatives will produce and sell essential commodities, and will manage semiessential products wherever possible. Small private enterprises will produce luxury goods and some semiessential items, or food on a small scale.

As the economy of a region develops, the number of different types of commodities in all three categories will increase. When everyone is able to purchase the minimum necessities, some semiessential commodities such as household appliances and electronic items will be upgraded from semiessential to essential status. An item initially considered as a luxury may later be classified to be semiessential or even essential.

Services will also be classified in the same way. Essential services provide the basic necessities, such as schools (from kindergarten to university), hospitals, water and sanitation utilities, local public transportation, the railway system, the national airlines, energy producers, telecommunications, and so on. The local, state, and federal government will provide these services through autonomous bodies set up for that purpose.

Some essential services such as health care practices, medical centers, and health clinics can be run as service cooperatives, owned and managed by the health care practitioners themselves.

All other services will be classified as semiessential or nonessential and can be provided by small private enterprises; however, a Prout economy will always favor the development of cooperative enterprises.

Importantly, under Prout, the role of government will always be to coordinate—and not to direct—the production and distribution of goods and services.

One of the revolutionary features of a Prout economy will be to identify productive resources that have previously been invisible and intangible, and

to incorporate them into cost calculations. These would include work in the home, child rearing, preservation of environmental diversity, and various social capital components.

The people's economy will have to ensure that everyone who is able to work is employed in some way. Although this is a utopian dream in a world dominated by competitive global capitalism, economic democracy, based on cooperatives, can achieve this. Hence the government will promote and assist the development of cooperatives.

The determination of what are the minimum necessities should be done in a progressive way; that is, there must be continual adjustment of these basic requirements depending upon the available resources and scientific standard of the locality. As with all the principles of Prout, the standard for minimum necessities will change with time and place.

For example, staple foods are different in different cultures, yet they must meet adequate nutritional standards. Clothing varies according to climate and culture. Minimum housing standards appropriate to the climate and culture must also be determined. The availability of better housing will also be an incentive—such incentives will be built into the system, unlike in the Soviet Union, for example, where “dacha” vacation homes for the Party elite were kept secret. Everyone, however, will be guaranteed a roof over their head, regardless of their social standing.

In a Proutist framework, the people's purchasing capacity will be taken as the measure of economic advancement. In order to facilitate a continually increasing purchasing capacity, a number of factors are required. These include the guaranteed availability of basic goods and services, stable prices, appropriate wage increases, and increasing collective wealth and productivity.

Imagine a world in which no one need worry about getting enough money to buy food, clothes, housing, education, and medical care for his or her family!

## The rational distribution of resources

Prout advocates: “The surplus wealth should be distributed among meritorious people according to the degree of their merit” (Sarkar, 1992: 5).

This surplus is known in Proutist economics by the Sanskrit word *atiriktam*, and remedies the problem of alienation caused by equal distribution in some communist governments. It is used as an incentive to motivate people to render greater service to society. *Atiriktam* can, for instance, be given either as increased salary or as other benefits. Its purpose is to encourage people to develop their skills and increase their capacity to assist society. *Atiriktam* can take the form of task-related privileges. For example, a talented researcher may be given access to expensive laboratory facilities,

while an effective and selfless social worker may be offered more support staff.

In an article published shortly before his death in 1990, titled “Minimum Necessities and Maximum Amenities,” Sarkar expanded on the relationship between minimum salary and *atiriktam*. He stressed that while providing the minimum necessities, people should not be left with a bare-bones existence. Higher salaries should be provided to the meritorious; yet, continuous and collective effort will be needed to raise the economic standard of the common people to an appropriate level for that time and place (Sarkar, 1992: 58).

## Prout’s ecological and spiritual perspective

Though Prout is a socioeconomic theory that offers practical solutions to current problems, it is not a materialistic philosophy. Most economic systems have no intrinsic ecological or spiritual outlook. In fact the ecological record of both capitalist and communist governments is, for the most part, atrocious.

Let us compare capitalism’s concept of property rights with that of Prout. The seventeenth-century English philosopher John Locke asserted that a human being had the right to use his or her labor to alter the gifts of nature and to make them productive. Locke argued that by clearing an area of forest, cultivating the soil and collecting the harvest, a person made the land productive and hence had a right to own it and use it as he or she pleased. This theory is the basis of “property rights,” that an owner of land or other physical property has the right to use it, not use it, rent or sell it, exclude others from using it, and even destroy it.

The founders of the United States combined this theory with a deep passion for personal freedom and the belief that it is everyone’s *right* to strive to become as prosperous as possible. Any limits on property rights, assert neoliberal economists, would compromise efficiency, decrease output, and jeopardize the growth of the entire society. They also maintain that no government should be allowed to take away a significant portion of personal wealth through taxes.

This view of property rights dominates the world today, and is so fundamental to economically developed societies that it is taught and learned without question. Indigenous cultures, however, have quite a different view.

“Aboriginal spirituality is the belief that all objects are living and share the same soul or spirit that Aboriginals share” said Eddie “Kookaburra” Kneebone (Stevens, 1997: 57). Aboriginal author Mudrooroo wrote, “Our spirituality is a oneness and an interconnectedness with all that lives and breathes, even with all that does not live or breathe” (Giblett, 2004: 218).

In Ghana, the Yoruba elders say:

Olorun [the Supreme Being] is hidden at the center of all things. All the worlds and their fullness are His. He cannot be contained because of His presence. Not a stone, a shell, not a tree is His person, but He is within all, He is invisible. (Adams, 2010)

Indigenous people generally do not believe that the land belongs to them; rather, they believe they belong to the land.

Prout echoes this ecological perspective of traditional peoples that we all are part of the natural world, of Mother Earth. Prout views the planet, her wealth of resources, and even the entire universe, as the *common inheritance* of all living beings.

According to Sarkar (1987):

This universe is the thought projection of Brahma [the Supreme Consciousness], so the ownership of the universe lies with the Supreme Entity. . . . All living beings can enjoy their rightful share of this property. . . . As members of a joint family, human beings should safeguard this common property in a befitting manner and utilize it properly. They should also make proper arrangements so that everyone can enjoy it with equal rights, ensuring that all have the minimum requirements of life to enable them to live in a healthy body with a sound mind.

Sarkar taught that every living being has both a utility value and a subtler, existential value. Nothing and no one can live independently; every complex human body depends on humble bacteria for its survival. Whether or not we can yet understand the utility and purpose of every animal and plant on this wonderful planet, we have a duty to try to preserve their habitats, and not to kill or exploit them needlessly.

Prout's notion of ownership is based on this concept. The Creator is not separate from the manifest universe, but permeates and resonates in every particle of it. Even so-called inanimate objects are vital with latent consciousness. The Creator invites us to use these with respect, not to abuse them.

Because of this spiritual outlook, Prout does not give the same importance to the system of individual ownership of property that capitalism does. Collectively, like brothers and sisters in a human family, we have a duty and a responsibility to utilize and fairly distribute the world's resources for the welfare of all. Prout therefore encourages the protection of biodiversity and natural habitats through reforestation, aggressive control of air, water, and soil pollution, and efforts to reduce carbon emissions and greenhouse gases.

All this represents a very different perspective from the current legal and economic systems of our world. Private property rights and the pursuit of

unlimited wealth have become preeminent values. In the United States, for example, not more than 3 percent of the population owns 95 percent of the privately held land (Meyer, 1979). In Great Britain, the richest 2 percent own 74 percent of the land (Cahill, 2000).

According to Sarkar, “Uncultivated [farm]land is a liability for the human race.” He further states, “In Prout’s system of agriculture there is no place for intermediaries. Those who invest their capital by engaging others in productive labor to earn a profit are capitalists. Capitalists, like parasites, thrive on the blood of industrial and agricultural laborers” (Sarkar, 1992: 117). Prout’s solution includes starting agricultural cooperatives to better utilize land and provide jobs to the unemployed.

The spiritual concept of cosmic inheritance also suggests that the life and well-being of humans must be society’s first priority, always taking precedence over financial considerations. Hence, a Proutist economy begins by providing the minimum necessities of life to all people in every region, and then gradually elevates their quality of life in a sustainable way.

## The five fundamental principles of Prout

The following five statements direct how resources should be distributed under Prout. Together they comprise what is known as the Five Fundamental Principles of Prout (Sarkar, 1992: 6–11). A unique aspect of the Prout model is that it recognizes the physical, psychic, and spiritual qualities of human beings as well as of natural resources.

1. *“No individual should be allowed to accumulate any physical wealth without the clear permission or approval of the collective body”*

This point recognizes that the physical resources of this planet are limited; hence the hoarding or misuse of any resource would diminish opportunities for others. Hoarding wealth or using it for speculation rather than productive investment directly reduces the opportunities of others in society. Hence, reasonable ceilings must be placed on salaries and inherited wealth, as well as on property and land ownership.

Earnings should be capped at reasonable maximum levels. The gap between the minimum wage and the maximum salary will have to be gradually decreased; however, it should never be reduced to zero.

There is growing acceptance of the concept of controlling and reducing the gap between minimum and maximum wages. Renowned economist John Kenneth Galbraith (1973) wrote, “The most forthright and effective way of enhancing equality within the firm would be to specify the maximum range between average and maximum compensation.” Some Japanese and European companies already have such policies.

Sarkar used the term “the collective body” to refer to society. He indicated that the government would have to assume responsibility for setting limits to the accumulation of wealth. It would do this by forming economic boards. He insisted that the members of the boards should be “those who are honest, who really want to promote human welfare . . . [by] rendering social service collectively” (Sarkar, 1987). In addition to setting economic policies and standards, Prout economic boards will also hear applications from citizens for exceptions to the ceilings. For example, a paraplegic person would need a sophisticated and expensive computerized wheelchair.

This principle only applies to physical wealth because intellectual knowledge and spiritual wisdom are unlimited.

2. *“There should be maximum utilization and rational distribution of all mundane, supramundane, and spiritual potentialities of the universe”*

Maximum utilization means to make the best use of the planet’s resources, with maximum economic and mechanical efficiency while protecting the natural environment. It is the conviction of Prout that everyone can enjoy a high quality of life if we use our resources wisely. As the American scientist and visionary R. Buckminster Fuller said:

We have enough technological know-how at our disposal to give everyone a decent life, and release humanity to do what it is supposed to be doing—that is, using our minds, accomplishing extraordinary things, not just coping with survival. (Fuller and Dil, 1983: 212)

Excessive wealth concentration causes deterioration and poor utilization of the earth’s resources. For example, when an elite few own vast land holdings, they often leave them sitting idle, or they produce cash crops for export. Poor rural farmers are thus forced onto marginal land, which they clear and cultivate for bare subsistence with dire ecological consequences.

Supramundane potentialities include properties which cannot be perceived by the sense organs, but which would include subtle knowledge and powers, such as telepathy, clairvoyance, intuition, and so on. Spiritual potentialities refer to the attractive force in the universe, which helps us to come closer to the Supreme Consciousness.

3. *“There should be maximum utilization of the physical, metaphysical, and spiritual potentialities of the unit and collective bodies of human society”*

This principle concerns the utilization of all human resources, emphasizing the value of both individual and collective well-being. Healthy individuals contribute to a healthy society, just as a healthy society fosters the development of healthy individuals. According to Prout, there is no inevitable



conflict between individual and collective interests. Rather, their true interests are shared.

The results of excessive individualism can be seen in the breakdown of the family and the selfish “me-first” attitude which is sadly all too prevalent throughout the Western world. A materialistic consumer society pressures people to increase their own pleasures and comforts, while remaining indifferent to the needs of others.

This principle, however, does not support submerging all individuality for the intended good of collective society. Society needs to respect human diversity, and to allow people the freedom to think for themselves, to express their creativity, and to form diverse relationships. An important goal of Prout is to encourage individuals to realize their full potential and achieve their dreams and goals. Communism amply demonstrated the danger of excessive collectivism. Most communist governments have been dreadfully inefficient, and made life joyless, dull, and mechanical.

Metaphysical or intellectual resources are wasted when people lack education, or are denied opportunities to develop their talents and contribute their ideas because of racial or sexual discrimination or economic exploitation. How wonderful it will be when the creativity of human beings is encouraged and channeled toward improving our world, instead of being wasted or misdirected by advertising that tries to convince us to purchase what we don't need.

The spiritual potentialities which allow humans to develop peace, harmony, wisdom, wholeness, and lasting happiness, remain mostly undiscovered in materialistic societies. Yet, mystics of all cultures have, throughout history, dedicated their lives to practicing spiritual techniques to realize this inner treasure and share it with others.

#### *4. “There should be a proper adjustment among these physical, metaphysical, mundane, supramundane, and spiritual utilizations”*

The traditional economic principle of comparative advantage states that each country and person should do what it, he, or she is best at. Sadly, this principle has sometimes been used to argue that Central America is best at producing bananas for North Americans, and that the United States is best at producing everything else! The Food First Institute has demonstrated that every country in the world today has the agricultural potential to feed its entire population (Lappé et al., 1998). Prout asserts that regional self-sufficiency is the most effective means to increase the living standard of all people. Hence, Prout requires that the farmland of every region should first produce food for its people, and only after that requirement is achieved should surplus production be exported.

The central issue here is one of holistic development of both the human being and society. Whenever there are competing demands made upon a resource, the more rare and valuable quality of the resource should be

utilized. For example, in China during the Cultural Revolution and also after the Khmer Rouge took over Cambodia, all doctors, nurses, and other university graduates were forced to the countryside to do farm work on communes, a clear misutilization of their skills. Whereas all who are engaged in honest work possess dignity and deserve society's respect, those with developed intellectual skills should not be employed only for manual labor.

Individuals who have developed spiritually, who embody deep wisdom and compassion, are still more rare. They should be allowed to spend the majority of their time sharing their teachings with others.

The same principle pertains to physical resources. A wilderness area with especially inspiring scenic beauty should be preserved as a natural park instead of being mined for iron ore. Similarly, the burning of fossil fuels is destroying our climate and our environment. To reestablish dynamic equilibrium—what Sarkar called *pramā*—every effort should be made to develop and utilize alternative energy sources such as sunlight, wind, tides, wave power, magnetism, and geothermal.

5. *“The methods of utilization should vary in accordance with the changes in time, space, and person, and the utilization should be of a progressive nature”*

This principle acknowledges that change is constant. The Prout model is not set in stone—rather it is a comprehensive set of dynamic principles to be applied considering the many special conditions of the location and culture where they are put into practice.

Technological development has the capacity to both create and destroy. Today, institutions and individuals with great wealth control the direction of scientific research, and use that power for their own interests.

The challenge for a Proutist society is to direct research and development for the long-term welfare of humanity and the planet. We can welcome new technology when it frees human minds and hands for higher pursuits. Every effort should be made to thoroughly assess technology's impact and minimize its negative repercussions.

## Conclusion

Prout proposes the maximum utilization and rational distribution of all natural and human resources, emphasizing the value of both individual and collective well-being. It is a holistic model of economic, social, and spiritual concepts that include guaranteeing minimum necessities to all, the right to jobs, cooperatives, food sovereignty, sustainable agriculture, and economic democracy.

## Note

For a more in-depth view of Prout, see Maheshvarananda (2004) and Sarkar (1992).

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- Prout World, [www.proutworld.org/](http://www.proutworld.org/)

## CHAPTER FOUR

# Anarchy in Action: Especificismo and Working-Class Organizing

*Jeff Shantz*

Especificismo is an approach to anarchist organization that has developed over the past half-century, primarily in South America. Associated with key tenets of the platformist current in anarchism, especificismo stresses the importance of building explicitly anarchist organizations founded on a unity of theory and practice as a basis for contributing to broader social struggles. The organization provides a space for developing anarchist theory and strategy. A crucial element is the process of “social insertion” or the involvement of anarchists in popular social movements and the daily struggles of the oppressed and working classes. This may include work in neighborhood committees, landless tenant movements, or rank-and-file union organizing. In these activities anarchists do not set themselves up as an activist group or subcultural enclave but contribute to the day-to-day building of popular movements. Collective responsibility within the organization is viewed as a means to sustain work during periods of declining mobilization and to provide a proactive approach to struggle rather than the reactive response to injustice that marks some activist groups. Especificists reject synthesist, or big tent, approaches to anarchist organizing that try to accommodate diverse tendencies or perspectives.

The first organization openly associated with especificismo is the Federación Anarquista Uruguaya (FAU), founded in 1956. The FAU reemerged in the 1980s and began working to help establish especificist federations in Brazil and Argentina. Those efforts have proven quite fruitful.

Contemporary especificist groups include the Federação Anarquista Gaúcha (FAG), the Federação Anarquista do Rio de Janeiro (FARJ) of Brazil and Auca (Rebel) and the Organización Socialista Libertaria (OSL, Libertarian Socialist Organization) of Argentina. FAG has had some success in working with urban trash collectors to form a national network.

This chapter examines the ideas and practices of especificist groups. It discusses the influence of platformist anarchism and the revival of platformism recently and outlines debates within and between especificist groups. It provides an analysis of specific movement practices, strategies, and tactics with particular emphasis on especificist organizing in Brazil and Argentina.

## **Especificismo and the platform**

Especificismo as an explicit organizational practice and orientation to social struggle only emerged from the middle of the twentieth century in Latin America. Yet it draws upon, and is situated, as part of a historical tendency within international anarchism. This tendency is typically referred to as the organizational or anarchist-communist tendency within anarchism.

As anarchist communists, especificists believe that achieving a classless, stateless, and nonhierarchical society (i.e. anarchy) requires a social revolution, which will only emerge through autonomous social movements and the revolutionary self-activity of the working class. This distinguishes them from some versions of social anarchism or anarcho-communism, which, drawing most notably on the works of Kropotkin, for example, view the development toward anarchy as an ongoing trend within human social development that requires little effort by anarchists beyond the propaganda of anarchist ideas.

The most influential expression of this tendency, and one that has directly influenced contemporary especificist organizing is the tradition within anarchist communism known as platformism. The platformist tradition emerged following the Russian Revolution through the efforts of a group of Russian and Ukrainian anarchists in exile, including former peasant militia leader Nestor Makhno and Ida Mett, who sought to analyze why the anarchists had fared so badly during the revolution in comparison with the Bolsheviks. Their conclusion was that despite their vastly better social and political analysis the anarchists lacked effective organizations. Drawing upon their firsthand experiences during the Russian Revolution, the Paris-based Dielo Trouda argued that anarchists had failed largely because of their lack of organization, which kept them from developing a serious challenge to the efforts of the Bolshevik's and, especially their conversion of the soviets from centers of working-class decision making to instruments of the Bolshevik state.

In order that anarchists not make the same mistake in future generations, the Dielo Trouda (Workers' Cause) group wrote a position paper, "The Organizational Platform for a General Union of Anarchists," in which they laid out some points that might serve as a guide in developing effective revolutionary organizations. Their suggestion, lest anarchists suffer a similar fate in future social struggles, was the formation of a "General Union of Anarchists" which would provide a space for the development of "theoretical and tactical unity" among anarchists and focus their activities on class struggle and radicalization of labor unions.

Especifismo also draws inspiration from anarchist-communist organizations such as the Friends of Durruti group which emerged in Spain to oppose the gradual reversal of the Spanish Revolution of 1936 and the decision of anarchists, including the anarcho-syndicalist union, the Confederación Nacional del Trabajo (CNT), to participate in the government. In the influential document, "Towards a Fresh Revolution," they echoed the earlier concerns of the platformists, condemning the CNT-FAI's reformism and collaboration with the Republican government. For the Friends of Durruti, this political turn by the anarchists contributed mightily to the defeat of the antifascist and revolutionary forces (Weaver, 2005).

Another significant influence on the development of especificist theory and practice is the notion of "organizational dualism," a concept of some importance within the Italian anarchist movement struggling under fascist rule in the 1920s (Weaver, 2005). For Italian anarchists, organizational dualism spoke to the need for anarchists to be actively involved as militants within the labor movement, as well as contributing to the day-to-day activities of their own explicitly anarchist political organizations. Significant groups within the Chinese anarchist movement of the 1910s, such as the Wuzhengfu-Gongchan Zhuyi Tongshi Che (Society of Anarchist-Communist Comrades), advocated similar ideas (Weaver, 2005). Thus while especificists work to build explicitly anarchist organizations as spaces for theoretical, strategic, and tactical development, they also work actively to contribute to daily struggles within organizations of the working classes and oppressed.

The important thing about platformism is not found in the specifics of a 1926 document but in the challenge that it puts before us to come together openly and seriously to develop anarchist strategies and practices in a way that is engaged in real class struggles against actually existing bosses, landlords, and bureaucrats. Platformists have taken up the challenge of moving anarchism from its current status as social conscience or cultural critique. This is exhibited in the work being done by platformist groups in tenants' unions, workplaces, antipoverty actions, and fighting deportations to name only a few.

It is important to keep in mind that the platform was only ever intended as a beginning, "as the first step towards rallying libertarian forces." Far

from being a fully fleshed out program of action it provides only “the outlines, the skeleton of such a programme.” Its authors recognized its many gaps, oversights and inadequate treatments.

More than 75 years after it was written and a decade after the fall of the Soviet Union the platform has enjoyed a stunning revival. From Latin America to Ireland and Lebanon to South Africa and Canada, a number of groups have taken up the platform. At a time when anarchist movements are growing, the platform—which was only ever intended as an outline for action—has provided a useful starting point for anarchists looking “to rally all the militants of the organized anarchist movement.” Unlike the original platformists, who focused their energies on gathering the majority of anarchists to their perspective, *especifist* activists have been more concerned with moving beyond activist circles and building a real grounding in working-class communities and organizations. Part of anarchism’s growth must include a commitment to developing visions and practices that can build anarchist movements rather than just “scenes” or cliques. If platformism offers a starting point for this process then it makes a welcome and necessary contribution to contemporary anarchism.

## Specifics: *Especifist* perspectives

Drawing from the lessons of the platformists, the *especifist* anarchists in Latin America maintain a commitment to broad organizational practices, primarily federalism, theoretical and tactical unity, and collective responsibility. First *especifists* argue for the need of an explicitly anarchist political organization in which members come together on the basis of theoretical and tactical unity rather than on a vaguely shared sense of “all being anarchists.” Secondly *especifists* argue that the purpose of the organization is to provide a center in which resources and labor can be shared in mobilizing active involvement in specific struggles. In addition, these organizational practices are carried out with an emphasis on what they term “social insertion,” the involvement of anarchist militants in broader social struggles of the working classes. This is in distinction from those, non*especifist*, anarchists who prefer to devote their time building separate anarchist subcultures and alternative social spaces.

Arguing for the necessity of building specifically anarchist organizations (*especifist*) organized on the basis of a unity of theory and practice, the *especifists* are positioning themselves against the notion, predominant among contemporary anarchists globally, of an organizational synthesis in which self-identified anarchists group loosely on the basis of being anarchists and little more. *Especifists* suggest that these synthesist groups fetishize unity at the expense of political activity. They argue that unity is often achieved through an abandonment of political principles or a moderate consensus.

Much of anarchist activity, in Latin America as in other areas of the world, unfortunately, still corresponds with the Dielo Trouda description from 1926: “local organizations advocating contradictory theories and practices, having no perspectives for the future, nor of a continuity in militant work, and habitually disappearing, hardly leaving the slightest trace behind them.” Absence of durable anarchist organizations still contributes to a drift into passivity, demoralization, disinterest, or a retreat into subculturalism.

Many of these short-lived organizations are built on the synthesist basis that platformists have been and remain so critical of. While it is not certain that synthesist approaches must fail, numerous examples suggest they do exhibit a tendency to be the “mechanical assembly of individuals” which the platformists suggested. Such groupings work relatively well as long as their level of activity doesn’t rise above running a bookstore, infoshop, or free school. Unfortunately, even in those cases disastrous rifts emerge when meaningful political questions are broached. A consensus based on not wanting to offend other members or declining controversial work because it threatens collective harmony are too often the default positions of synthesist type groups.

In contrast, especificists seek a substantial unity based on shared action and reflection. Especificismo encourages a political and theoretical honesty. One can take a stand without having to compromise or soft peddle one’s positions in order to keep the peace. Within this shared space of action and analysis especificists seek to develop common strategies and tactics. This includes the development of long-range as well as short-range objectives rather than the day-to-day concerns of running a shop or free space.

Collective responsibility in following through on tasks helps to develop trust and commitment as well as the discipline that especificists see as necessary to endure long-term struggles rather than immediate activities. This is particularly important in periods of downturn when struggles are in retreat and it is more difficult to win new recruits and maintain enthusiasm for organizing. For especificists it is precisely this lack of collective responsibility, in a context of long-term strategy, that leads so many synthesist groups to decline or fall apart completely in periods of social quiet, despite the energy with which they might have formed during times of social mobilization and upsurge in struggles. For especificists such activities are marked by spontaneity and individualism.

In the absence of a broader strategy based on collectively debated analysis of real world experiences in struggle, anarchist organizations are confined to reactive groups constantly responding to new situations, addressing moments of oppression and exploitation rather than challenging underlying social relationships. The result is a descent into “activism” or the playing out of repeated cycles of protest and demonstration usually on terms dictated by authorities rather than the movements’ goals,



interests, or desires. An example would be labor movements that protest cuts to benefits or workplace speedups but never challenge the wage labor relationship. Similarly antipoverty groups that protest rent increases but never challenge property rights. Building an effective resistance, let alone revolutionary movements, requires more systematic work (Weaver, 2005). According to Weaver (2005):

The Latin American revolutionaries put forward that organizations which lack a program which resists any discipline between militants, that refuses to “define itself,” or to “fit itself,” . . . [are a] direct descendant of bourgeois liberalism, [which] only reacts to strong stimulus, joins the struggle only in its heightened moments, denying to work continuously, especially in moments of relative rest between the struggles.

Discussion of unity perhaps requires some clarification. When *especifists* speak of theoretical or tactical unity they are not saying that everyone has to read the same things or agree on all points. Surely, however, there has to be some agreement on basic ideas. And these positions are only determined collectively, through open debate and discussion rooted in actual experience and ongoing analysis of the lessons learned from those experiences. Unity speaks to a focused sharing of resources and energies that brings currently limited anarchist forces together rather than dissipating and diluting their efforts.

Of course it’s always easier to avoid the collective work, the lengthy debate and discussion, the development and revision of ideas through practice and finally the legwork of organizing that *especifists* take on. It’s also easier to develop pure schemes in the comfort of one’s apartment, rarely worrying oneself whether or not such beautiful fantasies “would inevitably disintegrate on encountering reality.” *Especifists*, on the other hand, accept the shared responsibilities of building anarchist movements in connection with those who suffer the assaults of capitalism.

The anarchist organization is a place to come together and reflect on work being done. It offers the opportunity to examine and refine one’s practices and explore alternatives and options given the resources and experiences at hand. *Especifist* groups are not vanguardist or substitutionist organizations that aim to speak for the working class. Rather they assert that a successful revolution will be preceded by organizations capable of radicalizing mass movements and community struggles while opposing reformist or authoritarian tendencies. *Especifist* organizations provide a venue in which militants can analyze experiences and put ideas into practice while making anarchist-communist ideas relevant.

For *especifists*, anarchist ideas are not the responsibility of a vanguard or intellectual elite of “advanced workers” as Leninism suggested. Anarchist militants should not attempt to move movements into proclaiming an

“anarchist” position, but should instead work to preserve their anarchist thrust; that is, their natural tendency to be self-organized and to militantly fight for their own interests. This assumes the perspective that social movements will reach their own logic of creating revolution, not when they as a whole necessarily reach the point of being self-identified “anarchists,” but when as a whole (or at least an overwhelming majority) they reach the consciousness of their own power and exercise this power in their daily lives, in a way consciously adopting the ideas of anarchism.

The anarchist organizer does play an ideological part within social movements, for *especificists*, in actively contesting and opposing the opportunistic elements that emerge to shift the movement toward the dead ends of electoralism or vanguardism (Weaver, 2005). Anarchists also play a part in opposing the reactionary elements that emerge within movements that seek to limit the movement from within or make concessions to opponents in the state and capital.

As an active minority within the working class, *especificists* work to provide a rallying point, through example and ideas, in struggles against capital and the state as well as standing against authoritarian ideologies or practices in working-class organizations. For the most part they remain small though growing. They certainly have no illusions about “leading” the anarchist movement, let alone the working class more broadly. Instead they try to maintain relationships of solidarity and mutual aid with anarchists who take different strategic and tactical approaches while disagreeing honestly with them.

## Social insertion

Central to *especificist* organizing is the notion of social insertion or anarchist immersion in the ongoing everyday battles of the working classes. This is explicitly intended as a counterposition to participation within the usual circles of “activist” groups or advocacy campaigns organized by “activists.” Instead of acting on behalf of others or as representatives of the exploited and oppressed, as activist groups often do, *especificists* argue that anarchists should involve themselves in movements of people addressing their own daily needs, whether material or otherwise. Examples of such groups include movements of rank-and-file workers, neighborhood associations organizing against landlords and police, poor people’s movements against social cleansing, indigenous groups defending claims on the land and movements of immigrants and refugees opposing deportations. For *especificists*, these self-organized groups, mobilizing to meet their own real needs, rather than well-meaning activists choosing favored single issues to advocate, represent the possible force that might radically transform society (Weaver, 2005). Without the labor and land of the working classes

and oppressed, capital and states cannot sustain their power. Activists and advocacy groups, however, have no similar impact on the survival of capitalist or state authority.

For especificists, the central issue facing anarchist militants is not, contra the synthesists and even other forms of anarchist communism, winning a battle of ideas among other activists within the antiglobalization movements. Rather than devoting energy toward winning over other activists or self-identified revolutionaries, especificists focus on ensuring that direct action, mutual aid, collective decision making, horizontal networks, and other principles of anarchist organizing are encouraged and supported where they emerge within movements of the oppressed and exploited become the living practices of the social movements (Schmidt, 2005). Social insertion encourages a rethinking of how anarchist organizers develop their relationship with the nonanarchist actors driving the daily struggles of the working classes and the peasantry. Anarchist militants and revolutionaries must be at the heart of social struggles rather than being satisfied with anarchistically “pure” activities at the margins (Schmidt, 2005). The predominant role of anarchist militants is, for especificists, contributing to their autonomy from political opportunism and strengthening their libertarian instincts while supporting the development of movements in revolutionary directions (Schmidt, 2005).

## **Especifismo in Brazil: The FAG**

Brazil occupies a unique, dual, position. A subject of imperialist endeavors by countries of the global north, Brazil is also a regional power able to exert influence over its poorer neighbors. At the same time Brazil is a country in which militant social movements flourish. The Movimento dos Trabalhadores Rurais Sem Terra (Landless Workers Movement, MST) has occupied more than 2 million hectares of land, posing a real threat to regimes of property and exploitation of land. Social movements in Brazil face the challenge, since 2002, of confronting a government, the Worker’s Party under Lula, that positions itself as a left-wing alternative to the parties of capital, and which claims roots in the social movements all the while pushing a right-wing neoliberal agenda. This experience has convinced many, not only anarchists, of the futility of electoral solutions to social problems and the need to build popular strength within workplaces, communities, and neighborhoods of the poor and oppressed.

Among the most potent examples of social insertion are the efforts of the Federação Anarquista Gaúcha (FAG) within neighborhood committees in urban villages and slums, the Popular Resistance Committees. The FAG was founded in 1995 with support and assistance from the FAU. Beginning in 2002, the FAG and other especificist groups in Brazil, including the Federação

Anarquista Cabocla (FAC) of the Amazon have contributed to united work through the Forum on Organized Anarchism (Schmidt, 2005).

Among their most significant activities they have enjoyed important success in building alliances with rank-and-file members of the rural landless workers' movement, the MST, and among trash and recyclables collectors (Weaver, 2005). Extremely high levels of temporary and precarious employment, underemployment, and unemployment in Brazil have left a sizeable portion of the working class without the means to survive primarily through wage labor (Weaver, 2005). In order to survive, large numbers are forced to rely on subsistence work and the informal economy, including street vending and the collection of trash and recyclables. Over the course of a decade of organizing, the FAG has built a strong relationship with urban trash collectors or *catadores*, supporting them in forming their own national organization. This organization strives to mobilize trash collectors around day-to-day needs, while also raising money toward the establishment of a collectively operated recycling operation (Weaver, 2005).

The FAG engages in a wide range of organizing activities. In addition to organizing among the garbage collectors, or *catadores*, the FAG also works toward the opening of universities to the poor, and the development of Independent Media Centres and community radio stations. In its "FAG Declaration of Principles," it expresses its position regarding broader social movements of the working classes and oppressed:

[O]n the political-ideological level, political groups including the FAG, should enhance the social and popular movements, to make them more militant, without trying to make them "anarchist." The social movement should not have a political ideology, but its role should be to unite, and not to belong to a political party. In the social movements, it is possible to unite militants and build a unified base, which is not possible at an ideological level. (Schmidt, 2005)

The FAG asserts its nonsectarian stance forcefully:

Because we know that we are not going to make the revolution by ourselves, we need to be aware that we need to unite with other political forces without losing our identity. This identity is the anarchist organisation and is the avenue by which we want to build unity with other political forces in the social movement. (Schmidt, 2005)

Through a policy that it terms "social weaving," the FAG brings together community organizations of the oppressed classes, including unions, soccer clubs, community radio stations, and neighborhood associations. "This way we try to form a solidarity group between all the organisations in the community, increasing strength mutually in direction of the struggle" (Schmidt, 2005).

## Especificismo in Argentina: AUCA and the OSL

Argentina has been wracked by the shock policies of neoliberalism as administered by the World Bank and International Monetary Fund over the course of the past three decades. The result has been the collapse of what was one of the region's most powerful economies. Beginning in 2001 the population expressed its dissatisfaction in a series of popular uprisings that saw the occupation of factories and workplaces and the emergence of popular neighborhood assemblies in working-class communities across the country. While not a revolutionary situation, despite the ousting of five presidents, the situation in Argentina has posed important opportunities for anarchist communists.

In Argentina, the groups that most forcefully engage in practices of social insertion as exemplified by FAG, are Auca (Rebel) and the Organización Socialista Libertaria (OSL, Libertarian Socialist Organization). The AUCA, enjoys its greatest influence in La Plata and southern parts of the province of Buenos Aires while the OSL is rooted in the Federal Capital and Greater Buenos Aires.

Auca was founded in 1998 and maintains its greatest strength in the city of La Plata. Their efforts among unemployed workers includes the development of their own movement formation, the Movimiento de Unidad Popular (Popular Unity Movement), which is active in ten neighborhoods in the southern part of Buenos Aires and La Plata. Their work includes the organizing of soup kitchens, gardens, workshops for academic tutoring and political education. In addition they carry out explicitly political activities, such as neighborhood assemblies, and economic activities such as self-managed bartering networks (Lopez, 2003). Through the group Aguanegra they carry out work in La Plata's student and university movements. They have participated in organizing work in the departments of Journalism, Fine Arts, Humanities, Social Work, and Law (Lopez, 2003).

Strong proponents of social insertion Auca has spent much time organizing a Front of Oppressed Classes (FOC). The impetus behind the FOC is the need for a strategic alliance of the peasant workforce with the industrial working class. Within revolutionary processes historically, different political organizations of the working classes and the oppressed have converged. While maintaining the need for an explicitly anarchist organization Auca note: "Our organisation is not the only one inside the popular organisations that is struggling for revolutionary change, and surely in the future it will also not be the only one" (Schmidt, 2005). Auca insists that they "are not rejecting the imperative need for the unity of revolutionary forces under a strategic project. Rather, we believe that the main body for the gathering together of popular power is the Front of Oppressed Classes where syndicalist, social and political models which, in general, struggle for revolutionary change will converge" (Schmidt, 2005). It is within the FOC that

a broad and serious debate over political tendencies and positions can be directly engaged so that the direction of militants reflects debates within popular struggles.

The FOC is understood as a truly egalitarian federation in which every active member is equally empowered with the ability to make policy decisions collectively. It stands in contrast to authoritarian notions of a Popular Front, in which communist parties set up front groups and drew mass movements into arrangements and alliances that fell under party leadership.

Instead, the Front that Auca supports is a revival of the proud, militant traditions of progressive and radical class organizations, wiser this time and divorced from opportunistic political parties, being focused instead on working-class autonomy and self-management. Only a horizontally linked, community coordinated network of class organizations is diverse enough and resilient enough to not only bear the assaults of the neoliberal elites, but launch its own raids on the bases of capital. This is a very tough organism because it has no center for reactionaries to destroy or for opportunists to seize (Schmidt, 2005).

The FOC would establish what is sometimes called a “dual power” situation in which groups of the working classes and oppressed are able to meet their own needs without reliance on the state or capital. Through growing dual power institutions people might undermine the authority of bourgeois power, eventually assuming many of its functions at the community level (Schmidt, 2005; Lopez, 2003). Auca explicitly states that the creation of revolutionary change means achieving this type of popular power: “We will call the tool that allows us to make an initial bid for power the Government from Below. This will basically consist of directly building power through solid criteria of unity and strategic alliances” (Schmidt, 2005).

The intention is for dual power institutions to serve as training grounds in which people develop their capacities, atrophied through generations of state rule, to assume both the running of collapsed social services at local levels and to defend against state repression of the social movements. Auca’s approach supports

giving more power of decision to the grassroots groups that are born in the heat of the struggles, and are the current incipient bodies of dual-power—mainly the popular organisations with territorial power and popular assemblies. The democracy will be structured starting from a new approach that involves the shape of political representation. (Schmidt, 2005; Lopez, 2003)

This means that decisions will no longer pass through the hands of a few enlightened politicians, but rather through the hands of all the people struggling in the streets. It is essential to struggle for a federalist character of democracy that means that the decisions that affect the social body are

made by one and all, through an operation that expresses the thought of the social base of the country. Guiding this practice will be one of the maximum requirements of the Government from Below, a first taste of the society in which this is the official organizational approach (Schmidt, 2005).

Auca advocates a three-stage approach to the development of the FOC. The first stage involves a stronger coordination of popular organizations locally around a joint plan of struggle, based on shared class interests. The second stage involves the regionalization of the struggle. This rests upon grassroots control of municipalities and the development of demands by all participant groups at regional plenaries. The third step includes the presentation of demands to capital and state authorities on the basis of a “dual power” governance from below through the federation of organizations (see Schmidt, 2005; Weaver, 2005).

The OSL identifies itself as heir to the ideas “declared by Bakunin, outlined by Malatesta, developed by the Ukrainian group Dielo Trouda in exile and picked up by Federación Anarquista Uruguaya in 1955 in the Latin American context . . . [who] propose an anarchism that is a product of the class struggle, a tool for political militancy, that is social and popular, class-based, and revolutionary” (Lopez, 2003). The OSL was initiated in the middle of 1996 under the name CAIN Agrupación Anarquista (CAIN Anarchist Association). In November 1997, they began publication of their influential periodical *En La Calle (In the Street)*. A monthly journal of theory and action *En La Calle* is produced together with Auca and the Organización Anarquista de Rosario (OAR, Anarchist Organization of Rosario). This collaborative effort was sustained until September 2000, when Auca departed the project. When OAR abandoned the project in September 2001 *En La Calle* became the official periodical of the OSL (Lopez, 2003).

Much of the organizational work of the OSL has involved work within the Piquetero movement, a movement that has garnered international attention for its effective practice of road blockades by poor and unemployed workers. The OSL have tried to influence the direction of the movement by developing their own formation with the Movimiento de Trabajadores Desocupados Anibal Verón (Unemployed Workers’ Movement Anibal Verón). A radical neighborhood movement, their primary activity involves publicizing the experiences of the unemployed peoples’ movements, working toward a unity of the movements and supporting those demands and practices that contribute to the development of popular power (Lopez, 2003). They also engage in educational work outlining the real, permanent character of unemployment under capitalism. At the same time their efforts seek to promote the development of autonomous, self-sustaining, and productive projects through which new relations of sociation might emerge (Lopez, 2003). The OSL are also involved in work within the trade unions. That work is geared toward the promotion of workers’ democracy, horizontalism, and federalism (Lopez, 2003).

Especifists recognize that poor people's movements cannot exercise power through traditional means. Unemployed workers do not even have the power to withdraw labor, via the strike, as employed workers are able to do. Instead the power of the unemployed and poor is a power of disruption. They are able to interfere with the capacity of authorities to implement their agenda, policies, and programs.

## Conclusion

Drawing upon insights suggested by the platformists, and their real experiences in a revolution, the especificists of Latin America have developed a unique perspective and organizing praxis rooted in their own real world experiences of struggle. Rather than upholders of a historical expression, contemporary platformists in Latin America represent a thriving, evolving approach to anarchism engaged in social change, not through the construction of anarchist subcultures or alternative spaces, but through active resistance among the working classes, poor and oppressed. Arising most forcefully over the past decade, especially in Brazil and Argentina, its ideas have spread to influence anarchist activists in North America, Europe, and Africa.

Not the product of a single document, such as the platform, or activist call, as characterizes much of the alternative globalization movement, especificismo has emerged out of the everyday needs of movements of the global south that are leading the struggle against international capitalism and providing examples for movements worldwide (Weaver, 2005). In matters of organization, the especificists call for a far deeper basis of anarchist organization than the "theoretical and tactical unity" of the original platform (Weaver, 2005). Their emphasis on organizing within poor communities and neighborhoods goes well beyond the original platformists' call for anarchist organizing within labor unions.

As anarchist movements face possibilities of growth, as happened after Seattle in 1999, questions of organization and the relation of various anarchist activities to each other and to broader movements for social change will only become more pressing and significant. As P. J. Lilley and I (2003) have suggested elsewhere:

If anarchists are to seize the opportunities presented by recent upsurges in anarchist activity and build anarchism in movements that have resonance in wider struggles, then we must face seriously the challenges of organization, of combining and coordinating our efforts effectively. We will be aided in this by drawing upon the lessons of past experiences and avoiding, as much as possible, past errors.



Platformist groups maintain that the central issue facing the contemporary anarchist movement globally is not primarily winning an ideological battle among the anticapitalist movement. Rather the most pressing concern facing anarchists is how to ensure that direct action, mutual aid, collective decision making, horizontal networks, and other principles of anarchist organizing, already present within movements of the working and oppressed classes, develop and are maintained as the predominant practices of the social movements (Schmidt, 2005). Through their numerous efforts the especificists of Latin America have provided vital and influential examples of how this work might be successfully carried out.

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## CHAPTER FIVE

# An Economy for the Common Good with Social Currencies

*Heloisa Primavera*

The expression *Economía Solidaria* (Solidarian or Solidarity Economy) has come into frequent use during the past two decades to refer to multiple and heterogeneous phenomena inside the common people's economy developed during the military dictatorships in Latin America which however flourished after their disappearance. It can be characterized today as a new field of knowledge and action which is institutionalized with the participation of new social actors with roles of subjects played by the workers in the organization of those economic forms and with different degrees of support from the government sectors in each country ([www.socioeco.org](http://www.socioeco.org), [www.ripess.net](http://www.ripess.net)).

On the other hand social currencies are part of the family of complementary currencies recuperated during the second half of the twentieth century as of 1982 ([www.gmlts.u-net.com](http://www.gmlts.u-net.com)) and, although they underwent an important—and unequal—development in the different regions of the planet, they are present in all of them.

Our proposal in the reflections which follow is to launch the hypothesis for discussion that they acquire greater relevance in the present context of the global crisis of employment:

- Solidarian Economy as a model of development must urgently find ways of synergically articulating its different initiatives.
- Social currencies, created by their users themselves, can and must be a fundamental political instrument of Solidarian Economics.

Beginning with the accumulated knowledge of experiences in diverse countries, we shall present some tools for intervention which have managed to impel a new paradigm of thought and action which we understand are valid for accelerating social transformations capable of leading to a redistribution of wealth, especially in the most unequal regions of the planet.

In order to support our hypotheses, we shall develop our positions through the following courses:

- 1 Solidarian Economy: some recent history;
- 2 complementary currencies and social money: how they emerged and where they are today;
- 3 a particular case study: the Argentinean model of “barter club” transmuted in Brazil; and
- 4 is an enduring bond of common good between Solidarian Economies and social currencies possible?

## **Solidarian Economy: Some recent history**

The term Solidarian Economy is relatively new in Latin America, having become increasingly frequent in the past two decades to refer to multiple and heterogeneous phenomena inside the grassroots economy with the characteristic of a new field of thinking and action which is institutionalized with the participation of new social actors where workers inside the very organization of those economic forms play the role of protagonists. These forms are followed by different degrees of support from government sectors in each country.

As a member of the Global Animation Team of the Solidarian Socio-Economy Pole ([www.socioeco.org](http://www.socioeco.org)) during the period from 2000 to 2005 we were asked to look for an equivalent to the Spanish expression *Economía Solidaria* in the English-speaking countries or in those where that language would allow us to communicate during certain events as was the case with the World Social Forum which in 2004 took place in Mumbai, India. At that event we could adopt the expression *Economía del Pueblo* (People’s Economy) to approach distinct initiatives but with some similarity to the already existent cluster. We then found a theoretical vacuum which must be worked on urgently to make visible and develop so diverse and equally important initiatives to face social exclusion as a central theme of the century we move around in.

Likewise in different countries, the expression Solidarian Economy is often associated with Social Economy, a term traditionally reserved for the world of cooperatives. One speaks for example in France, Spain, Italy, and

Canada of Social and Solidarian Economy to approach a great variety of initiatives of inclusion in a new labor market. References to this process of historical and conceptual accumulation can be found at [www.socioeco.org](http://www.socioeco.org) and also at [www.ripest.net](http://www.ripest.net), where the germ of an Intercontinental Network of Promotion of Social and Solidarian Economy was constituted as a movement in July 1997 on the occasion of the First Meeting of the Globalization of Solidarity, in Lima, Peru.

This was followed in 2001, in Quebec, Canada, with the Second Meeting, which defined more precise guidelines for dissemination to other regions in the world. The Third Meeting took place in November 2005 in Dakar, and proposed to define Solidarian Economy as “a new way of thinking and living the economy,” which shows the difficulty in advancing a consensus on the deepening of this emerging concept. Finally, the Fourth Meeting of RIPESS (Réseau Intercontinental de Promotion de l’Economie Sociale et Solidaire), held in Luxembourg in April 2009, did nothing more than show the diversity and the advancement of this field of knowledge and intervention in social policies worldwide.

With regard to North America, it is certainly Canada where Social Solidarian Economy has been successful as an organized movement, initially in the Province of Quebec (the Lima-Québec Meeting, 1997), but since 2007 a network of Solidarian Economy in the United States ([www.populareconomics.org/ussen](http://www.populareconomics.org/ussen)) has been consolidated and integrates a wide variety of economic initiatives, such as worker, consumer, housing, and finance cooperatives, local exchange systems with complementary currencies, social enterprises, local businesses, social investment funds, fair trade initiatives, ecovillages, organic agriculture, and so on.

We must recognize that this “field” of knowledge and action necessarily implies the combining of the economic with the social and ethical. Today, we can speak of a development that occurred both in the Southern and the Northern hemispheres, having produced millions of very diverse initiatives, which share the idea of putting *labor* and not capital at the center of the economy, *man* and not profit in the process of development, man always being understood as economical and social at the same time. This brings about the expansion of mechanisms of accountability and collective and democratic decision making, promotes local development, and reinforces the power of collective action. In Asia, the movement has begun to organize as can be observed at [www.aa4se.com](http://www.aa4se.com) and we believe that today, although uneven, Solidarian Economy has global presence as such.

Despite its diversity, in the Americas and other regions of the world, Solidarian Economy involves thinking beyond neoliberal logic, in a framework of economic pluralism, aiming ultimately at producing socio-economic innovation and social transformation, in a third way that departs from both extreme neoliberalism governed by free markets as well as from the omnipresence of the state.

As quite distinct illustrative cases of the development of Solidarian Economy in Latin America, we should mention, although without further analysis in this space, the cases of:

- Chile, by the particular significance this expression of grassroots economy had as a form of popular resistance to the military dictatorship in the period 1973–93 (Razeto, 1990, and see [www.luisrazeto.net](http://www.luisrazeto.net));
- Peru, where the first North-South alliance between civil society organizations for the development of Solidarian Economy ([www.gresp.org.pe](http://www.gresp.org.pe); [www.ripess.net](http://www.ripess.net)) was conceived;
- Brazil, where an organized popular movement for over two decades led to the creation of the National Solidarian Economy Secretariat in the Ministry of Labor and Employment from 2003 to the present. It has lasted more than seven years and has promoted active public policies and the creation of a forum composed of three social actors: workers' organizations, counseling and support organizations (universities and NGOs), and the national government itself: Brazilian Forum of Solidarian Economy (see [www.senaes.mte.gov.br](http://www.senaes.mte.gov.br) and [www.fbes.org.br](http://www.fbes.org.br)).

Beyond the relative importance, in each country, of the positions of public authority it is important to consolidate and disseminate that knowledge in all the cases impelled by the new organizations of workers, the unemployed, and their allies. Both in Latin American—our best-known terrain—and in the rest of the world. To attain that, bearing in mind the sometimes ephemeral character of the national policies and distinct institutional logics, we consider that it is the task of the universities and the international networks of nongovernment organizations to undertake a triple mission:

- to produce consolidated knowledge in solid, theoretical bodies that show the meaning of the various existent initiatives as an expression of an emerging paradigm, a more than urgent task today, a historical responsibility;
- to provide visibility of the countries, regions and great regional blocks of the variety and magnitude of such initiatives, of the possibility of reproducing and transferring the same;
- to show that an alternative development model should make a system, trying from whatever point where it begins to get articulated in the different stages of the complete economic process (credit-production-commerce-consumption-recycling), until it gets its inclusion in public policy.

As an example of that possibility of articulation we shall cite as an exemplary case the Technological Incubator of Popular Cooperatives of the Getúlio Vargas Foundation ([www.itcpfgv.org.br](http://www.itcpfgv.org.br)) in the city of São Paulo which operates with groups of people with very modest resources, men and women who live on the streets in the megalopolis. It offers them various types of activity in association with local NGOs as is the case of the Association My Street My Home ([www.minharuaminhacasa.hpg.ig.com.br](http://www.minharuaminhacasa.hpg.ig.com.br)) having periodic meetings in idle public spaces where the beneficiaries have the possibility of offering their services during the barter fairs (Solidarian Markets), to get trained for some very simple tasks. Soon they can aspire to form small associations, get microcredit (in official or social currency) to develop microenterprises which are incubated until they are able to get into the formal market. The aim furthermore is that they can gradually participate in the decisions of the Solidarian Market, slowly and gradually approaching fair trade, ethical consumption, the use of social currency, and projects of local development.

At the supranational level, the international networks of Solidarian Economy currently have critical mass to participate as protagonists in new financial instruments which are being developed in Latin America. Such is the case of the recently created Banco del Sur (Bank of the South—see [www.aporrea.org/actualidad/a76507.html](http://www.aporrea.org/actualidad/a76507.html)), whose institutional chart has just been signed by the 12 countries of UNASUR (Spanish initials for Union of South American Nations) and which will allow up to 60 billion dollars in loans to the countries of the region (Ugarteche 2009). This initiative does nothing more than deepen processes begun several years ago in which there have been bilateral agreements to eliminate the US dollar as an intermediate currency between Brazil and Argentina; direct transactions have taken place without the intervention of official currencies. Venezuela has done so with Argentina and Uruguay, providing oil in exchange for technical assistance, pregnant heifers, and wool, anticipating the operation of the sucre (Spanish initials for Only System of Regional Discounts). The first transactions of this system were announced on October 20, 2009 by the Presidents of Venezuela and Bolivia: a Bolivian state company will buy cell phone technology from Venezuela for a million dollars, and Bolivia will export wood, food, textiles, and handicrafts, among other things. In a clear strategy to break the dependence on the US dollar, the sucre may be used as of 2010 in all the UNASUR countries ([www.el-nacional.com/www/site/p\\_contenido.php?q=nodo104673/Econom%C3%ADa/Bolivia-y-Venezuela-estrenar%C3%A1n-el-Sucre](http://www.el-nacional.com/www/site/p_contenido.php?q=nodo104673/Econom%C3%ADa/Bolivia-y-Venezuela-estrenar%C3%A1n-el-Sucre)).

These are the legitimate spaces so that the Solidarian Economy initiatives of the region may be articulated systemically and promote meaningful exchanges, both inside and outside the countries. It is thus opportune to begin the integration of the different initiatives, such as self-managed cooperatives that may have access to credit in official and social currencies,

allying strategies of local development and participatory budgeting in their agenda as part of a development model aiming at the distribution of wealth. Never before now were Solidarian Economy initiatives as ripe for change at the micro, middle, and macro levels, that is, to begin with local development as an instrument of public policy for the generation of labor and income and to reach the whole national development model, focusing on the social, environmental, and economic sustainability. The present challenge is to understand it. And to promote it from each institutional space.

Therefore to continue we will now examine the strategy of the passage from social currencies to complementary currencies a reference point which we consider essential at this stage of a look for innovative solutions to the crisis, which is not simply one of solidarian finances, as is usually mentioned in some initiatives but one of the building of a new development model which privileges labor and not capital.

## **Complementary currencies and social money: How they emerged and where they are today**

Although various types of currencies which are complementary to the official currencies are not always clearly differentiated, we understand it is relevant to see them that way in the context of these reflections. According to Blanc (1998), complementary currency initiatives are no exception in national exchange systems, but rather the rule: the author describes 465 different initiatives to the national currencies in 136 countries in the world, only in the period studied, between 1988 and 1996. Although these figures speak for themselves, further information can be found at <http://money.socioeco.org/es/documents.php>.

It is possible to mention experiences on complementary currencies backed by innovative economic theories, like that of Silvio Gesell (1918), and since the early 1930s, when the Great Depression led to a crisis on a global level and made them opportune. A unique case, not repeated, took place in the small village of Wörgl in Austria, where a negative interest currency was used for two years and reduced unemployment significantly. But . . . its multiplication was considered “inconvenient” by the Central Bank of that country, which prevented the spread of the phenomenon. The same would occur 60 years later in Brazil, in the small town of Campina do Monte Alegre in the state of São Paulo, where a community currency operated for 2 years until the Brazilian Central Bank managed to negotiate its extinction at the end of the corresponding political term so that the “bad example” might not spread (see Primavera, 2003 “Capital social y moneda

comunitaria: lo pequeño es hermoso” at [http://redlases.or.ar/biblioteca/pt2003/campininha\\_moeda\\_local\\_brasileira\\_hp.pdf](http://redlases.or.ar/biblioteca/pt2003/campininha_moeda_local_brasileira_hp.pdf). The research on this case is still in progress and we hope it will soon be included with the deeper elaboration it deserves in the specialized bibliography.

Since the 1980s, we have owed the Canadian Michael Linton the implementation of the first nonmonetary exchange system in Comox Valley, BC, called LETS, simply meaning “Let’s move (against lack of money),” but later evolved to Local Exchange Trading System ([www.openmoney.org](http://www.openmoney.org)). It was a mutual credit system, in which registered accounts were made on a central record and/or “checks” issued in which participants—companies or individuals—under certain conditions exchanged goods and services, keeping positive and negative limits, that is, within preset balances on positive and negative capitalization. Up-to-date information on the initiatives of that pioneer may be found at [www.openmpony.org](http://www.openmpony.org). During the following years, the system multiplied in Australia, New Zealand, and northern Europe, and in France, for instance, it has acquired particular characteristics, being called SELs (Systèmes d’Échanges Locaux), paraphrasing salt (*sel* in French means salt), which once was a common currency in payment systems and is the origin of the word “salary.” Complementary information can be found at [www.selidaire.org](http://www.selidaire.org).

It was in 1992 when in the United States of America there appeared the first system that used “bills” as complementary currency, issued by a community organization led by Paul Glover, an ecologist and urban planner, who guessed that the notes would penetrate deeper into the social imagination and could better show the meaning of the initiative: the currency was named “hours” and the place was the city of Ithaca, New York state. We personally visited it in 1999 and the system still remains and it cultivates the motto “In Us We Trust,” replacing “In God We Trust” present on the official currency of that country ([www.ithacahours.com](http://www.ithacahours.com)).

Almost 30 years after the pioneering initiative of Michael Linton, we may consider that there are complementary currency systems and social currencies in all regions of the planet. Their uneven development, although incipient, if their overall numbers are considered, reveal nothing more than the presence of something which has come to remain in terms of a mechanism capable of facing the scarcity of money which is already present as an inevitable chronic phenomenon of the current economic and financial system.

As a paradigmatic case, little known in depth but noteworthy for the figures it has reached and the results it has achieved, we will analyze the case of Argentina, where networks of “barter clubs” with complementary currencies (“credits”) reached a very significant number of people, that is, about 35 percent of the economically active population of the country.

Its importance lies in the fact that it began as a system of *complementary* currencies, which, when users took control, became *social currencies*:



the so-called barter clubs began to be managed in a decentralized manner, each initially issuing its own currency and then articulated in regions, all democratically governed through monthly meetings with representatives from across the country.

In 1995 it appeared in the locale of Bernal, Buenos Aires province, the first “barter club,” as an initiative of a small group of environmentalists who—according to their own statements to the media—saw in the creation of it a possibility of “doing business” to face the rising unemployment. Instead of sending royalties abroad, as was the case of the multilevel marketing systems then in vogue, which guaranteed enormous fortunes to the project leaders, they appropriated and adapted a successful networking system, introducing it as an essential cunning to deal with the production and consumption capacity of the very participants who were idle for scarcity of money.

Unlike the inspiring system, the users sought to avoid using products too expensive for most of the population which was undergoing rapid impoverishment. That was how the first barter club was born: in times of a political system which enforced privatizations to the extreme in which the “structural adjustment” diminished as much as possible the size of the state and for a decade fixed the national currency at a par with the dollar, deregulated and opened the country’s economy to the world. The foreseeable consequence of that feat was the destruction of national industry, the deterioration of the health and education systems, formerly the best in the region, as well as a free fall of wage labor. Thus was created the fertile soil for entrepreneurial, financial, economic, and political innovation.

Likewise it is important to remember that more than ten years before the emergence of barter clubs, Argentina began its extraordinary adventure in the monetary field by creating “provincial bonds”—also called “quasi currencies”—issued by provincial governments to consolidate their finances, which would reach 19 different ones in the whole country. The pioneer was Salta province, which with Law 6228 decreed in 1984 issued bonds for the cancellation of public debt equivalent to 1.5 million dollars, for three years and inspiring other provinces. See [www.camdipsalta.gov.ar/LEYES/p19841986.htm](http://www.camdipsalta.gov.ar/LEYES/p19841986.htm). Although no studies have been consolidated for all provinces, data is available from J. Schvarzer and H. Finkelstein (2003) for more on the subject (see [www.ejournal.unam.mx/ecu/ecunam6/ecunam0605.pdf](http://www.ejournal.unam.mx/ecu/ecunam6/ecunam0605.pdf)).

The situation of a shortage of liquidity caused by the “structural adjustment” imposed by the World Bank and the International Monetary Fund made the example multiply rapidly to other provinces. In the decade of the 1990s, when monetary pluralism invited people from around the world to observe the “Argentinean phenomenon” there were often found in small and medium businesses inscriptions such as: *We accept pesos, dollars,*

*provincial bonds and “credits,”* the latter being the complementary currencies of the existing barter clubs since 1996.

It is in this context that we must understand the rise of barter clubs in Argentina: a group of underemployed professionals is inspired by an innovative multilevel marketing system that began to grow in Latin America in the 1990s, and whose main business was to form *networks of distributors and consumers* for a multinational company. They would attach this to the idea of the “prosumer,” coined by Alvin Toffler (1980) in *The Third Wave*, meaning that all participants should necessarily be *producers and consumers* in the network. The first “barter club” (so called to avoid taxation of transactions) was then founded by 23 workers in a garage in Bernal exchanging goods and services they themselves produced. This story can be seen in a publication of which we were the coauthors together with the founders in 1998 at [http://redlases.files.wordpress.com/2008/02/es1998\\_reinventando\\_El\\_mercado\\_libro3\\_hp.pdf](http://redlases.files.wordpress.com/2008/02/es1998_reinventando_El_mercado_libro3_hp.pdf) in Spanish translatable as: “Re-inventing the market: The experience of the Global Barter Network in Argentina.” Strictly speaking it was really an “exchange group” and not a “barter club,” insofar as some sort of “currency” was involved. Owing to the facility of reproducing the system and the impossibility of controlling what occurred in the whole country by the founding group, without a professionalized system of registration and accounting, the same was appropriated by distinct groups which immediately began to dispute decision power for the issuing of utilized bills and thus the very sense of the original product.

## **A particular case study: The Argentinean model of “barter club” transmuted in Brazil**

Let’s examine as an example how a barter club of the “Argentine model” which was in force in the period 1995–2002 was organized and still functions in several countries of the region when certain conditions of control of the issuing and distribution of the currency are respected.

A group of interested people gathers to launch this activity, normally being assisted and supported by leaders and members of another group already working. It may be a formal organization of civil society with or without support from government organisms.

From the beginning, it should be clear that leadership must not be performed by one single person but should always include the whole promoter group, in order to avoid a concentration of tasks and an excessive dependence on one person because that would be detrimental to continuity and the multiplication of the experience elsewhere. It is recommended that a group

that promotes a “barter club” be composed of five to ten members at least and during two months meet weekly to perform the following activities:

- 1 to determine the “potential market” of the group, that is, verify the type of products, services, and knowledge each individual might offer and receive from the group;
- 2 to create a possible name for a first community currency that should be produced by the group and which reflects as much as possible some local peculiarity (talent, merit, zumbi, green bond, ecosol, etc.);
- 3 to carry out several test fairs, using a provisional currency according to the training manual to face situations which can occur in the future;
- 4 when some products or services are lacking, one will look for new participants which can offer them and they will be invited to the preparatory fairs;
- 5 to choose the name and design of the currency which will be made through consensus, and obtain the (few) resources which will be necessary for printing it;
- 6 to launch the first public fair as soon as possible; only people known to be interested in participating at least in this experience should be invited;
- 7 to organize an ecobank as a space for obtaining social currency units in exchange for products which each one must take to the fair, which is previously agreed on in the preparatory meetings; two people will be operating in the ecobank as follows:
- 8 every participant shall bring a certain amount of products previously agreed on; let us suppose this amount was fixed at the equivalent to 30 dollars; Juana will bring 10 mugs worth 3 dollars each and the ecobank will “buy” 3 of each and will keep them as a backing for the social currency units; on that occasion Juana will receive 9 social currency units equivalent to 9 dollars so that she can begin to “buy” even before selling; thus a certain amount of social currency is put in circulation and it may vary according to needs;
- 9 the prices must be agreed on beforehand so that the social currency will be worth the same as the official currency and the prices will be agreed on beforehand by consensus;
- 10 once all participants have gone to the ecobank and left about 30 percent of their products, the fair is begun; if the operators of the ecobank verify there is a lack of social currency, they can go to places of less demand and “buy” products so that the participant can satisfy his or her needs and guarantee liquidity;

- 11 after some time, the exchanges cease and the bank begins to make its “backing” available for people who have social currency so that at the end of the fair people “spend” their social currency by “buying” the products kept, and all the currency goes back to the ecobank;
- 12 Juana took 10 mugs, handed 3 over to the ecobank, sold 7 at her booth at the fair and bought 2 shirts (used, recycled), 3 books, 4 CDs, and a pie . . . without touching one social currency unit, which she saved for other expenses;
- 13 eventual cases of unsatisfied needs—for example, Maria wanted a CD which Juana has—are a case for conversations and negotiations which are not possible at conventional supermarkets.

An English version of the training manual *Social Currency and Democracy: Manual for Understanding and Taking Action* can be found at <http://redlases.wordpress.nodo-obelisco>. It shows in detail trade fairs with a social currency in all their phases. It is important to observe that “barter clubs” were never a case of direct bartering but rather a strategy to build a market without money. The word *barter* was used more to avoid the risk of being assimilated to business activities subject to taxation. That is why it was also named “multireciprocal barter,” to avoid the idea that in transactions A hands something over to B and B hands something of the same value to A.

Since the beginning there were outlined at least three very clear trends within the barter clubs: groups with purely *business* purposes, where the benefit of some was the main focus; groups with clearly social and political purposes, where participatory democracy and equitable distribution of wealth was the main focus; and those which were believed to be “neutral” and adapted the norms of the first or second type according to their convenience. That was how a business project of a few people turned into a political and social project for many.

In mid-1996, we established our first contact with the founding group of the Barter Club during an extensive television broadcast. From the University of Buenos Aires and the Laboratory for Social Innovation (LIS) several organizations were working on building a knowledge-sharing network named REDISA (Primavera, 1999, 2000, 2001a, 2006) inspired by the French initiative carried out by Marc and Claire Heber-Suffren (Joly and Sylvestre, 2004) known since their application in Brazil. The difficulty found with this innovative strategy was that, once knowledge was exchanged, the group disbanded. As the focus of our work was the inclusion of at-risk populations (young people addicted to drugs, kids living on the street, unemployed and the elderly), the theme of *link building* was essential for permanence in the time of the groups.

Likewise, social and cultural asymmetries among participants made the equality of exchanges and the prolonged effect of their practices in time difficult. After visiting some barter clubs in Buenos Aires, we decided to include the exchange of goods and services of primary and secondary need, as a way of promoting a permanent practice in mixed groups which were no longer being focalized.

On the other hand we verified that the asymmetry of participation of the members of the then existent barter clubs was very great: some were extremely democratic and had participatory structures, while others had efficient coordinators (“managers”), who held too much information and decision power often due to a simple lack of a training system adequate for this new form of the creation of an alternative market.

That’s how there was created out of the Laboratory for Social Innovation on December 7, 1997 the Node Obelisk, the first experimental “node” of the network undergoing a permanent training process and an Economic Literacy Program aimed at sustaining it. On the other hand the Global Barter Network (RGT) added the exchange of knowledge to products and services (<http://redlases.wordpress.com/nodo-obelisco>) and began to propose a process of the democratization of decisions with the intention of giving participation to more voices on the network, voices which were coming closer with innovative ideas and mechanisms.

To make a brief synthesis of the development of barter networks in Argentina which shows their evolution, the most relevant quantitative aspects can be estimated as follows:

- From 1995 to 1997: The first barter group of 23 people in Bernal expands into a network of around 30,000 members in 9 provinces of the country.
- From 1998 to 2001: Based on the projection of the total distribution of bonds or credits, some 100 thousand people were reached. In 1999, we proposed these credits be called “social currency,” given the political emancipation they caused, beyond their use as a financial compensatory instrument to overcome shortage of money (Primavera, 2001b, 2003). Only in late 2000, did the RGT (Red Global de Trueque—Global Barter Network) and RTS (Red del Trueque Solidario, Solidarian Barter Network), the two major networks, separate due to the impossibility of coexisting. The publication of our article (translatable as “The Barter Clubs Should Preserve a Sense of Solidarity”) in the daily *Clarín* on April 24, 2002 in which we insisted that barter clubs must maintain a sense of solidarity is an indication of the need for reflection on forms little known and criticized until then (<http://redlases.org.ar/biblioteca>).

- From 2002 to 2004: In mid-2002, the Gallup International polling firm estimated 6 million people, out of a total population of 36 million, were practicing some form of bartering within the Argentinean organized networks. In September 2003, the numbers had dramatically fallen by 85 to 95 percent across the country and in all networks.
- In 2007: Recent studies show that about 100 thousand participants are again engaged in small- to medium-sized groups that have not been regrouped in the huge, centralized networks of the previous decade.

Beyond the figures which are impressive because, to our knowledge, they have not been achieved since then, bearing in mind that the whole population of Argentina was then 36 million inhabitants, it is important to recognize some *qualitative aspects* often neglected in most academic and journalistic approaches. Although those figures strongly invite one to relate the barter system crisis to the financial collapse of December 2001, knowledge of political and organizational aspects of the barter networks situates it exactly one year earlier: it is in December 2000 that the SEPYME (Small and Medium Enterprises Secretariat), an organ of the Ministry of National Economy, signed a framework agreement with the founding group, (wrongly) recognizing it as the legitimate diffuser of this “social franchise” for the whole country. From then on the democratic foundations of decentralized networks that had been operating nationwide for over five years began to crumble. Although the mistake was acknowledged, only a few months working of the “global” network was enough to produce over-issuing, sale and falsification of the “national” credits, all out of control, which undermined the confidence of participants across the country and beyond.

Until that moment, there had been significant support from provincial and local governments, as well as initiatives of the National Congress to regulate the operation of barter clubs and the issuance, distribution and control of the “social currency.” But the national crisis of 2001 wound up destroying the most important experiment of social currencies managed by communities in the past decades.

Although many regions and clubs had their own social currency, the bewitchment was broken: of the thousands till then existent few initiatives persisted. Apparently an element common to them all is the small size of the groups, the resistance to form networks and the style of management associated to trust in people identified as honest and efficient, with variations in each place. Today it is estimated that 100 thousand people continue to operate in barter clubs, especially in Greater Buenos Aires.

Perhaps, the least visible and still most significant characteristic of Argentinean barter networks was the kind of organization of

self-management of regular (sometimes weekly) assemblies of “nodes” (barter clubs), of regions, and the monthly interzone assemblies at a national level in which people tried to organize permanent rules from below with periodically elected delegates, for the functioning of the network in all its aspects. That phenomenon was emphasized by North and Huber (2004) in a detailed field research project before the 2001 crisis.

Although valid efforts have been made by Powell (2002), Hintze (2003), Coraggio (1995, 1999), and North and Huber (2004), we nevertheless consider a more profound comprehension of the complexity of the phenomenon of the barter networks in Argentina to be in academic debt. There is a need for a systemic approach which should not be exhausted in an isolated fashion in its economic, political, cultural, and administrative aspects. If its fall was foreseeable just during the country’s institutional crisis at the end of 2001 caused by the rigorous following of “structural adjustment” determined by the World Bank and the International Monetary Fund, it seems to us that the expansion of its development during the 1995–2001 period is comprehended less. Even though the works by Gómez (2008, 2009) include a more complex approach to the phenomenon, we understand that a finer comprehension will make it possible to clarify the difficulties of maintenance over time. They have occurred too frequently in most countries which the model was exported to: the groups don’t grow, they disappear after some time or they keep small despite the efforts of few people who put too much energy into something which in relation to its benefits should flow naturally.

On the other hand it is important to mention the process of diffusion of the “Argentine model” to other countries in the region, where innovations were made and where people began with previous social capital. Thanks to the sustained presence of patron groups in other countries and the incessant visits of people interested in reproducing the Argentine phenomenon, the model spread to Brazil, Uruguay, Chile, Ecuador, Colombia, Peru, Bolivia, El Salvador, Honduras, Paraguay, Cuba, and Venezuela. In some of those countries similar systems were already known, but the simplicity of the administration of the Argentine model had it easily installed and had it replace—at least for some time—the previous systems. Nevertheless during the crisis of the system in Argentina, the other ones, with the exception of some initiatives in Brazil, recoiled (Primavera, 2005, 2006).

In that country, the first barter club, inspired by the Argentinean model, was created in 1998 in São Paulo and still persists as an initiative of reference, a grassroots self-management model, without the support of public administration. It was subsequently disseminated to other state capitals in the country such as Rio de Janeiro, Curitiba, Florianópolis, Porto Alegre, among other cities, and in 2004 the First National Barter Groups Meeting took place and was supported by the national government. While there are no recent official statistics, it is estimated that more than 200 local

currencies exist in the country which support barter systems which are self-managed and are supported by community organizations and/or universities.

In 2000, as a member of the Laboratory for Social Innovation (University of Buenos Aires), we introduced the Argentinean model of barter clubs in the First Meeting of the Brazilian Network of Solidarian Economy, in the city of Mendes, Rio de Janeiro state. This was the occasion on which we met Banco Palmas and its particular microcredit system, implemented in 1998, in a slum on the outskirts of the city of Fortaleza, Ceará state, one of the poorest in the Northeast. A few months later, we were invited to assist the implementation of its pioneering currency the “palmares,” implemented with a lot of enthusiasm from the local leaders. Two years later, at the end of 2002, with financing from the Dutch organization STRO ([www.stro.org](http://www.stro.org)) we were able to make a contribution with the installation of the Projeto Fomento (Promotion Project), which launched the “palmas” social currency for the construction of a modest building destined to offer training in Solidarian Economy in the neighborhood. The model evolved, and contradicting the initial tendency wound up being backed by the official currency and running the risk of granting loans in official currency (with interest) and in social currency (without interest). Contracts were made with local businessmen and with providers of basic services such as gasoline, gas for cooking and public transportation. This association of microcredit/social currency, in conditions of stabilized social capital, caused the initiative to get the Award for Social Innovation granted by the Bank of Brazil. The support from the national government (National Secretariat of Solidarian Economy) would soon lead to the formation of a National Network of Associative Community Banks to repeat this in other regions of the country. (See [www.bancopalmas.org.br](http://www.bancopalmas.org.br) which today has a presence in 54 initiatives.) In November 2009 during the Forum of Social Inclusion and Microfinances, the Central Bank of Brazil reversed a world trend and signed an agreement with the national government and the Instituto Banco Palmas to support the creation of associative community banks. It is worthwhile stressing this unusual fact which marks a daring innovative tendency of recognition of the bankruptcy of the monetary system in force, a tendency for treating the theme of social exclusion and commitment with alternative proposals: see [www.bcb.gov.br/pre/acordos\\_E\\_convenios/acordo\\_de\\_cooperacao\\_tecnica\\_BACEN\\_MTE\\_SENAES.pdf](http://www.bcb.gov.br/pre/acordos_E_convenios/acordo_de_cooperacao_tecnica_BACEN_MTE_SENAES.pdf).

It is important to recognize here that the present model of associative community banks with social currency in force in Brazil ([www.bancopalmas.org.br/oktiva.net/1235.nota/12311](http://www.bancopalmas.org.br/oktiva.net/1235.nota/12311)) integrates—most creatively, perhaps just as the participatory budget of Porto Alegre has—the Argentine model of social currency, the strategy of microcredit of the Banco Palmas and government aid, distinct approaches which oblige different social actors



such as entrepreneurs, grassroots productive organizations and government entities to consider a different view point.

It is not however a unique experience. Various experiences which associate training for cooperatives with self-management, microcredit, social currencies, and local development are developed in other regions of that country. Such is the case of the Technological Incubator of Grassroots Cooperatives of the School of Business Administration of the Getúlio Vargas Foundation in São Paulo, the academic leader in the specialty where they develop pioneer grassroots projects of assistance to low income populations residing in the city of São Paulo whose metropolitan region has around 20 million inhabitants, nowadays being the third megalopolis on the planet ([www.itcpfgv.org.br](http://www.itcpfgv.org.br)).

The examples of Latin America are then extremely innovative, thanks both to their formats as well as to the construction of alliances which they promote. Bearing in mind what was done in Brazil as inspired in the Argentine model, it seems to us useful to introduce here similar initiatives in force in Europe understanding they can be an *inspiration* for other local realities:

- 1 In France, the SOL Project, promoted by the Equal Program of the European Union Fund, just completed its third year of implementation, and has managed to successfully associate the use of complementary currencies to social ends with a sophisticated technology of an intelligent card connected to internet which allows one to endow the system with high reliability (see [www.sol-reseau.coop](http://www.sol-reseau.coop)). Its application is being studied in Brazil and Argentina.
- 2 In Germany, the so-called Regio system has been developed by different nongovernmental organizations and gathers around 20 different currencies, with material backing and regional autonomy, in many cases using a system of negative interest (demurrage) which makes them promoters of the reactivation of local economies ([www.chiemgauer.info](http://www.chiemgauer.info), [www.moneta.org](http://www.moneta.org), and [www.complementarycurrency.org](http://www.complementarycurrency.org)).
- 3 Last but not least in Switzerland we must cite the WIR Bank, created in 1934, that is, during the very period of the worst crisis of the past century, which has since then served its 60 thousand users, the small- and middle-sized enterprises of that country, and does transactions with them without using the official currency. Recent econometric studies show the anti-cycle effect of this mechanism considered one of those responsible for the robustness of the country's economy (Stodder, 2007 and [www.wir.ch](http://www.wir.ch)). Anticipating a deepening of the recent financial crisis, various countries study the possibility of establishing it locally.

Such a diversity of financial mechanisms we have been considering above does not address projects and theories, but rather *realities* that can be articulated synergistically to face a crisis that, according to the experts, is far from being overcome.

In this sense, we understand the following:

- The current crisis is not just a financial or economic crisis but rather a *paradigmatic* crisis, given that the frequency with which the crises occur makes it impossible for them to be resolved without appealing to “innovations” which are not part of the system, that is, without breaking the system! (Primavera, 2006).
- If we want to approach the solution of the “crisis” which is not such, that is, if we want to change this state of affairs, that must be done in a systemic and not localized, partial, and fragmented form as has been done thus far. The ensemble of “innovations” mentioned above speaks of the need for cooperation by the distinct social actors given that with them there are involved the public powers (the Brazilian Network of Associative Community Banks, the SOL Project of the European Union, the National Barter System of Venezuela), organizations of civil society (barter networks in Latin America: Argentina, Brazil, Chile, Ecuador, Peru, Colombia) and the entrepreneurial organizations (Wir Bank, cooperative banks, and conglomerates of various sized enterprises).

There still remains the reflection on the responsibility of undertaking such an articulation with actors, current projects, and initiatives yet to be created both in the field of solidarian finances as well as inside the Solidarian Economies, which are still traversing on very different tracks if not in frank competition or even opposition.

The challenge remains to coordinate different social actors, ongoing projects, and initiatives to allow new forms of living and exchanging, in the field of finance, within and without the Solidarian Economy.

## **Is an enduring bond of common good between Solidarian Economies and social currencies possible?**

We have seen that we are witnessing a very wide range of “monetary” innovations if we have a formal look at all existing complementary currencies as is the case of bank checks, sales coupons, company’s coupons, loyalty cards, airline miles systems, luncheon tickets, and especially social currencies on the one hand. On the other hand we should recognize the

“economic” innovations in the world of labor, of production and consumption, of credit, of fiscal policies if we consider the ensemble of innovations which shelter the Solidarian Economies.

What separates them? We believe it’s only the theories in which we locate them today because in reality there was no theory for them, neither for the monetary innovations nor for the economic ones when they appeared on the scene of the new economy which emerged in the past decade.

To our knowledge, with the exception of the above-mentioned National Secretariat of Solidarian Economy in Brazil, whose secretary is a renowned academic, to this day social currencies have not been legitimized within the Solidarian Economies, possibly because of an inadequate understanding of their meaning. They are seen as instruments of “correction” of liquidity for those who cannot operate another way!

Social currencies are often ignored as a tool to stress the paradigm of abundance, which they are in a deep sense: the most political expression of subversion of the economy, by the act of issuing one’s own currency as a means of exchange and not reserve value; a way to return power to producers and consumers—the protagonists of the real economy that have been displaced by current finances for the benefit of speculation.

For the same reason that Solidarian Economy initiatives in practice compete with each other for resources for their survival, social currencies, being misunderstood, are in an obscure place that does not allow their appropriation as a legitimate, necessary, and useful tool for cooperatives, fair trade initiatives, or responsible consumers. At the same time this reveals the lack of a systemic vision for the other initiatives of the Solidarian Economies which remain relatively isolated from each other as if they were not part of the same economic system. Such a situation is the same as believing that an enterprise needs cooperative self-management or fair trade or ethical and responsible consumption or social currencies or to be part of public policies—and not all those elements integrated as constituent parts of a new model of development.

Just as the expressions of Solidarian Economy will not become a system if they are not articulated around greater unites than cooperatives, small- and medium-sized enterprises, in units at least as big as the territory which harbors them, the complementary social currencies will only be completely achieved when they are used for the radicalization of democracy with the other forms corresponding to each phase of the business cycle of credit, production, commercialization, consumption, and recycling!

How have we arrived at this reasoning/proposal/hypothesis for discussion?

In reality our first approach to complementary currencies was instrumental: we were looking for a strategy of inclusion, trying to put those expelled by the “structural adjustment” on the map. However, the observation of barter clubs with their “social currencies,” that is, their instruments

of exchange to the extent of the needs/possibilities of production and consumption revealed to us the occult universe of abundance: everything was possible as value and price could be separated, cooperation and solidarity could be manifested. . . . Not always of course: behavior learned during so many centuries is not changed from night to day.

There were two keys that led us to a radical change of approach in relation to the complementary currencies used in barter clubs:

- 1 The units used there were never scarce, they were always enough; you could “buy and sell” with social currencies or not, pay cash or get financing because trust was the raw material for the groups that met regularly. There was then abundance without waste, “sufficient” abundance as we once called it. That would characterize the paradigm of abundance—the flow that promotes cooperation rather than competition, the certainty that what today could not be successful would be sold in the near future.
- 2 When someone accumulated social currencies and did not need them, these were lent to someone who needed them and returned without interest. How was this possible? It was because the “sufficiency” of currency had interest really eliminated. It never occurred to anyone to ask why there was no interest: those who practiced this new economy understood it better than ministers of the economy and bankers. Social currency is not a commodity. The frontier of the barter markets and the “outside” was free. Sometimes some people behaved according to the scarcity paradigm, and competition, changing prices, voracity would return. . . . Incredibly the groups became self-regulating.

The most important theoretical contributions to the broadening of our horizon of social money are drawn from three fundamental sources:

- Silvio Gesell (1918), a Belgian businessman, self-taught economist, author of a work as monumental as little known outside the specific universe of complementary currencies, called *Die natürliche Wirtschaftsordnung durch Freiland und Freigeld* (the natural economic order for free land and free currency). The original work is contained in 19 volumes; it was translated into several languages, its Spanish version being accessible in three volumes in PDF at [www.laibibliotecavirtual.com.ar/SilvioGesell20%-El\\_orden\\_Economico\\_natural](http://www.laibibliotecavirtual.com.ar/SilvioGesell20%-El_orden_Economico_natural). His ideas were not applied in Argentina when he was alive, but in the small town of Wörgl, Austria, had the merit of applying it and that was able to reduce unemployment significantly during the dramatic depression in the 1930s.

- Margrit Kennedy (1998), a German architect and city planner with a strong environmentalist vocation, revealed in a pioneering study how the current financial system cannot be sustainable unless it changes its contradictory root at its cornerstone: the compound bank interest ([www.margritkennedy.de](http://www.margritkennedy.de)). Her work demonstrates how only with the counterweight complementary currency which functions in the opposite direction can the tendency for concentration be reversed and can one aspire to manage a sustainable medium-term development.
- The Belgian economist Bernard Lietaer (2001), who worked on the first draft of the European common currency, later delved into the mysteries of human acceptance of money as a “fate” impossible to change. He found in the archetypes of the collective unconscious proposed by C. G. Jung the basis for a possible explanation for our behavior toward the inordinate possession of all kinds of goods ([www.lietaer.com](http://www.lietaer.com)). This author was doubtless fundamental for our elaboration of new tools of the paradigm of abundance. For him the archetype in old “matriarchal” societies was the Great Mother Earth (Pacha Mama in South America), the promoter of abundance and distributional equity. Her repression during the long civilization process put the Great Mother in the dark: voracity, inordinate competition, a tendency for accumulation, and fear of scarcity, casually the cornerstones of the capitalism we know today.

Drawing on these theoretical bases, we could redesign the Economic Literacy Program, focused on the individual and the overcoming of unemployment, and create another program aiming at building a radical democracy for sustainable local development, with social currency as a component of a greater ensemble: the Colibri Project ([www.relases.org.ar/colibri](http://www.relases.org.ar/colibri); [www.proyotocolibri2008.wordpress.com](http://www.proyotocolibri2008.wordpress.com))

The tools allowing us to implement an articulation of Solidarian Economy initiatives with social currencies derive from three key ideas, expressions of the paradigm of abundance, contrary to current common sense:

- 1 Power is an inevitable, permanent, necessary, and creative game.
- 2 The planet is abundant: it has enough resources to satisfy the needs of all its inhabitants in dignity and in harmony with nature.
- 3 Each of us is responsible for his or her part and also for the whole.

Since 2003 we have included the Colibri Project tools in many different initiatives, particularly in the field of the Solidarian Economies or participatory democracy. The results obtained so far and the observation of the above initiatives (associative community banks with social currencies,

virtual systems of exchange between enterprises, participatory budgeting initiatives) indicate that there is a fruitful road to traverse.

However, the case is urgent. We must efficiently place our responsibilities at the center stage: to refute everything we have done and which has left us where we are today (Flores et al., 1996).

We must suspect our certainties. Be capable of giving another destination to social practices that are an expression of the paradigm of scarcity, of the shadows of the Great Mother Earth, which, we know concentrate wealth as is the case, for instance, with:

- *the right of inheritance*, which perpetuates a system of handouts for those who have not worked to the detriment of those who wish to do so;
- the practice of *rent as legitimate income*, which ignores that the planet has space enough for everyone to have their own home;
- *compulsive saving*, which “forgets” that money can be an instrument of exchange sufficient to promote the common good;
- the practices of *unnecessary consumption*, which do not take into account the global responsibility of every citizen with his or her fellow citizens nor with the future generations.

If Adam Smith could not be critical of the “scarcity” conveyed by the dominant ideology of his time, today with internet and the communications revolution, where mail chains, social networks, and cell phones may do more than the stock market, we know that there is the “abundance” of all we want to redistribute.

If we want to redistribute something, if we want to think of the future generations, the word once and for all can be with us.

*Translated from the Spanish by José Brendan Macdonald  
and the author*

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## CHAPTER SIX

# Innovation, the Cooperative Movement, and Self-Management: From the Technical School to the Centers of Research and Development and the University in the Trajectory of the Mondragón Experience

*Alessandra B. Azevedo and Leda Gitahy*

This chapter discusses the relationship between self-management, professional education, and technological innovation in the trajectory of the Mondragón Corporación Cooperativa—MCC—and its importance for the success of this experience. At present that relationship is seen through the articulation between the cooperatives, the university, and the centers of research and development (R&D).

This network of cooperatives emerged 50 years ago in the Spanish Basque Country from the founding and evolution of a cooperative. Its basis has

been a self-managing cooperative movement, education, and innovation and has developed strategies patterned on inter-cooperation and internal and external solidarity. In 2009 the Corporation had an invoice of 13,819 million euros and has 85,066 workers. MCC is the first business group in the Basque Country and the seventh in Spain.

On this trajectory we emphasize the emergence of the ensemble of teaching and research institutions which today are part of this network, and the characteristics of Ikerlan and Ideko, the two largest R&D centers of the Corporation.

This work is based partly on the field work done in 2005 for the doctoral thesis of Alessandra Azevedo (2007)<sup>1</sup> whose objective was to discuss the limits and the possibilities of the competitive, technological, organizational, and social integration of self-managed enterprises in the Brazilian industrial fabric. For that reason a comparative study between self-managed Brazilian enterprises (formerly run by capitalists) and Spanish Basque ones (Mondragón Corporación Cooperativa) was done. The question which oriented the research project was how and to what extent it is possible to ally technical innovation, the generation of jobs, and income distribution emerging from self-management experiences.<sup>2</sup>

Given the emergence of self-management and the Solidarian Economy in Brazil as a reaction to unemployment in a context of crisis, production restructuring and deregulation of the economy, the literature on the theme tends to establish in an implicit or explicit way a causal relationship between innovation and unemployment.

However the question is: are self-management and technological innovation incompatible processes? Wouldn't it be possible and even necessary to associate the technical progress of innovation and the generation of more jobs, modifying the tendencies which characterize the past decade?

To what degree are the cooperative phenomenon and self-management, which are expressed in the daily practice of democracy and in internal and external solidarity, capable of putting limits to economic activity through social, ethical, and ecological commitment in contradistinction to capitalist entrepreneurship oriented by the quest for profit?

Hence the idea of researching an experience whose social and cultural reality reveals some similarity to Brazil in which the association between technological innovation and self-management has been building—for the past 50 years—a model of entrepreneurial success which survives and grows amid the transformations of the 1990s. It is a question of the cooperative complex located in the Basque Country (Spain) with international ramifications. Understanding how the “Mondragón Corporación Cooperativa”—MCC—during its history has been developing a virtuous relationship between technological innovation and self-management could contribute to the adumbration of roads toward the Brazilian cooperative phenomenon.

As a constant at the various stages of that history one can highlight the articulation between democratic forms of management and solidarity, which materialize in different ways and the capacity to innovate, utilized to face problems and find extremely creative solutions. The logic of articulating solidarity and competitiveness and the importance of technological knowledge to the training of workers allowed the construction of peculiar organizational characteristics which are important factors for the understanding of their success and continuity.

Solidarity which has been present since the first moment of the experience is materialized in various ways, whether through the inter-cooperative funds, the distribution of the surplus, or the withdrawals of the workers. It's a solidarity which made possible the building of organizational forms which allow people to work together respecting the autonomy of the cooperatives at the base.

The strategy of inter-cooperation was revealed by the creation of an organizational inter-cooperative framework and of supporting institutions (a bank, social security, a technical school, and later a university and technological centers) which over the years proved to be fundamental for the survival and maintenance of the independence of the economic and technological independence of the cooperatives. Those institutions allowed the confrontation of three economic crises along their history and the maintenance of the values and principles which orient the experience, solidarity, inter-cooperation, creation and maintenance of employment, self-management, and democracy.

The investment in training workers and in the development of technology is a central element in their history. Those cooperatives initiated the process of technological learning through the buying of licenses associated to self-development. The technological partnerships were present in all their history: (1) in the beginning with the Polytechnic School of Mondragón (belonging to the group) and with other cooperatives of the same group, (2) as of 1974 with the creation of technological centers of the present day MCC, (3) the creation of the R&D departments in the interior of the cooperatives (Fagor, Ederlan), (4) the externalization of those departments with support from both public and private outside resources.

In the Basque cooperatives of MCC training was always held to be fundamental for economic and technological independence. The first cooperative is born articulated with the Technical School. At present there is in the Corporation a university with 4 colleges, 2 education cooperatives and 11 technological centers and a Mondragón-Otalora center for directive and cooperative development, which develops educational activities in the area of management and in themes on participation, cooperatives, and others related to the cooperative principles. In 2009, 8.3 million euros were destined to training and 593 persons got training on cooperatives, and 269 directors of cooperatives were trained on the themes of

management and directive development (Centro Corporativo de MCC, 2009: 18).

The role which the technological centers, the university, and the countless types of partnership which the cooperatives develop at present both with the government and with private institutions enhanced the development of new products and processes. Technological innovation is considered strategic for the Corporation. The 11 existent technological centers in MCC are composed of 742 persons and their budget in 2009 was 140 million euros (Centro Corporativo de MCC, 2009: 18).

### The concept of self-management at MCC<sup>3</sup>

In order to characterize the concept of self-management used by the actors of MCC we are utilizing the book *Autogestión y Globalidad* by Sarasua and Udaondo (2004), a work produced by the Institute of Cooperative Studies of Mondragón Unibertsitatea—LANKI.<sup>4</sup> This work presents self-management as the constitution and operating of institutions or communities based on autonomy and the capacity to make decisions and as a view including everything from the organizational form to the social project.

To the authors, self-management in the heart of the social economy is a form of internal organization of economic activity as well as a distinct way of being in the market and in society and can occur with different degrees of intensity according to the capacity to make decisions and the participation of workers in three dimensions: in property, in surpluses, and in management (Azevedo and Gitahy, 2010).

As for the potentials and limits of self-management in more demanding experiences (with a more transformative social project) the authors point out eight concrete potentials of economic self-management in the context of globalization:

- 1 *Potential of articulation between the individual and the community* (experiences with the harmonization of individual and collective interests where cooperative property is something which surpasses the dichotomy of individual private property or state property). It is the group of laborers or *comunidad laboral* which detains property and in that sphere there is room for personal autonomy and it can build a collective project through inter-cooperation.<sup>5</sup>
- 2 *Potential for personal and community development.* Personal because a self-managing enterprise as a characteristic of its own gives special attention to people which is demonstrated through various acts: through the capacity to make decisions which is in the hands of people who work, through the utilization of democratic

management procedures, through guaranteeing the transparency of management and information, through paying special attention to the training and education of workers. Community because economic managing tends to respond to the needs of the communities and is capable of creating links to other experiences (social and cultural), getting connected to other areas of social development and the opportunity to be open to the potential of social movements and to get impregnated by their motivations (the environment, gender, development models).

- 3 *Potential for a feeling of belonging* since self-management experiences are linked to the communities in their locales and their workers are active participants in the topics of interest to the locales thus making possible their participation in local development projects whereas the global enterprise model has the “unbelonging” character of capital.
- 4 *Potential to create and keep up jobs* since self-managed enterprises have strong social engagements with this objective. The vocation for creating stable jobs and defending them has been fundamental to self-management economics.
- 5 *Potential for approaching integral participation* since in self-management experiences worker participation occurs both in the institutional sphere through democratic organs and in the daily life of a cooperative.<sup>6</sup> Self-management has the possibility of articulating the two spaces of participation and of developing a model of complete and coherent participation.
- 6 *Potential for putting limits to economic activity through social engagement* bearing in mind that the commitment of those experiences to their locale and that the ethical, social, and ecological commitment is part of their values. Economic self-management supposes a whole global way of being in the economy and of making an enterprise which distinguishes it from a logic reduced to exclusively profit centered concerns and has its own potential for developing social engagement.<sup>7</sup>
- 7 *Potential for inter-cooperation* given that association and mutual aid is one of the characteristics of self-managed enterprises. Inter-cooperation can be considered a strategy for facing the challenges of the market which offers many possibilities for the future.<sup>8</sup>
- 8 *Potential for activating mechanisms for global solidarity* establishing fluxes of cooperation between self-management experiences in the North and the South which would operate as an incubator with possible answers to the challenges imposed by globalization.

The risks are associated to (1) a limited and exclusively profit centered view of the operating of the market in which enterprises would start to look for competitiveness at any cost, and self-management would be restricted to a mere inside organizational formula and forget the more ample project of social transformation and local development which is what gives it a horizon and a direction; (2) the fact that the experience might be closed in on itself without establishing links with other self-management experiences; (3) the “democratic cooling off,” the process in which vis-à-vis the complexity of business decisions, the institutional might be converted to something formal and it might be the technical direction which in fact would take over the direction of the enterprise as a risk coming from the constant tension between the technocracy and democracy inside self-managing cooperatives.

## The Mondragón experience<sup>9</sup>

What we know today as the Mondragón Corporación Cooperativa—MCC—traces its origins to the town of Mondragón which is located inside the Basque Country (or Euskadi) in the province of Guipúzcoa.<sup>10</sup> During the Civil War (1936–9),<sup>11</sup> the Basque Country was bombed intensely and the following period was characterized by a climate of fear and by the poverty of the population (Ormaetxea, 1998: 39).

In 1941 the priest José María Arizmendiarieta,<sup>12</sup> responsible for the activities of Catholic action, arrived in the town. He believed that the association between Christian education and technical knowledge was the road to the liberation of that population from squalor and the curing of its spiritual wounds. For that purpose he created in 1949, with help from the community, a professional school for youths who were not children of the workers of the Unión Cerrajera because at the school linked to the company only the children of its workers could study (Ormaetxea, 1998: 36).

Through preparatory lectures he persuaded the teachers at the Apprentice School to give classes free of charge. Today that school is called Polytechnic School and is part of the University of Mondragón. That school was fundamental for the technical training of workers and for the technological independence of the Mondragón cooperatives.<sup>13</sup>

It should be emphasized that Arizmendiarieta's leadership<sup>14</sup> was fundamental in the history of the cooperative phenomenon in Mondragón and that to this very day his ideas have oriented strategic and management decisions in MCC. One important idea was to create enterprises where man was more important than capital and where results were oriented to the betterment of the quality of life of the community, an idea which was inconceivable those days to the local entrepreneurs who would not give it any importance as they believed it was doomed to failure.

In 1955, 15 years after the founding of the Professional School, what would become the first cooperative, Ulgor, was born. It was composed of former students who were working at Unión Cerrajera and who decided to give up their jobs and bet for the development of a project of their own. Ulgor was born with the proposal of getting transformed into a new model of a social, humane, and democratic organization and which would contribute to the social and economic welfare not only of its members and their families but also of the people at large (Azevedo and Gitahy, 2009).

The criterion used to decide what to produce was to find products adequate to the professional training of the founders (related to metal casting, electronics, and electricity) and which were not produced by enterprises existent in the region (Mondragón, Aretxabaleta, Eskoriatza, and Oñati) in order not to cause unemployment. Thus the concern to increase and not to reduce employment in accord with the principle of solidarity is evident since the creation of what would become the first cooperative. This strategy was favored by the context of a growing demand in a protected market.

Between 1955 and 1970 the experience is extended and at the end of the period it includes 41 cooperatives and 3 support institutions which operated as a basis for the synergy among them. Altogether the cooperatives created 8,473 jobs, invoicing a sum total of 7,059 million pesetas,<sup>15</sup> around 11 percent being in exports. In that first phase all the workers were members of the cooperatives (Arregui, 2002: 173).

The support institutions emerge as solutions for the problems which appeared: (1) the lack of credit for financing; (2) the loss of labor rights; and (3) the need to pay royalties and the limitations to exporting to certain countries imposed by the detainers of licenses of products made by the cooperatives. These institutions begin to operate in a network with the cooperatives.

As an answer to the lack of credit the Caja Laboral Popular (CLP, that is, a working people's savings bank) was created with the objective of attracting people's savings and channel those resources toward cooperative development. All the cooperatives and their members had to deposit their resources at this "Caja Laboral" and it was decided that all the financial business of the cooperatives would be turned over to Caja Laboral. This institution had a fundamental role for it began not only to promote the emergence of new cooperatives through its entrepreneurial division but also enabled the growth of the cooperatives, which would be impossible if only internal resources were used.

One measure taken by the Spanish government as of 1959 was to suspend medical and retirement services, alleging that cooperative members were proprietors of enterprises and not workers. To face this problem there is created the division of "Social Provision" inside the Caja Laboral, which in 1967 was transformed into an independent cooperative called Lagun-Aro (Ormaetxea, 2003: 52).



In order to avoid the payment of royalties and obtain technological autonomy the strategy was on the one hand to create a cooperative for furnishing parts for the Fagor Electric Appliances (the former Ulgor) and on the other to form R&D departments in the industrial cooperatives in close cooperation with teaching cooperatives with the objective of developing internal training and offering the market their own products so as to consolidate the cooperative movement in the region and guarantee technological independence in their production chains.

As of 1962 the Professional School is called the Polytechnic School and is transformed into a cooperative of teaching and educational activities which gave the technical support necessary for the learning of licensed technologies and the development of its own technology. In 1968 the Polytechnic School began to offer higher education level courses. Ikerlan is initiated with a department of research in the field of mechanical engineering at the Polytechnic School.

In 1974 it is transformed into an independent second-degree cooperative. In 1975 its members besides its workers were the Polytechnic School, a group of industrial cooperatives (Ulgor, Danobat, Copreci, Fagelectro, Arrasate, Soraluze, Goite, Egurko, Zubiola) and the Caja Laboral. Its objective was to develop technologies to make the technological autonomy of the cooperatives possible. The idea was to collaborate through applied research and technological development in the technological and organizational renovation of the cooperatives. The creation of the center answers the need of the cooperatives to have a common R&D center. In order to define its research agenda and forms of organizations several other R&D centers both in Spain and in other European countries were visited. Between 1974 and 1982 the cooperatives were committed to financing most of the expenses of the center through shares and thus allowed the creation of teams of researchers. In that phase the contribution covered between 70 and 80 percent of the expenses of the center, and Ikerlan worked exclusively for the MCC cooperatives.

In 1982 in order to obtain public financing from the Basque government, which then got to finance 50 percent of the cost of the projects dedicated to generic research, there was a change in the rules. The acceptance implied the acceptance of projects and partners that did not belong to the MCC group. The internal criteria developed for the acceptance of new members were: (1) the majority of the members had to belong to cooperatives in order to keep up a relative weight in the *Consejo Rector* (Ruling Council); and (2) it wasn't possible to deviate the technological orientation of Ikerlan, only admitting members whose activity was akin to the technologies commanded by the center.

The internal organization of the cooperatives was also a concern. The Ulgor cooperative was a pioneer in many respects and tried daily to make experiments and adapt various organizational models to the

cooperative principles, looking for democratic forms of management.<sup>16</sup> All the Mondragón cooperatives which emerged after it used its experience and the same statutes.

The creation of new cooperatives was possible thanks to the investment fund created for that purpose due to Arizmendiarieta's influence. His view on the application of the annual surpluses of the cooperatives is quite peculiar and interesting. When in 1959 the Ulgor and Arrasate cooperatives got their first surpluses, the priest eliminated the idea of distributing those surpluses among the members for he had the conviction that it was necessary to reinvest in the cooperative and promote the creation of other cooperatives.

Arizmendiarieta "believed that a 12 months success did not stand for a good situation and could depend on the temporary influence of external agents on the action of our own management," and it was a question of "viewing in relative terms the success due to circumstantial factors, domesticating desires of personal enrichment and directing attitudes toward moral engagements which to him we had with society" (Ormaetxea, 1998: 538). Based on this perspective, it was established that 70 to 80 percent of the surpluses would be destined to the so-called fondos irrepantibles (indivisible funds) managed by Caja Laboral with the objective of creating more jobs and new cooperatives.

Caja Laboral, besides financing the cooperatives did several complementary support services for the management through the entrepreneurial division. In some cases, when the cooperatives had negative results, "Caja Laboral" would cover the negative balances and pardon the debt in order to make the maintenance of jobs possible, acting against the logic of traditional banking. As for the management, the cooperatives had to send in their financial planning annually and the annual results, all to be followed by that division (Cruz and Cardoso, 2004: 20).

In the 1960s the inter-cooperation fund was created. It allowed the addition of solidarity aspects with long-term planning. Its logic was that whoever made more profit would help whoever had difficulties at the time. That logic later elicited the beginning of the forming of *grupos comarcales* (district groups).<sup>17</sup> The objective of this form of grouping was to establish relations among cooperatives and between the latter and the market, thus making them competitive without forgetting their engagement with the cooperative principles (Arregui, 2002: 10).

In 1970 the basic structures of the Mondragón experiences had already been created, which will later be transformed into the financial group (Caja Laboral, Lagun-Aro), into the distribution group (Eroski), into the scientific and technological training group, and into the industrial group (industrial cooperatives articulated with each other and performing R&D activities and collectively facing the challenges to the expansion of the cooperative movement associated with the competitiveness of their enterprises).

The idea of inter-cooperation to make the sustainability not only of businesses but also of the cooperative movement itself possible is present: (1) in the creation of cooperatives which furnish parts; (2) in the inter-cooperation funds; (3) in the creation of Ularco; (4) in the close relationship between the base cooperatives and the Polytechnic School; (5) in the long-term planning, where solidarity is always understood as a factor of competitiveness.

The period from 1970 to 1990 was characterized by the continuity of the growth of the number of cooperatives, of sales, and of the number of jobs as well as the creation of various R&D centers. Efforts were made in this period to fortify synergies in the cooperative movement, creating room and common organisms to guarantee the independence and both the economic and technological stability of the cooperatives in a context of intense economic and technological transformations.

## **Facing the crisis in an atmosphere of transformations**

This phase begins with the confrontation of the economic crisis which between 1975 and 1985 will cause in all Spain an enormous decline in industrial employment. In Euskadi industrial employment is 366 thousand in 1975, declining to 228 thousand in 1985, thus revealing the loss of 138 thousand jobs (38% of the labor force). In this context the challenge was to maintain employment, which depended on competitiveness<sup>18</sup> (Ormaetxea, 1998: 551).

The 1980–5 period was more difficult due to the drastic reduction of demand in the internal market which raised the productive use of the cooperatives and obliged them to use, besides the reconversion reserves of results,<sup>19</sup> other solutions to maintain jobs. The decisions on restructuring and the search for solutions for facing the crisis were always taken in assemblies, thus preserving transparency and democracy. Measures for avoiding unemployment and facing the fall of profits and the threat of the decapitalization of the cooperatives which were facing losses were taken.<sup>20</sup>

The financial, technological, and organizational restructuring which the cooperatives went through in the first half of the 1980s due to the crisis will show results as of the second half of the 1980s. In the 1990s there were already 109 cooperatives which altogether invoiced 303,363 billion pesetas (exportations represented 16% and generated 23,130 jobs) (Arregui, 2002: 180; Ormaetxea, 2003: 38).

The crisis demonstrated that the continuity of the experience depended on the effort to develop the cooperative movement as a whole based on mechanisms of inter-cooperation and solidarity, which culminated with the forming in 1984 of the Mondragón Cooperative Group (Mongelos, 2003: 81).

In the second half of the 1980s the incorporation of Spain into the European Union presented new challenges and opportunities which began to be discussed in 1984 when they created the Cooperative Congress and the General Council to discuss a unitary view which would take into account not only ideological factors but also entrepreneurial factors. It was a question of organizing a permanent forum of debate to elaborate the new strategies.

The reduction of commercial barriers and levels of protection of the Spanish economy demanded of the cooperatives strategies which would guarantee their competitiveness on the European and international scene. For that purpose, strategies for expansion and internationalization besides the intensification of incentives for research and development to obtain technological autonomy are adopted. It was understood that innovation and the training of their collaborators were key factors for competitiveness (Mongelos, 2003: 79–86).

The main characteristics of the third phase, which begins with the forming of the Corporation after eight years of discussion (1984–91), were the process of internationalization and the intensification of the incorporation of innovation as a key factor for competitiveness. The market in which the cooperatives were born and developed until the crisis of the mid-1970s was local and protected. It later became continental, and as of the 1990s is globalized. Their main competitors are transnational enterprises and the main industrial activities of the group are in sectors which suffer from an intense process of concentration and internationalization: car parts as of the 1980s and white line during the 1990s.<sup>21</sup>

In that sense the challenges increase: how is it possible to be competitive in a scene of competition ever and evermore acute and keep the principles which orient the experience: solidarity, inter-cooperation, creation and maintenance of employment, self-management, and democracy?

The key factors for facing that challenge were the search for organizational forms which would allow acting together, respecting the autonomy of the cooperatives associated to the framework of training, research, and development which in that phase was consolidated and increased.

The year 1986 witnessed the creation of the Research and Development Center Ideko, specialized in machines and tools, as an entity of economic interest<sup>22</sup> with 12 workers and with financial support from “Caja Laboral,” resources from cooperatives of the Debako group (Danobat, Goiti, Izarraitz, Soralue, and Txurtxil) and from Ikerlan center. During that period the tool-machine sector was going through a crisis, and as a strategy for overcoming it the cooperatives decided to invest in R&D. The first workers at Ideko were professionals coming from the technology departments of the cooperatives and from Ikerlan. Their goal was to help to plan and coordinate a technology policy in the department of tool machines and capital goods of advanced technology aiming at the transference of technologies to sister enterprises.

The projects brought mixed teams together with the enterprises, the direction of the projects and the responsibility of the results being Ideko's. As of 1997 the center is integrated to the Basque technology network and is classified as a center for innovation and technology by the interministerial science and technology commission. In 2003 it was no longer an entity of economic interest and is transformed into a second-degree cooperative.<sup>23</sup> All of its workers with the exception of those of them who were scholarship trainees became members. It is part of the tool machines of MCC and of the Danobat group. Besides the worker members it also has collaborating members (MCC and MU Engineering) and partner enterprises (D y S Sistemas, Egurko, Ortza, Estarta, Goiti, Lealde, Soralue, and Danobat itself). Although it participates in two MCC groups it has financial autonomy but its strategic planning is directly linked to the guidelines of the associates.

Regarding the organizational forms, in 1991 the "Group of Mondragón Cooperatives" is transformed into "Mondragón Corporación Cooperativa—MCC"<sup>24</sup> with the objective of fortifying the relations among all the actors of that network of cooperatives and acting together. The word *corporation* was used to express the idea of solidness and size so that they might be accepted as a group by the market even if in practice the framework utilized is a network.

MCC's present framework is quite complex. The corporation is divided into three groups: industry, finances, and distribution. The financial group and the distribution group are both composed of one division. The industrial group however includes seven divisions: tool machines, capital goods, car parts, components for white line, industrial gears, metal components for construction work, and home appliances. Each division is composed of cooperatives in accord with the market it deals with. The training cooperatives and the R&D centers are grouped horizontally contributing with the whole corporation.<sup>25</sup>

The congress is composed of all the cooperatives (for every 30 worker members a cooperative has the right to have 1 representative in the congress) and by the members of the Permanent Commission at MCC. The planning and the strategic management are done with the participation of all the levels of the Corporation and approved in the General Congress. The principles which orient the corporation are visible in the dynamics of the management of MCC. Deliberations are amply debated on various levels, which makes it possible for a great number of members to participate in the debates. Besides fortifying the principles of democracy and self-management that strategy also allows the more rapid implantation of resolutions to be more rapid and enjoy a higher degree of commitment. The logic which orients the administration of the Corporation is the inverted pyramid whereby whoever is at the top is the cooperatives and at the vertex there is the Corporation with its departments. This framework makes a

more democratic and solidarian form of managing the common interests of the group possible. It should be emphasized that the cooperatives are independent regarding the administration of their units and in their adherence or nonadherence to the decisions of the Congress and the Corporation. However, they will get the necessary support to the extent they follow strategies which have been defined collectively. In this sense one can affirm that decisions are implanted whether through a process of being convinced or through stimulus measures.

Another strategy used since the beginning of the experience was the funds. They were fundamentally important during the trajectory of the cooperatives. Besides the legally obligatory funds, the Corporation has various other ones whose objectives are to better distribute wealth, stimulate the creation of new businesses and training, to aid cooperatives during moments of crisis, and so on. Among all the funds<sup>26</sup> the *Fondo de Reconversión* (Reconversion Fund), created by the industrial group, demonstrates the materialization of solidarity in the financial sphere. Cooperatives which get positive annual results are entitled to 25 percent of their surpluses and those which get negative results can count on up to 50 percent support for their losses. If there are no negative results the same rule is applied, which allows the gains to be more harmonious. That contributes to external solidarity, that is, to a more egalitarian distribution of income. The cooperatives which take part in *grupos comarcales* (district groups) still take part in the distribution process in their groups, which allows the cooperatives, whenever necessary, to cover 100 percent of their losses (Azevedo, 2007: 134).

The inter-cooperative funds are solidarian answers from the cooperatives which are members of MCC in favor of the collective development of all the participating cooperatives (Centro Corporativo de MCC, 2003). In 2001 the contribution of those funds was 46 million euros, in 2002, 40 million euros, and in 2003, 36 million euros (Azpiazu, 2003: 22–3). In 2006 the contribution was 59 million euros, in 2007, 67 million, and in 2008, 72 million (Centro Corporativo de MCC, 2008: 48). The continuous increase in that contribution can be observed despite the financial crisis of 2008.

The training, research, and development framework in this phase is consolidated and increases. In 1997, through the association of three education cooperatives—Mondragón Goi Eskola Politeknikoa José María Arizmendiarieta S. Cooperativa, ETEO Cooperativa (created in 1960 and at present called MU Enpresagintza S. Cooperativa), and Irakasle Eskola S. Cooperativa founded in 1979—the Mondragón Unibertsitatea<sup>27</sup> is created, and at present is composed of four colleges: the Higher Education Polytechnic School, the College of Business, the College of Humanities and Sciences of Education, and as of 2011 the College of Gastronomic Sciences.<sup>28</sup>

Since it is a Corporación university it maintains a close relationship with the industrial cooperatives, which means that the students as of their first years are in touch with the industrial world through a series of activities: (1) an alternation between studies and work (workers at the cooperatives are given a half shift for studying); (2) practice at the enterprises (training periods at MCC enterprises and education centers); (3) a final career project or monograph (every student finishes their course with a project at an enterprise with up to a one-year period).

The close relationship to the local industrial fabric allows 40 percent of the students to prepare their monographs at non-cooperative enterprises. That strategy of closeness to the productive sector has been efficacious and the indicators registered show that 95 percent of the students, six months after finishing their courses, are included in the labor market as trainees and that 98 percent of the students are employed the year they graduate.<sup>29</sup>

The industrial cooperatives and the R&D centers at MCC participate in the administrative organs of the University, which allows a retro-alimentation of research as well as of teaching besides contributing to the possibility that the University be always mindful of the existent needs of the labor market, the skills, and competence of professionals who will be inserted in the market.

The University stimulates a model of collaborative research which includes everything from basic research to the innovation developed together with universities, technological centers, and enterprises. Through that philosophy it has managed to stimulate its activities in its lines of research thus encouraging professors to spend 34 percent of their time to R + D + I (research, development, and innovation).

The development of research is one of the bases of the educational system at Mondragón Unibertsitatea. For that purpose it has a network of support entities among which we point out the Ikerlan and Ideko R&D centers.

The Garaia Innovation Pole is another example of how teaching is linked to research and innovation. The Pole occupies the same physical space of the University, the technological centers, and development units and innovation of enterprises with the objective of exploiting the potential of the development of joint research.

Quite a lot of attention is also paid to the administrative and educational field. Besides the Business College and the College of Humanities and Sciences of Education the Corporation has other institutions which are dedicated to research in those fields and attend the cooperatives:

- 1 MIK (Mondragón Innovation & Knowledge; this is the exact English term used in the original), the business and organizational research center created in 2001 with the objective of developing advanced research with new strategies and organizational models;

- 2 Otalora, a center for the Mondragón directive and cooperative development, created in 1974 with the mission of offering continuous training for directors and members of the social organs of the cooperatives in the field of administration;
- 3 Lanki, the Institute of Cooperative Studies at Mondragón Unibertsitatea, created in 1998 and which develops its activities of research on themes related to the cooperative phenomenon both in the cooperatives and in the colleges.<sup>30</sup>

With the objective of enabling the strategic goal of competing through technological innovation, MCC has established partnerships with public and private institutions to create institutions which will attract resources for investments in innovative enterprises and R&D. At present the Corporation has 12 technology centers and 1 technology pole, the Garaia Pole, besides 8 cooperatives focusing on training. The growth in the number of technological centers as of the 1990s was stimulated by the resources destined to that activity by the Basque government.<sup>31</sup>

Some are specialized in a certain area of a group of cooperatives or operate in a wider spectrum as is the case of Ikerlan. According to the *Informe Anual* (Centro Corporativo de MCC, 2009: 39) the size of the centers is small (the smallest had 7 collaborators and the largest 263), but the capability of articulation with the cooperatives, universities, and other R&D centers allows them to act in a great diversity of fields of knowledge and be involved in high-tech research. In 2009 they were involved in 70 national and international projects. In 2005, MCC invested 38.13 million euros in its technological centers which then had 615 professionals and 46 trainees (Centro Corporativo de MCC, 2005: 40). In 2008 despite the crisis 133 million euros were invested in those centers which have 748 professionals (Centro Corporativo de MCC, 2008: 15). Table 6.1 presents the technological centers which are part of MCC.

All of them are second-degree self-managing cooperatives, that is, they have two kinds of members: individuals and legal entities. Some centers were created just after the R&D departments of the cooperatives were transformed for the purpose of utilizing public financing. Other centers have come from the union of various enterprises and cooperatives with other technological centers and universities.

It should be pointed out that one of the keys to understanding the innovative capacity of MCC is the synergy between the technological centers, the enterprises, and the University. The proximity of those three actors in the development of projects makes a greater velocity and the implantation of technology possible since the technicians of the enterprises, centers, and universities make up the teams for the development of the project. The development of that technological culture was fundamental for the cooperatives to be able to compete in global markets.



**TABLE 6.1** MCC research and development centers

Year founded	Center	Activity
1974	IKERLAN (technological research center) <a href="http://www.ikerlan.com">www.ikerlan.com</a>	Develops R&D projects through contracts for development of new products or improvement of productive processes. Acts in the fields of (1) mechatronics, electronics, and technical systems of design and production; (2) power: rational use of power and renewable power.
1988	IDEKO <a href="http://www.ideko.es">www.ideko.es</a>	Specialized in tool machines and integrated to the Danobat group (exclusive for the group's cooperatives).
1995	MTC—MAIER Technology Centre	Specialized in R&D of thermoplastic parts and ensembles for the sectors of car parts, white line, telephones, and consumption electronics.
2001	MIK—Mondragón Innovation & Knowledge (research center on MCC administration) <a href="http://www.mik.es">www.mik.es</a>	Research center for entrepreneurial and organizational administration.
2002	KONIKER <a href="http://www.koniker.coop">www.koniker.coop</a>	Specialized in casting molds and assembly. Participants in its creation: Fagor Arrasate, Batz, Mondragón Assembye, Ona Pres, and Aurrenak.
2002	LORTEK <a href="http://www.lortek.es">www.lortek.es</a>	R&D for advanced process technologies. Structured in four fields: design, processes, non-destructive tests and industrial production, robotics and automation.
2003	AHOTEK (research center at Fagor Automoción) <a href="http://www.aotek.es">www.aotek.es</a>	Dedicated to automation and optics, in technologies integrated to products developed and made by Fagor Automoción (numeric control, regulators, and attraction and position systems).
2003	EDERTEK (technological center of the Agrupación CHP) <a href="http://www.fagorederlan.es">www.fagorederlan.es</a>	Focused on the car parts sector in the fields of materials and processes, product development, innovation and designing of casting molds and tools.

**TABLE 6.1** Continued

Year founded	Center	Activity
2003	ORONA EIC—Orona Elevator, Innovation Center	Dedicated to R&D for elevators. Has as its collaborators its partners Ikerlan and Mondragón Unibertsitatea.
2003	UPTC—Ulma Packaging Technological Center	Linked to Ulma Packaging, it develops wrapping and conserving accoutrements. Operates along three lines: specialization projects (advanced design, optimum system for product wrapping, machine dynamics, regulation, and control), products of research on demand, and promotion of new activities oriented toward refinement of products and wrapping of food products.
2005	HOMOTEK	Founded by Fagor electric appliances, operates along four lines: electronics and communication, design, vibration and acoustics, and energy.

*Source:* The authors' own elaboration based on the *Informe Anual* (2009) and sites of the centers consulted on July 10, 2011.

In 2004 MCC's first Science and Technology Plan was approved.<sup>32</sup> The present plan was approved in 2009 and will end in 2012. Its objective is to encourage innovation in the cooperatives by means of projects to be developed together with R&D centers which have a high impact on the Corporation; to help with cooperation among cooperatives by stimulating the transferal of knowledge among them, and to serve cooperative policy by orienting, coordinating, and organizing the activities of Mondragón Unibertsitatea and the R&D centers. The plan for 2009–12 has 37 cooperatives directly involved as well as 12 centers and the University. Innovated technology is considered strategic for the sustainability of the Corporation. The industrial group invests annually 5 percent of the value of its sales in research and development besides resources coming from other sources.

### The Ikerlan and Ideko technological centers<sup>33</sup>

Ikerlan and Ideko are the main and the oldest R&D centers of MCC. Created in 1974, Ikerlan was the first technological center and had a fundamental role for the technological development of the whole group. Ideko was created in 1986 as part of the strategies to overcome the economic

crisis as a center specialized in tool machines to heed the needs of the cooperatives of the Danobat group.

Ikerlan is a technological center which deals with various industrial sectors (capital goods, electric appliances, electronics and informatics, automotive accoutrements, and power). In 2004, Ikerlan had a team of 186 people plus 40 trainees and a budget of around 15 million euros whereas Ideko had 59 workers and 29 trainees and had a budget of around 5 million euros. In 2009, Ikerlan had 209 researchers and 54 trainees and had an income of 20.4 million euros, and Ideko had 108 people and did a business of 7.2 million euros (Centro Corporativo de MCC, 2009: 8).

Ikerlan is part of an MCC training and R&D group. It is juridically a second-degree nonprofit cooperative and has 3 kinds of members: 32 associated enterprises<sup>34</sup> (among which 24 cooperatives, mainly from MCC), 3 collaborating members (Caja Laboral, MCC, Mondragón Eskola Politknikoa) and worker members. After two years a hired laborer is invited to become a member. At present Ikerlan is a center open to the development of projects for other enterprises although in 2005, 50 percent of the projects developed were for MCC cooperatives. It operates autonomously and can freely select projects.

According to Sánchez (2001: 67–8) the worker members have the same rights and duties as those binding for an MCC cooperative. The associated enterprises have a link to the center once they make their annual contribution of resources and they benefit from its services. The services which they get cost less per hour than those done for other possible clients. The collaborating entities finance the center gratis. The Ikerlan cooperative is organized according to the MCC statutes and internal rules. However, because Ikerlan is a nonprofit institution the members of the cooperatives do not have surpluses at the end of the period like the members of the production cooperatives. The surpluses are reinvested in the center and part of them is deposited in each member's investment in the indivisible fund. The technological centers don't participate in the reconversion fund of the industrial group either. The difference between the largest and smallest withdrawals is six times according to Joseba Arana, an Ikerlan engineer interviewed in 2005.

The *Consejo Rector* or Ruling Council is made up of twelve members: eight representatives of the enterprise members (with a rotation system) and four of the worker members chosen by the assembly. It is responsible for the strategic decisions of the Center. The *Consejo Rector* delegates to an executive committee made up of the general director of Ikerlan, of the president and of the four workers of the *Consejo Rector* the administrative aspects related to work. That stimulates the workers' participation (Joseba Arana, engineer at Ikerlan, interviewed in 2005 and Sánchez, 2001: 68).

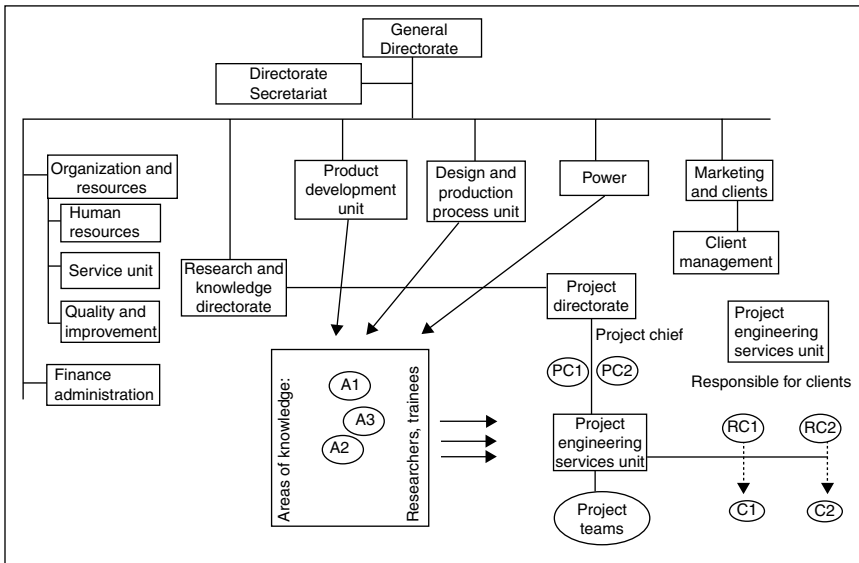
The Center is organized in three units: (1) product development (mechanical engineering, mechanical design, power electronics, electronics,

automation and control engineering, sensors, microsystems, software technology, product engineering, and communication); (2) design and production process (strategic innovation, technologies of design and production, and information technologies); (3) power (alternative systems of power generation, combustion technologies, power and comfort in buildings). Besides the units there are three support structures which are marketing and clients, finance organization, and resources, as shown in Figure 6.1.

Inside each unit there are people responsible for fields of knowledge who form teams with researchers and trainees. Those teams of project development can also often count on the participation of technicians from client enterprises as team members. There is also a management organ of clients which supports the development team for the relationship with the enterprise involved in the contract.

In 2004, of the resources used by Ikerlan 4.96 million euros came from generic and strategic research projects, 8.80 million euros came from projects by contracts and 1.15 million euros from other sources. In 2009, total resources were 20.4 million euros of which 12.5 came from contracts with enterprises, and 6.5 million were invested in research projects peculiar to the Center (Ikerlan, 2009: 5).

The so-called generic and strategic research has the objective of commanding the technologies which the Center utilizes and has the support of public actors (like the Basque government, the Ministry of Education,



**FIGURE 6.1** Organogram of Ikerlan Technological Center.  
 Source: *Informe Annual*, Ikerlan 2003: 20

Science, and Technology, municipal governments, and the European Union) and is also self-financing. In 2004, 27 projects of that kind were developed. And the research ordered through contracts is orientated toward technological services and R&D activities together with client enterprises. In 2004, 109 of the kind were developed with enterprises and 9 international projects. Of those 109 projects 71 percent corresponded to the development of new products or the improvement of already existent ones, and 29 percent were focused on strategic innovation and design and production processes.<sup>35</sup> The research done in 2004 brought about 9 patents<sup>36</sup> for the Center.

For projects ordered through contracts Ikerlan only accepts projects which do not present great risks. Projects with a high degree of uncertainty are taken care of in the generic and strategic research modality. The Center prefers to assume the risks associated to previous tests, prototypes, and analyses before accepting a project. With that attitude it manages to avoid failures and bring about greater trust among future clients (Sánchez, 2001: 70).

With the objective of assuring the taking advantage of the results of a project by an enterprise with a contract Ikerlan forms mixed teams composed of both the Center's technicians and the technicians of the enterprise in question for the development of the project. The advantages mentioned are: (1) the enterprise contributes knowledge of the product/market and of the process, which brings about greater speed and precision for the solution of demand; (2) it allows the attraction of the tacit knowledge of the enterprise through the technicians; (3) it enables the enterprise to get familiarized with the culture of the development of research and development activities and to organize an internal R&D team; (4) it makes possible a direct transfer of the technological knowledge generated to the enterprise doing the contract and thus avoids expenses with a postinnovation phase (training and implantation).

Ikerlan deals with two kinds of contract: concluded contracts and contracts which are open or in an administration regime. The defining of the contract model depends on the flexibility desired. At the beginning of a project, Ikerlan presents the variables to the client: cost, delivery deadline, and results expected. If the client agrees, the contract will be considered one to be concluded. An open contract is one where there is some uncertainty (an increase in the need for the number of working hours, of the cost of the project, whether there is or is not a need for special tests). In such cases a new deal can be made as time goes by. Around 50 percent of projects are agreed to with a contract within this modality (an open contract) for the honoring of those variables (cost, delivery deadline, and results desired), even if they have been estimated has made Ikerlan conquer the trust of the client and manage to implant more and more what is called "each hour of work done is an hour paid," that is, the cost of production is estimated

but can be modified at more or at less, depending on the number of hours necessary for doing the job (Sánchez, 2001: 71–3).

The price of the projects developed is composed of the following variables: (1) kind of client (social enterprises, nonsocial enterprises, and public institutions) and (2) the reservation period. The projects developed for associated enterprises are cheaper than the projects developed for nonassociated enterprises.<sup>37</sup>

Regarding the intellectual property (patents) rights for the projects arranged by contracts, the intellectual property belongs to Ikerlan, and the enterprise with a contract has the right of exploitation. For the technological innovations which don't generate patents the client has a period called a "reservation period," where the client enjoys exclusiveness for some time. That period is pondered on three levels (with no reservation, with a two-year reservation, or with a five-year reservation). Once that period is over, Ikerlan can participate in similar projects. However, if the enterprise wants to prolong that period, there is an additional cost which varies according to the number of years asked for.<sup>38</sup>

Training is a constant concern to the cooperative since the technological center needs to be up to date in the fields which it deals with. According to our interviewee Joseba Arana, working with trainees is a way the Center has in order to invest in the preparation of new professionals:

At Ikerlan we invest a lot in training. It occurs inside the work team itself when we develop projects together with the enterprises, and also in basic research we are always learning, but the Center also invests in the outside training of its workers through incentives so that the researchers do postgraduate courses. (Joseba Arana, engineer at Ikerlan, interviewed in 2005)

Partnership with other technological centers and universities is very important to Ikerlan. For instance, in December 2004 the Technological Alliance IK4 was created. IK4 has the objective of concentrating complementary knowledge and experience capable of contributing to the strengthening of the innovative and competitive capacity of client enterprises and to the socio-economic development of the local community. Ideko, Ikerlan, and five more European technological centers (CEIT, CIDETEC, GAIKER, TEKNIKER, and VICONTECH) participate in this network. At the end of the financial year of 2006, all the centers together had 1,300 researchers and a budget of over 80 million euros.<sup>39</sup>

Unlike Ikerlan, Ideko emerges as an R&D center shared among the cooperatives of the Danobat group and as an entity of economic interest. Hence the partner cooperatives determined the lines of research and the projects developed. The price system had a "closed budget," that is, there were no

differentiations with prices because most of the clients were associated cooperatives.

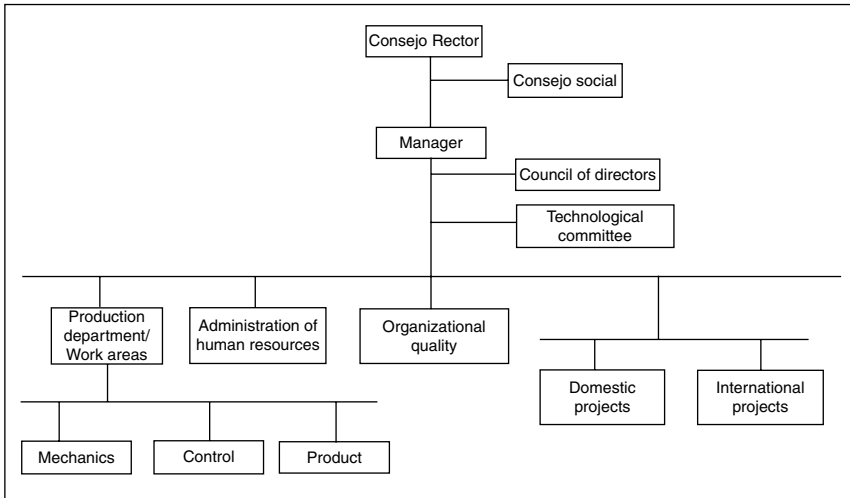
Until 2004 the Center was not concerned about intellectual property. The patents belonged to the associated enterprises. After it was transformed into a scientific and technological center, the Basque government and Spanish science and technology organs demanded that various kinds of indicators be implanted.<sup>40</sup> Because of that demand negotiations were begun with the enterprises to obtain the coauthorship of the patents coming from projects developed at Ideko. In 2005 they had obtained 36 coauthorships. Another way of obtaining the patents occurs when Ideko develops the technology, makes the deposit and sells the technology to an enterprise. In 2004, three more patents were registered (Marañón, R&D project director at Ideko, interviewed in 2005).

At present intellectual property resulting from the projects belongs to the associated cooperatives in coauthorship with Ideko, but the results of research are diffused among the partners. Such a position is possible because, although the cooperatives belong to the same industrial sector, their market segments are distinct, which does not encourage competition among them.

Since 2004, Ideko has been a second-degree cooperative where all the workers with the exception of the trainees are members. It is part of the tool-machine division at MCC and is a member of the Danobat group (a group of cooperatives of the metal-mechanics division at MCC affiliated to MCC). It has three kinds of members: collaborator members (Caja Laboral, MCC, and MU Engineering), members that are enterprises (D + S Sistemas, Egurko, Ortza, Estarta, Goiti, Lealde, Soralue, and Danobat itself) and worker members (86 workers in 2005). It should be pointed out that until 2004 the workers at Ideko were members of the cooperatives they had come from.<sup>41</sup> In 2009, Ideko had altogether 108 workers, 92 members, and 16 trainees (Ideko, 2009: 37).

According to Sánchez (2001: 77) the worker members performed their professional activities at Ideko. The associate cooperatives—which are Danobat group cooperatives which participate in the division of tool machines—MF, and the worker collaborators contribute with resources, and patronize generic and strategic research projects without getting any monetary compensation.

As Figure 6.2 shows us Ideko is administered by a Consejo Rector (Ruling Council) made up of managers of the associate cooperatives. The president is chosen through a rotation system among the associate enterprises. The manager of the Center has two organs to help him or her: (1) the directing council, which is made up of representatives of the administration departments and human resources, organization and quality, mechanics, control, product and (2) the technology committee, which is made up of the departments of mechanics, control, product, domestic projects and international



**FIGURE 6.2** *Organogram of Ideko Technological Center.*

*Source:* Author's elaboration based on interview in 2005

projects. These two organs allow a diffusion of constant information for the departments administrate the Center together. Due to the importance the participation and international managing of projects have for Ideko, there are two people dedicated to writing the projects and presenting them in a quest for resources. Ideko's hierarchical levels are three (technicians, researchers, and project managers) and the difference in remuneration is six to one.

Ideko Technological Center specializes in tool machines for the automotive and aeronautical sector. It acts in three areas: (1) product engineering, (2) control engineering, and (3) mechanical engineering. It also has a shop for prototypes where the optimization of products and processes is developed and tested. It deals with the phase of market study, calculation, design, development, and tests with industrial prototypes. The lines of research developed are: transformation processes, machines and components, virtual engineering, machine dynamics, monitoring and control of foundry processes, intelligent automation software, measurement systems, management of the life cycle of products, models of competitive intelligence, and management of innovation.

In the department of mechanical engineering, services offered include everything from the conception of machines and components to the development of complete production solutions on parts or families of parts. In the department of control engineering, projects for processing and control based on advanced automation are developed. In the department of product engineering, products of innovation management through the advising of



the process of product development in all its steps from the project to the prototyping are developed.

Although only in an initial stage, it was the associate cooperatives that suggested the lines of research to be developed. Today it is the technological center that defines them. Once a month Ideko participates in the committees which follow the development of products of the associate cooperatives in order to be near them and to identify opportunities for the technological development of the sector (*Memoria Anual*, 2005: 38).

There is no problem if some cooperative wants to present an individual project: in that case the viability will be analyzed with the focus on the profitability of the project for the cooperative. (Marañón, R&D project manager at Ideko, interviewed in 2005)

Because it is a center for a short period exclusive of the Danobat group and belonging to the tool-machines division of MCC, Ideko developed a good synergy with the cooperatives. It is the center which plans and coordinates the policy technology inside the tool-machines and capital goods division. According to Marañón (project and R&D manager at Ideko interviewed in 2005) working together with the cooperatives makes a more rapid solution of problems and development technology possible.

Between 2002 and 2003 the middle- and long-run projects grew at a rate of 24 percent and projects based on contracts declined 10 percent. The decline of contract based projects was associated to the crisis which confronted the tool-machines sector as of 2001 (Ikerlan, 2003: 28).

In 2003, Ideko got a total of 5.261 million euros: 55 percent was from research projects made through contracts, and 44 percent was from generic and strategic research developed in partnership with public institutions on a local, state, or European level, and 1 percent from other sources.

In 2009, Ideko got a total of 6.811 million euros of which 64 percent was from research projects with contracts and 36 percent from basic and applied research projects made through contracts. Total resources gotten by the Center have increased year by year. In 2005 it got 4.885 million euros, in 2006, 5.105 million euros, in 2007, 5.506 million euros, and in 2008, 7.049 million euros (Ideko, 2009: 40).

Ideko also operates according to the philosophy of mixed teams, which allows the cooperatives to adopt more efficiently and quickly technology developed by the Center:

Insofar as the client participates and follows the development of the technology, the implantation becomes easier and quicker due to the degree of engagement of the company that signs the contract. (Marañón, project and R&D manager at Ideko, interviewed in 2005)

The education of the worker is also a constant concern:

Education inside the Center is much stimulated—both their training inside the work teams through the transfer of tacit knowledge and the stimulation for academic education. Ideko pays the fees of workers who want to take a doctoral course; projects can be developed internally. Between 2003 and 2004 we doubled the number of doctors in the Center. Another way to increase the number of doctors is to admit scholarship students who want to develop their theses in areas of interest to Ideko. There is quite a possibility that those people will later be invited to become members. (Marañón, project and R&D manager at Ideko, interviewed in 2005)

Ideko has a close relationship with the University of Mondragón, where it is part of the Consejo Rector and participates in cooperation projects with other European institutions.<sup>42</sup>

That relationship makes it possible for the Center to be inserted in various technological networks and participate actively in the definition and development of the Science and Technology Plans at MCC according to Marañón, R&D project director at Ideko, interviewed in 2005.

### **By way of conclusion: Innovation, the cooperative phenomenon, and self-management at MCC**

Education and technological knowledge have been fundamental elements of the Mondragón experience since the creation of the Professional School which will be the origin 15 years later of the first cooperative. All along those 50 years there has been constituted a peculiar technological culture associated with the cooperative values to which Badallo (2004: 60–1) attributes the competitive success of MCC and which was fundamental for the cooperatives to enjoy the conditions necessary to compete in global markets.

According to Badallo the institutions related to technological knowledge gave an impulse to the economic development of the group. After analyzing the role of technology in Mondragón she distinguishes two kinds of elements of that technological culture:

- 1 Elements not incorporated to technical systems, that is, those which don't have any immediate application and which in some cases never have an application but which are part of the essential cognitive baggage of engineers such as basic knowledge taught

at MU, and knowledge of an operational character developed at Ikerlan through generic research projects. To these she adds the rules for acting linked to technology and the relationship with work: the cooperative model which is translated into a less hierarchical structure and a utilitarian and Catholic moral which esteems effort and creativity as positive factors in the whole community. As for the preference and use values and development of technical systems, she reveals the importance which Basque enterprises give to the development of technological research and the importance attributed to research projects with direct application in the enterprises.

- 2 Elements incorporated into the technical systems. The author stresses the importance given since the beginning to technical knowledge and the successive creations of the educational institutions and technological centers. As for the practical and operational components she points out the action of the trainees who, besides acquiring knowledge, get to have important responsibilities in the projects they participate in. And regarding values she presents a quest for technological innovation as a fundamental value in the whole Mondragón cooperative experience.

What characterizes the Mondragón experience is the internal and external solidarity oriented by the democratic values of the cooperative movement and manifested with inter-cooperation. Maintaining the equilibrium between solidarity and competitiveness is the great challenge daily because it implies an articulation of many actors and interests through democratic forms of management. The network of institutions which make up MCC is not mutually linked only through financial participation but indeed also through an agreement among the parties to administer the cooperatives with a management model which transcends the individual capacity of each cooperative and promotes collective efficiency. As that organizational arrangement is constantly changing, the cooperatives try to be competitive while keeping up and increasing employment.

Technological innovation is considered strategic for the Corporation. The preparation of human resources has always been held to be fundamental for the economic and technological independence of the cooperatives, which brought about the creation of new cooperatives dedicated to activities with teaching, research, and development. The role which the technological centers, the University and the countless types of partnerships which the cooperatives develop at present both with public and private institutions make way for the intensification of the development of new products.

To analyze the history and the success of MCC is to understand how the ties of the chain got formed in order to allow its financial and technological independence without renouncing the principles of cooperation and

solidarity. The partnership between the R&D centers, the University, and the cooperatives was fundamental.

If during the first phase the strategy for technological learning was to buy and copy patents, in the 1970–90 period a peculiar development in its own right gets strengthened through the creation of Ikerlan (1974). During the third stage, when a corporation is constituted, “technological innovation” becomes a fundamental strategy of the group and a part of its cooperative values.

There were different measures taken to impel technological innovation within the Corporation such as: (1) the creation of development institutions (MCC Inversiones and the MCC Fundación); (2) participation in various institutions created with resources from other enterprises and from governments (MCC Desarrollo, MCC Navarra, and MCC Innovación); (3) the creation of R&D centers and the Polytechnic School.

The various institutions dedicated to the development of knowledge and technological projects at MCC are strategic for the competitiveness of the group since most of the cooperatives are dedicated to industrial activities. The Corporation at present has 11 technological centers and the technology pole called Polo Garaia, besides the 8 cooperatives which focus training.

The articulation among technological centers, industrial cooperatives, and the University is considered one of the keys to understanding the innovative capacity of MCC. The closeness of those three actors in the development projects allows a greater velocity and the implanting of technology as technicians from enterprises, from centers, and from universities make up the development teams of the project.

All the technological centers which are part of MCC are self-managing second-degree cooperatives. During the 1990s it was possible to see a proliferation of technological centers stimulated by resources destined to that activity by the Basque government. Some centers were created as of the transformation of the R&D departments of the cooperatives in order to utilize public financing. Other centers come from the union of various enterprises and cooperatives with other technological centers and universities.

Ikerlan and Ideko are trying to achieve the technological and organizational renovation of the cooperatives. Ikerlan is a more ample and open center which makes efforts to develop high tech in diverse areas; but Ideko focuses its activities on tool machines.

The kinds of management in the centers contribute for a greater synergy among researchers, trainees, administrative personnel, and clients. Self-management makes possible a strategy for the development of products more participatory and efficient because to the degree the client participates and follows the development of technology the implantation becomes easier and quicker because of the interaction with the enterprise which has made the order.

Education is a constant concern at the technological centers studies and is stimulated both for the preparation of teams of workers through the transfer of tacit knowledge and for the stimulus for academic preparation. The doctoral projects in the fields where the centers are involved are stimulated and financed so that they can be developed in their laboratories. When necessary the centers pay the monthly tuition of the doctoral candidates among their workers and also stimulate other (nonmember) students to develop their theses in their laboratories.

*Translated from Portuguese by José Brendan Macdonald*

## Notes

- 1 Oriented by Leda Gitahy.
- 2 The questions the thesis attempted to respond to were: (1) Is it possible for self-managed enterprises (formerly run by capitalists) to be capable of competitive, technological, organizational, and social integration in the Brazilian industrial fabric? (2) Is it possible to consider that the labor relations developed in the self-managed enterprises are an innovation that contributes to the sustainability of the business? (3) Which variables made the success of the MCC enterprises possible? Can they be an example for the Brazilian enterprises? (4) What is the importance of public/private governance for the development of the sustainability of those enterprises? (Azevedo, 2007: 3).
- 3 Based on Azevedo and Gitahy.
- 4 Lanki is the Institute of Cooperative Studies at Mondragón Unibertsitatea and is located at the College of Humanities and Sciences of Education. The institute does research on the cooperative phenomenon and self-management.
- 5 A self-management community would be “an architecture built from capacity for personal decisions and consequently is an area of tensions and distensions produced by interaction among autonomous but associated persons” which through personal decision-making capacity conciliate interests for the development of the collective. Inter-cooperation networks are introduced as an attempt to “compatibilize the autonomy of an organization with the commitments and support which the most ample inter-cooperation networks suppose” (Sarasua and Udaondo, 2004: 33).
- 6 The authors point out that participation in the daily life of an enterprise today is a characteristic aimed at by the modern forms of management in any type of enterprise. However, what differentiates those forms of worker participation in self-managed enterprises is that in this case the autonomy of the workers is at the service of a heteronomous power, that is, there is the possibility of participating in what has to deal with their work but the results will be at the service of projects defined outside their area of decisions.
- 7 This engagement can be reflected in the definition of economic strategies of the enterprise, in the definition of products and processes giving priority to making products that respond to social needs and processes of production which take into account the environment as it offers worthy working conditions and

concern for the development of people since the power of decision is in the hands of people who live in the community.

- 8 “The fundament of inter-cooperation is to establish the links which respect the autonomy and the identity of each organization: it is a question of cooperating at another level between cooperators. The network structure is the mode of natural association of self-managing enterprises, a decentralized model which is based on nuclei of basic sovereignty for making decisions. The effort to articulate small circles around larger circles is constant in economic self-management” (Sarasua and Udaondo, 2004: 30).
- 9 This section is based on the book *A história da Mondragón Coporación Cooperativa: Uma experiência de inter-cooperação* (Azevedo and Gitahy, 2009).
- 10 In the province of Guipúzcoa the main towns are Gatzaga (Salinas de Leniz), Eskoriatza, Aretxabaleta, Mondragón, Oñati, Bergara, Antzupla, and Elgueta.
- 11 The Franco dictatorship (1939–75) was above all an extremely centralized regime. Each and every one of any autonomous manifestations of the regional communities suffered ruthless repression, the Basque language was forbidden, and any teaching of it constituted an act of subversion ([www.facom.ufba.br/com112\\_2000\\_1/geo\\_on\\_line/povo\\_basco.htm](http://www.facom.ufba.br/com112_2000_1/geo_on_line/povo_basco.htm), accessed on May 17, 2010).
- 12 José María Arizmandarrieta Madariaga was born in the Markina district of Vizcaya, in the Barinaga neighborhood on April 22, 1915. He died in Arrasate/Mondragón on November 29, 1976 at 61. At the age of 12 he entered the seminary. He studied at the Seminarios de Castillo Exlexabeitia (humanities) and in Gasteiz/Vitoria (philosophy). He was a journalist in the Basque (Republican) Army. At the end of the war he returned to the Seminary at Gasteiz/Vitoria where he was ordained as a priest on December 21, 1940 and a month and a half later he arrived at Mondragón.
- 13 “Many times we say we should struggle against injustices, but have we understood that the first serfdom is intellectual poverty?” (Arizmendiarieta, 1999: 47).
- 14 Even though he was not a member of the cooperative he was present at all the stages of the experience until his death in 1976. His presence at all moments designed what is known today as the “Arizmendian management method,” which implied innovations which introduced practices aiming at transparency, democracy, and worker participation associated to research and technological training (Ormaetxea, 1998: 50).
- 15 In 2007, 1 euro was exchanged for 166.386 pesetas.
- 16 “All the modalities of organization, regulation, planning, evaluation of jobs, retribution of production factors, model for the managing of the quest for business opportunity, retributive scales and the procedures of organization for putting into practice cooperative democracy were experimented ‘live’” (Ormaetxea, 2003: 89).
- 17 The logic of the *grupos comarcales* was territoriality: cooperatives which were geographically close to each other (up to 10 kilometers) were united independently of the characteristics of their products.
- 18 Despite the difficulties the cooperatives associated to Caja Laboral increased their number of participants from 13,808 in 1975 to 19,161 in 1985, thus managing to preserve one of the goals of the movement, which was the maintenance and expansion of employment. Nevertheless if from 1965 to

- 1975 the profits of the cooperatives were kept at 8 percent on the sales, between 1975 and 1980 they fell to 3.7 percent. In the next five years with the fall of demand and of the growth of the gross internal product, the group's profits reached 0.5 percent with the loss of 263 million pesetas. Between 1985 and 1990 with the recuperation of the economy (at an annual growth of 5.2 percent for the gross internal product) the group's profits reached 4.5 percent (Ormaetxea, 1998: 551).
- 19 The reconversion of results is a tool for the redistribution of the results. The cooperatives of each group distribute among themselves the positive results and aid those which had negative results (Mongelos, 2003: 76).
  - 20 For more details on the measures see Azevedo, 2007.
  - 21 For a discussion of the transformations in the white-line industry, see Araújo et al., 2006.
  - 22 An entity of economic interest; it's a question of an institution shared and financed by agents, in this case the cooperatives.
  - 23 "The second degree or central cooperatives and federations of cooperatives are those composed of singular cooperatives which have the objective of organizing—in common or on a larger scale, the economic and assistance services of interest to the associates, integrating and orientating their activities as well as facilitating the reciprocal utilization of the services" (Henriques, 2008: 7).
  - 24 That name is justified as follows: *Mondragón* identifies the origin of the experience and is a reference for international recognition as a paradigm of the cooperative movement; *Corporación* identifies an entity diversified in its components operating under a unity of direction and permits the utilization of the group concept vis-à-vis the market fortifying the cooperative unit; *Cooperativa* identifies the sociocultural identity and the principles that govern the group.
  - 25 For a detailed description of the activities see [www.mcc.es/en/magnitudes/memoria2008.pdf](http://www.mcc.es/en/magnitudes/memoria2008.pdf) accessed on May 15, 2011.
  - 26 For a discussion on the funds see Azevedo, 2007.
  - 27 During the 2007/2008 period the university had 4,000 thousand students in 22 undergraduate courses and 459 in postgraduate courses (15 masters and 5 doctoral courses). Furthermore it had 8 specialization courses.
  - 28 In March 2009, Mondragón Unibertsitatea and Basque cooks created the Fundación Basque Culinary Center (BCulinary) with support from public institutions. The center begins to operate in 2011 and its seat is in San Sebastián. The foundation will have a college of gastronomic science and a research center of alimentation and gastronomy. Its goal is the education, research, innovation, and transfer of the knowledge and technology of the different fields of gastronomic sciences. See [www.bculinary.com/public\\_sobre/ctrl\\_sobre.php](http://www.bculinary.com/public_sobre/ctrl_sobre.php) accessed on May 15, 2011.
  - 29 See [www.mondragon.edu/es/consultado](http://www.mondragon.edu/es/consultado) accessed on May 15, 2011.
  - 30 Lanki maintains cooperation programs with developing countries. In Brazil, for 10 years it has been developing a program with the MST (Landless Workers Movement).

- 31 Until 1982 all the R&D and training activities were carried out exclusively through the Corporation's own financing and were born as R&D departments shared among cooperatives.
- 32 The Science and Technology Plan of the Corporation had the participation of the technological centers of MCC, and in 2005 there was a second plan, this time for the 2005–8 period. The focus of that second science and technology plan was the new technological knowledge and had a considerable impact on the enterprises and business of MCC. Its goal was the generation of innovative activities and products. It has a 40.7 million euro budget. The elaboration of the S&T Plan was a result of the interaction of industrial cooperatives, training cooperatives, and R&D cooperatives, which defined five strategic areas (TICs, power, biotechnology, manufacturing materials and systems, health, and cooperative business administration). To follow the results of the Plan there was also an ensemble of indicators (dedication, expenses, financing, the number of patents, transfers to the enterprises, suggestions of new businesses, doctoral theses, and publications).
- 33 Both technological centers were visited in 2005 during some field research.
- 34 Ikerlan has 32 members in that category: Alecop, S.Coop; Azkoyen Industrial, S.A; Azkoyen Médios de Pago S.A; Conatec, S.A.L; Copreci, S.Coop; Dikar, S.Coop; Doiki, S.Coop; Eika, S.Coop; Fagor Arrasate, S.Coop; Fagor Automation, S.Coop; Fagor Ederlan, S.Coop; Fagor Electrodomésticos, S.Coop; Fagor Eletrônica, S.Coop; Fagor Industrial, S.Coop; Fagor Sistemas, S.Coop; Goizper, S.Coop; Irizar, S.Coop; Kendu, S.Coop; Lealde, S.Coop; Mecalux, S.A; Orkli, S.Coop; Orona, S.Coop; Osatu, S.Coop; Rotártica, S.A; Taller Laulagun, S.A; Team, S.L; Ulma Cy E, S.Coop; Ulma Forja, S.Coop; Ulma Manutención, S.Coop; Wingroup, S.Coop; Ziv Aplicaciones y Tecnología, S.A; e Zubiola; S.Coop).
- 35 [www.mcc.es/noticias](http://www.mcc.es/noticias) accessed on May 16, 2006.
- 36 The patents came from projects developed with client enterprises in the fields of electrical home appliances, virtual transport, power, and telecommunications: [www.mcc.es/noticias](http://www.mcc.es/noticias), accessed on May 15, 2006.
- 37 The percentage for the discount for associate enterprises was not revealed.
- 38 [www.ikerlan.com](http://www.ikerlan.com) accessed in January 2006.
- 39 [www.gaiker.es](http://www.gaiker.es) accessed in February 2007.
- 40 As of 2004 Ideko created and began to systematize monthly some indicators: management and proposal of administration projects, management of internal projects, intellectual property, publication, training and qualification, alliances and associations, diffusion of knowledge.
- 41 Before the Center became a second-degree cooperative, the workers at Ideko belonged to some cooperative associated to Ideko and took their withdrawals from the cooperatives where they came from.
- 42 University College Dublin, University of North Umbria, University of Surrey, CETIM, WZL, IPK, IWB, FISW, IFW, Technische Univ. Graz SP, IVF, VTT, TNO, WTCM, VUOSO, MTA-SZTAKI, DEMOCENTER, ILME (*Memoria anual*, 2002).



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## CHAPTER SEVEN

# Worker Occupations and Worker Cooperatives— Examining Lessons from the 1970s and 1980s

*Gregor Gall*

Foreword: This chapter is dedicated to the memory of Jimmy Reid, leader with Jimmy Airlie and Sammy Barr, of the UCS work-in, and to the fortieth anniversary of the beginning of the occupation work-in in 1971. It is also dedicated to the memory of Ken Coates, cofounder of the Institute for Workers' Control. Both Reid and Coates died in 2010.

### **Introduction**

Continual industrial restructuring, and the “credit crunch” and recession in Britain of late 2007 onwards, coupled with significant cuts in public expenditure and public services now being implemented by the Conservative-Liberal Democrat coalition government, have sharply raised the issue of how workers—through unions—can best respond in effective collective ways to defend their jobs and associated terms and conditions of employment. The continual and relentless extent of mass redundancies and workplaces closures has been usefully documented by *Labour*

*Research*, the monthly magazine of the Labour Research Department, in its “Redundancy watch” column since this time.<sup>1</sup> Historically in Britain, even though on an infrequent basis, one high-profile means of attempting to resist the terms of redundancy and the redundancies themselves has been to use forms of direct action that are termed “occupations” or “sit-ins.” In Britain, the most widely known example has been that of the UCS (Upper Clyde Shipbuilders) work-in form of occupation of 1971–2 in Scotland.<sup>2</sup> The workers’ action here, allied to a wider political campaign, prevented the yards’ closure and secured their jobs. Although in many ways idiosyncratic,<sup>3</sup> the UCS campaign did seem to typify the wider ability of workers in Britain in the period of the early 1970s not only to have the capacity to struggle collectively in defense of their interests at work but to also do so in a relatively successful and effective manner, and in a way that made a political challenge to the prevailing order in society. In its wake, many other workers took the example of UCS as both template and inspiration for their own actions, prompting Darlington and Lyddon to observe that the UCS occupation “popularised the idea of workers taking over factories throughout Britain.”<sup>4</sup>

In a significant number of cases, the occupations and sit-ins also became worker (producer) cooperatives. The three so-called Benn cooperatives of Kirby Manufacturing and Engineering (KME), the *Scottish Daily News* (SDN) and *Triumph Meriden Motorcycles*—named after Tony Benn MP, the then Secretary of State for Industry—were examples of this phenomenon. The progression from occupation to cooperative had its route through either the occupation taking the form of a work-in from an early stage, whence the purpose was to show to another alternative conventional capitalist employer that production could profitably continue, or the occupation seeking to force the incumbent capitalist employer to reverse the closure decision. In both situations, the minds of prospective and incumbent capitalists were not changed so the workers concerned decided to continue or restart production themselves as a cooperative venture. By moving from the stage of occupation, whether sit-in or work-in, to that of ownership and production, the cooperatives *potentially* provided a relatively longer term, more secure solution to the problem of maintaining employment than most other options available to them.<sup>5</sup> It is this prospect that marks out this form of “a phoenix rising from the ashes” as one which is significant and commands wider interest.

And so, if such contemporaneous economic retrenchment is to be resisted, one could logically and reasonably anticipate through using past experience as a guide that such forms of direct action would again, like before, be deployed by workers and their workplace unions. This anticipation remains the case notwithstanding the marked decline, dislocation, and disorganization experienced by the union movement since the period of the late 1970s. To a small degree, this anticipation has been proved to

be justified and substantiated. Since 2007, there have been just eight occupations and sit-ins in workplaces in Britain.<sup>6</sup> Of these, one became a producer cooperative (Prisme, Dundee) and discussions took place in another case (Vestas, Isle of Wight) about becoming cooperatives but without any subsequent attempt to do so.<sup>7</sup> Only in the Vestas case was the demand of nationalization raised by the workers concerned. However, given the scale of the retrenchment and the remaining presence of the union movement along with pockets of resilience and resistance contained therein, it is reasonable to suggest that the number of occupations and sit-ins as well as occupations or sit-ins turned cooperatives is considerably less than might have otherwise been expected on a proportionate-cum-comparative basis of the union movement's contemporary strength and presence compared to how it stood in the 1970s.

While there are some specific and readily identifiable reasons for the paucity of contemporary occupations and sit-ins and occupations and sit-ins turned cooperatives such as the widespread preponderance of concession bargaining, that is short-time working and volunteered-cum-agreed pay cuts as alternative means to staving off job losses and the like, the contention of this chapter is that the experience of the past, specifically that of the 1970s, has disinclined workers in Britain to use this direct action method of response. The contention has three components.

The first component is that the occupation/sit-in/cooperative phenomenon has not sufficiently punctured the collective psyche of workers as to become anything approximating to a staple consideration in the repertoire of contentions of how they might think about responding collectively to mass redundancy and closure situations. By contrast, this is not true to the same extent of workers in other countries such as those of southern Europe (France, Greece, Italy, Portugal, and Spain), where the tradition of direct action, from occupations to general strikes, is not only historically more ingrained but also remains a living phenomenon too. So it is not that the British union movement's *political* aims are necessarily any more conservative or reformist—compared to their sister movements in these other countries—by virtue of the preference for bargaining over the continued existence of wage labor as opposed to fighting to abolish it. Rather, it appears that the dominant *operational* tradition of unions in Britain concerns the economic orientation within a highly institutionalized and routinized form of collective bargaining which comprises negotiation over the wage-effort bargain primarily in the form of contesting the *price* for wage labor. Here, relatively little attention is given to the other terms for the exploitation of labor and increasingly most customs and practices which have been built up to jointly or unilaterally govern the conduct of work upon have been subsequently reducible to a cash nexus in terms of what unions will trade with management for their removal or revision.<sup>8</sup> By contrast, other union movements in the other European countries focus on

the monetary exchange aspect but not to the exclusion to the same extent of contesting the wider conditions under which wage labor is conducted and in a way that infringes upon the managerial prerogative. The import of this is that workers and their unions in Britain are ill-equipped in both ideas and practice to contest the managerial prerogative outside of annual wage negotiations and without reducing their bargaining objectives to a cash nexus. Such a situation is one of resisting redundancy (as opposed to the employers' terms for redundancy concerning severance pay).

The second component is that the success of the occupation/sit-in/cooperative phenomenon in defending and providing not just employment security but also reasonable terms and conditions of work (like wages) has been extremely limited with the effect that workers are unlikely to view the occupation/sit-in/cooperative phenomenon as a preferred means of response. Rather, the default position of workers who are predisposed to resist and capable of resistance has been that of striking. Thus, the occupation/sit-in/cooperative phenomenon is neither well known nor seen as effective, albeit that these two aspects are likely to be intimately interlinked. And, the third component is that the cooperative movement in Britain, especially its producer rather than consumer element, is sufficiently underdeveloped that it is unable to offer a fertile and hospitable environment for would-be cooperatives to enter into and flourish within. Thus, as a result of undercapitalization as well as limited scale of operation and reach, the idea of such cooperative enterprise is not well disseminated or credible. Again, a different situation of more widespread and successful cooperative movements is found in some of the aforementioned southern European countries.

In order to explore this three-faceted contention, the chapter first reviews a number of salient issues such as the potency of the occupation compared to that of the strike, and then assesses the historical context of occupations in Britain. This lays the foundation for examining the experience of the major examples of occupations becoming cooperatives. Although there are sometimes differences between an occupation and a sit-in, where the latter may not necessarily involve the attempt to take control of all of the buildings and premises of the workplace, for the purposes of this chapter the term occupation will henceforth be used to denote both.

## **Occupation versus strike: Relative superiority**

In responding to a sizeable number of (compulsory) redundancies usually involving workplace closure—whether through divestment like offshoring and outsourcing or outright closure—being in control of the plant, machinery, buildings, and premises is ordinarily a stronger hand for workers to play in terms of exerting leverage over the concerned employer for their bargaining objectives. Moreover, the tactic of occupation is more appropriate

to that of the strike in this situation because striking is predicated on the resumption of work taking place after the action which is far from necessarily being the case in a situation of redundancy and closure. Furthermore, striking in Britain has traditionally been defined as not just the withdrawal of labor at the points of production, distribution, or exchange but also walking off the job—which in turn means leaving the workplace. In a situation of closure and as a tactic, striking as such puts workers outside the workplace and this means putting the workers in a weaker position. Thus, striking means standing outside the premises, and trying to stop goods, machinery, plant, and so on leaving the premises. Restricted by what is lawful for picketing, and the practical difficulty of sustaining mass pickets to physically bar entrances, employers are likely to be able to vacate the premises with their property without too much trouble. Thus, it can be deduced that striking allows the initiative to stay with the employer. Indeed, striking often plays into the employers' hands because striking is a civil breach of the employment contract. This means employers can effectively let workers sack themselves and do so without receiving any severance off (subject to the period of eight weeks (from 2000 to 2005) and twelve weeks' law (from 2005) on "protected action" against unfair dismissal during lawful, official strike action). A good example of these difficulties is shown by the Timex strike in Dundee in 1993, where mass picketing was unable to prevent the closure of the plant or the removal of its machinery.

Alternatively, the workplace occupation offers the possibility of maintaining control of the employers' assets from the inside and preventing them from being seized back. The leverage created revolves around seizing the assets which may include: (1) stocks of goods whereby orders may still have to be delivered upon or because this stock still has a considerable saleable or marketable value; (2) plant and machinery which can be either transferred to another part of the employer's business or sold on to another capitalist; and (3) preventing the realization of the value of the land and buildings by stopping them being sold on and reutilized. Again, and compared to striking and picketing, physically it is easier to prevent asset removal because the workplace can be barricaded in from the inside, and with relatively few workers to do so. Occupation allows the initiative to stay with the workers, requiring the employer to break into his or her own workplace. Therefore, the tactic of the occupation can allow more effective action against employers as was highlighted in one of the occupations in 2009. At Vestas, the workers' 19-day occupation ended under duress because the threat of legal action, which in itself suggested that the employer wanted control of the wind turbine blades to be returned back to it. Consequently, the workers and supporters mounted a blockade of the factory from the outside to try to prevent the removal of the finished manufactured output. When the company moved to do so, with police help, it easily stepped aside the workers' efforts. Thus ended any effective leverage the workers had over the company.

However, it should not be assumed that occupations and sit-ins are a “silver bullet” for although they can raise employer costs of closure and moving to do businesses elsewhere, they do not necessarily prevent closure and transferal happening. For either of the latter to occur would require either state intervention and/or effective solidarity action from the employer’s other workers elsewhere. Moreover, an additional aspect that concerns occupation is that it is a much more demanding and intensive activity than striking for they are “24/7,” and require much more planning and organization (supplying and cooking of food, washing facilities, bedding, entertainment, etc.). Furthermore, the tactic of occupation is more demanding for and of workers in another respect because it involves a more fulsome challenge to the property rights of capital than do strikes. There is also one clear rider to the superiority of the occupation over the strike, particularly in terms of outcomes, and concerns where strikes are used when workers are confronted by outsourcing or offshoring. In these instances, and where the strike affects the production of goods and the delivery of services (rather than the movement of plant and machinery), some leverage can be exerted if the new employer facility is not up and running to take over production of goods or delivery of services from the soon-to-be closed down workplace albeit this is often a limited window of opportunity. Here, it is not the case that the strike is superior to the occupation but that the strike is more a match to the occupation in these specific situations. Finally, it should not necessarily be concluded that the inability to realize the potential purchase of an occupation in practice is synonymous with the absence of the tactic of occupation having these properties per se. Rather, the most appropriate way is to recognize that the fuller potential leverage of the occupation tactic can be realized under certain circumstances rather than others.

## Occupations in Britain in historical context

Coates argued that “Before [UCS in] 1971 the vocabulary of sit-ins was hardly ever used”<sup>9</sup> as did former high-ranking engineering union officer, Ernie Roberts: “Until recently, occupation of a factory was virtually unheard of.”<sup>10</sup> Thereafter, Coates<sup>11</sup> recorded some 250 occupations between 1971 and 1976, and using his figures (and those of other commentators of the times) a further 100 occupations are estimated to have taken place in the remainder of the 1970s and a further 100 between 1979 and 1985. In Scotland at least, UCS was seen as the spark that helped light the proverbial touch paper,<sup>12</sup> and some of the subsequent occupations in Scotland took some inspiration and example from UCS. Among these were the occupations at Lee Jeans<sup>13</sup> in 1981, Cammell Laird in 1984,<sup>14</sup> Caterpillar<sup>15</sup> in 1987 and Glacier Metals<sup>16</sup> in 1996. These occupations became well-known labor movement *causes célèbres* in their own right (although none were of the

same scale or in similar times to that of UCS). Indeed, one of the reasons why the UCS occupation reverberated through society in the way and to the extent that it did is likely to have been because it was also a work-in, that is, an attempt to show that the workers could run and manage the yards better than the current management which aided the case with the then government and public for nationalization. As such it punctured the mass popular psyche in a way that few geographically delimited industrial disputes are able to do.<sup>17</sup> Yet, it did not establish the widespread credibility and legitimacy of the idea of occupation in the repertoire of organized labor much beyond a decade. Indeed, across Britain, there have been at most three or four workplace occupations per year since the mid-1980s. Their number has since the 1990s dwindled to two or three per year at most since the mid-1990s. Furthermore, most of these have not concerned resisting redundancy and closure. For example, very short occupations of works canteens have been used by postal workers as on-site strikes to resist victimization of fellow workers or unilaterally imposed shift changes. The odd exceptions to these have been those occupations at, for example, Fineline clothing in Flintshire (2002), Fullarton Computer Industries in Ayrshire (2000), and Universal Bulk Handling in Ormskirk, Lancashire (2003) to oppose mass redundancies.

The salience of this brief historical sketch is that occupations moved from being an important, albeit minor, part of the repertoire of how workers collectively responded to the actions of employers in the 1970s and 1980s to an almost negligible part of their repertoire in the 1990s and 2000s. As strike activity itself has become denuded, as a result of organized workers experiencing numerous heavy defeats in an employer and state neoliberal offensive which dented their confidence and capacity to collectively struggle as well as their collective consciousness, one would anticipate that a similar fate might have befallen the occupation tactic. Moreover, the period of the 1990s onwards saw relatively low rates of unemployment, mass redundancies, and workplace closures. Yet, the canvass upon which occupations could have taken place was not quite so shrunken as might be thought for the continuing hemorrhaging of manufacturing capacity through plant closures provided ample potential opportunity upon which the occupation tactic could have been staged. Indeed, workers in the manufacturing sector tended to be unionized and in manufacturing property exists which could be seized to provide leverage against the employer so that it is reasonable to suggest here that workers here had more latitude to use the occupation tactic than many elsewhere in other sectors of the economy. To emphasize the point of the paucity of workplace occupations all the more, the occupation tactic has far more commonly been used in the post-1980s period by protestors against closures of schools and social amenities (community centers, leisure facilities) and by students in their colleges and universities.



## The specter of workers' control?

Any form of collective industrial action is a challenge to a greater or lesser degree to the managerial prerogative and the rights of capital to accumulate surplus value from the exploitation of workers' labor. But many forms of industrial action, especially those concerned with the withdrawal of labor through striking, often represent extremely marginal, partial, and temporary challenges. Occupations and occupations turned cooperatives, however, potentially represent a more fulsome challenge for the reasons of both the appropriation of forms of capital from the capitalist and the complete subversion of the managerial prerogative. For some of their advocates like the Institute for Workers' Control (IWC), they became prefigurative for a radical transformation of social and economic relations. Yet, whether potential is realized and on what scale is largely dependent upon their nature and context, especially their length and whether they constitute a growing social movement which is part of a wider popular rebellion against capitalism. And although the wave of occupations in the 1970s did exist in this kind of context, they—in common with those after the 1970s—did not seek in the main to subvert managerial control and the logic of capitalist employment relations, much less capitalism itself. Writing of the 1970s wave, Coates and Topham observed that “the impulse which pushed the wave of factory occupations was the defence of the ‘right to work’ . . . workers . . . were not asserting their right to manage their enterprises for themselves.”<sup>18</sup> And, Gold commented that cooperatives were often a last gasp to effort save jobs.<sup>19</sup> Indeed, many of these occupations were, in fact, particular types of sit-ins whereby only a small part of the workplace was subject to workers sitting-in (as opposed to taking control of the entire workplace and preventing movement of material, goods, and personnel in and out).<sup>20</sup> Moreover, many were of a short duration as well. Nonetheless, there were a sizeable number of occasions when such experiments in social reconstruction and reengineering took place as a result of occupations becoming cooperatives.

However, of equal significance to any of these considerations was what the end goal of the occupations turned cooperatives was, and whether this was by “choice” or by “compulsion.” Following on from Coates and Topham's emphasis on the instrumentality of motivation for establishing the cooperatives, there existed considerable differences of views within the cooperators as to whether their cooperative was to be a form of workers' capitalism or whether the point was to demonstrate economic viability and worker commitment to a prospective capitalist employer, and at what point in the life of the cooperative the balance swung from one to the other (more often the former to the latter). As alluded to below, the decisive influencing factor often revolved around availability of finance and capital. This again serves to emphasis the limited extent to which some of the cooperatives and

some of the cooperators saw the experiments as those of workers' control and workers' democracy.

Yet, before examining their experience, it is important to consider why relatively few of the occupations started as or developed into work-ins and then cooperatives given that the stimulus to occupy was to save jobs. The aforementioned dominant tendency toward contesting monetary rather than nonmonetary conditions of labor exploitation helps provide part of the explanation here but there are other salient aspects that warrant consideration. *Prima facie*, in facing mass redundancy and workplace closure, no less a logical conclusion to fighting to stop the employer from closing the workplace through industrial action is the deduction that workers should take over production and run in order to keep themselves in work. The hurdles in achieving one do not necessarily appear to be any more insurmountable than those to achieving the other. Both are difficult, yet the preference for workers was to occupy without work-in rather than with work-in. The first involves forcing the employer to continue with an investment of capital that they deem unprofitable while the second involves self-management. It is the British union movement's majoritarian critical and unsympathetic attitude toward workers' self-management under capitalism that is particularly apposite here. As this attitude toward work-ins has much in common with the union movements' attitude toward cooperatives, it will be explored below when considering the fate of the work-ins turned cooperatives. Suffice it to say at this point that while there was some support for Yugoslavian self-management and the Basque Mondragon experiment within the union movement in Britain, this was predicated on the totality of those phenomena making them workable while individual work-ins and cooperatives in Britain were viewed as tiny, individual "islands of socialism" marooned in hostile "seas of capitalism."

## **Cooperatives as worker self-management: Theory and practice**

Nonetheless, and indicative of certain countercurrents, a minority of the occupations and occupations as work-ins evolved into worker cooperatives, simply defined as organizations where only workers working for the cooperatives own the enterprises and where all workers are owners with the consequence that all workers as owners exercise control over the cooperatives' assets and resources, work organization, and employment relations. This section, therefore, examines the experience of these more lasting forms of experimentation in this form of workers' control within and under capitalism. It does so in order to cast some light on the conditions which may be

regarded as necessary and sufficient to construct the projects of workers' control and self-management at both enterprise and societal level.

At first sight, there seems to be an almost "natural" osmotic relationship to a work-in becoming a cooperative given the taking over of control of the workplace, continuation of output, and the desire to maintain employment through the work-in. It is almost as if the cooperative is the work-in made permanent. The "mere" difference is that of ownership. Yet, many work-ins did not become cooperatives because a large part of the rationale of the work-ins was to demonstrate to another capitalist that the products could be viably made with profits so that it would buy over the business.<sup>21</sup> By this logic, the work-ins were temporary actions to attract an alternative capitalist or alternative capital. The same osmotic logic cannot be applied to an occupation becoming a cooperative because the occupation does not seek to attract another capitalist owner. Rather, cooperatives emerge from occupations because there is no prospect of forcing the original employer to maintain their investment.

Among the ten or so occupations and work-ins that became cooperatives in the 1970s were KME, SDN, Triumph Meriden, leather goods maker Fakenham Enterprises, and Nightsbridge engineering. These occupations and work-ins lasted a period of many months, with some like Triumph lasting eighteen months, indicating that they were serious and determined actions by their (unionized) workforces. The self-management took different forms such as worker directors, shop stewards as senior managers, works councils, employment of professional managers and use of other outside experts, job enlargement, job rotation, reduction of wage differentials, and abolition of supervisors and foremen. Some, like the "Benn cooperatives," received considerable government funding and help. Yet by 1983, all these cooperatives as phoenixes arisen from the ashes of conventional capitalist enterprises had withered and died. Few had lasted longer than five years. In the time they existed, the cooperatives paid lower wages than their conventional capitalist forefathers or competitors and employed fewer and on poorer working conditions. Indeed, Wajcman<sup>22</sup> opined that this was precisely how they survived as long as they did. Some like the KME,<sup>23</sup> Fakenham,<sup>24</sup> and the SDN<sup>25</sup> succumbed to conventional organization and control of work through the reentry or reemergence of managers under conventional capitalist forms of enterprise while many experienced not inconsiderable tensions between the organs of union representation and the cooperative structures.

As one of the largest, longest existing and most (government-)funded cooperatives, the experience of KME is instructive. Albeit only one of the key problems, Eccles' study<sup>26</sup> highlighted that endemic conflict existed between the union and the management (appointed managers and self-management) where the two union conveners were worker directors and were unable to productively align their roles as both worker representatives and

cooperatives managers. Thus: "They [the union conveners] simultaneously rejected the management role for themselves and refused to give it to the managers."<sup>27</sup> So the union conveners remained in defensive, oppositional mode and this primarily determined their approach to issues of quality and quantity of production.<sup>28</sup> The context of this was that the workforce (and their shop floor representatives) acquiesced in this stasis for it served to protect their immediate terms and conditions of employment as the union conveners formed a mutually reinforcing bloc with them. But this consensual acquiescence, which simultaneously also disempowered the workers for the continuation of union control in the form of the two conveners, seemed an immovable and unstoppable force that did not merit the time and effort to challenge through participation because [*sic*] it was immovable and unstoppable. In other words, something of a Catch-22 situation existed whereby their lack of control sapped any willingness of workers to act as cooperators and any willingness to be concerned to resolve the quality and quantity of production issues. And part of this reticence related to the reality that (potentially) being in control of a boring job does not stop that job from being a boring job.<sup>29</sup> This speaks to the lack of transformation at the workplace. In the end, short-term interests (pay and conditions) were arguably served at the expense of the key longer term interest, namely, employment security.

It is now worth exploring the reasons for the general lack of success and longevity. The seemingly obvious reason of there not being a market for the cooperatives' goods has a bearing on their demise but only a partial one. As conventional capitalist enterprises found it difficult to make acceptable (to them) levels of profit, this did indicate that market trading conditions were difficult. But this was not synonymous with saying that market conditions made profit generation impossible. Here, the cooperatives' problem was undercapitalization,<sup>30</sup> whereby lack of funding meant they were unable to take advantage of some of demand opportunities, especially where the cooperatives were relatively capital intensive rather than labor intensive. One particular aspect of undercapitalization was that the enterprises had to be bought from their capitalist owners for neither did the employers flee nor did the workers (or state on their behalf) expropriate their property. Considerable resource was expended here rather than on new investment. This left less capital available for investment and innovation.

There was often a Catch-22 aspect to gaining funding. Conventional banks were unwilling to lend to enterprises which they not only conceived of being risk-laden but also ones whose type they were unfamiliar with. Where banks did lend, ceding of degrees of control to them to protect their investment was the result, undermining the key aspect of a worker cooperative, namely, simultaneous ownership and control by workers.<sup>31</sup> Consequently, the importance of other sources of (noncommercial) funding became critical. However, funding from organizations of the cooperative movement,

such as that from the Industrial Common Ownership Movement, was pitifully small and inadequate. In turn, this made cooperative reliant upon conventional funding sources. The overall consequence was that because there were relatively few cooperatives, the cooperative movement was unable to generate the funds to establish more, and because the cooperative movement was unable to generate the funds to establish more, there were relatively few cooperatives. Moreover, extant cooperatives were unable to reach a critical mass by trading with each other in a way which would reduce their reliance upon operating in conventional capitalist markets. By contrast, this was not the case for Mondragon in the Basque region of Spain or many of the cooperatives in Italy for these cooperative movements and networks also have their own banking and financial institutions and achieved a form of critical mass. For the occupations turned cooperatives, there was no existing network or movement to speak of into which they could fit and, thus, protect themselves from capitalist market pressures. In other words, like other cooperatives of a different genesis in Britain, they were forced to operate and exist as individual stand-alone enterprises, bringing into doubt their sustainability. Thus, those cooperatives that tend to have survived—and survived the longest and with the greatest degree of commercial success—are retail worker cooperatives (especially selling wholefoods in a niche market where price is not the sole consideration) where there is the trinity of low start-up capital, labor intensive work and unregulated markets (with few barriers to entry).

But issues of capitalization and critical mass were far from the only problems for the occupations turned cooperatives. The impetus of the work-ins and cooperatives being to save jobs did not favorably predispose the workers concerned to being either knowledgeable about or keen upon the ideal and practices of self-management.<sup>32</sup> In the case of KME, Eccles reported that “at the time the people of Kirkby never consciously set out to form a cooperative. Their main motive was that of saving jobs”<sup>33</sup> while Mackie, as chief union leader of the Federated [union] Chapels and chair of the SDN Action Committee, argued that “The entire history of the *Scottish Daily News* is founded on the determination of groups of trade union activists to fight against unemployment. Any other consideration was incidental.”<sup>34</sup> Wajcman<sup>35</sup> detected the same motivation for the women workers of Fakenham Enterprises while Benn<sup>36</sup> and Oakeshott<sup>37</sup> also made clear the wholly instrumental, rather than also ideological, impetus for these cooperatives. Despite advice and help, the cooperatives were grudging and reluctant of experiments in this regard because workers, in the main, wanted to return to the normality of having jobs which were undemanding in terms of exercising power and control. In other words, workers tended to want to work from “9–5” and not have to stay behind to take part in management meetings or to not be troubled during their work time by making challenging decisions. This highlighted the limited changes in workers consciousness

the occupations turned cooperatives engendered. In this regard, Wajcman's conclusion is apposite: "Although *some* of the women could have been said to be radicalised at the factory level, the experience of working at the cooperative had little impact on their general political perspective. . . . Thus, their work experience . . . did *not* alter their political consciousness at the societal level" [emphasis in original].<sup>38</sup>

The dominant union attitude toward cooperatives, especially those created out as phoenixes (as opposed to new start-ups with no prior antecedents), has been that they are a poor and problematic means of providing both secure employment and decent terms and conditions of work as well as worker empowerment under capitalism. This view is based on a number of components. The first is that in order to make the cooperative profitable, the levels of (self-)exploitation are higher than under the previous conventional capitalist enterprises.<sup>39</sup> The second is that operating under capitalist market conditions leads to pressure to adopt conventional management practices and structures. In this sense, "the anarchy of the market leads to the despotism of the factory" to quote Burawoy.<sup>40</sup> Indeed, cooperatives tend to degenerate into conventional companies as they capitulate to capitalism as per the Webbs' thesis whereby "democracies of producers" become "associations of capitalists."<sup>41</sup> The third is that an ambiguity arises over the union function within a cooperative for, at one level, there is no need for a form of worker protection when workers are owner-managers.<sup>42</sup> The fourth is that union representatives are forced to work with the management of the cooperative—even drawn into, and compelled to identify with—in a collaborationist way when their role is to defend workers' jobs, pay, and conditions contra management. A variant on this is that workers do management's job which is, argued to be, objectionable. Finally, cooperatives can represent forms of workers' capitalism. Consequently, unions showed relatively little financial and political support, even though many of their constitutions included commitments to work toward cooperative economies.

Underlying all this must be the consideration of the relationship between environment and agency. The downturn in working-class (union-based) struggle in Britain from the mid-1970s onwards did not provide fertile ground for the development of occupations and work-ins turned cooperatives.<sup>43</sup> With consequent declines in collective insurgent activity, oppositional consciousness, and class solidarity, these aforementioned cooperatives were deprived of support and sustenance that would likely have been available to them in a popular oppositional mobilization against capital and capitalism. This, of course, would have required the work-ins turned cooperatives to make clear their preference to be compatible with this rebellion. In other words, the cooperatives would have had to be positive experiments in worker control with wider prefigurative tendencies rather than new forms of capitalist enterprise or mere projects of job preservation. As alluded earlier, this was not necessarily the case.

Meanwhile, some of the most innovative attempts to develop models for organizing production for social need (and with attention to protecting the environment) in the face of redundancy and workplace closure, like the workers' plans at Chrysler vehicles, Vickers engineering, and Lucas aerospace, were generated at the same time but in relative isolation from these cooperatives.<sup>44</sup> These workers' plans constituted schemes for the praxis, and in the case of Lucas in 1974–6 of converting military production to socially useful and environmentally desirable purposes<sup>45</sup> which met the needs of their community (by providing, for example, new medical technologies), using their existing skills and under codetermination. Although they did not involve deploying occupation, work-ins or cooperatives as *modus operandi*, they did sometimes call for nationalization. Yet, even where this was not the case, the plans—accompanied by political action and forms of worker mobilization to try to obtain their implementation—did challenge management's right to decide what was produced and how this was produced. So central tenets of managerial and capitalist prerogatives were challenged by attempts to codetermine previously unilateral control over the investment of surplus value. Although the work-ins and work-ins turned cooperatives represented an advance on the occupations for they showed that workers were prepared to take the initiative to demonstrate that production could continue under their management (sometimes more efficiently and effectively than before), that their skills and experience were still useful (whether in conventional capitalist terms or not), and that demand for their goods and services still existed, they also illustrated the relatively narrowed horizons of the workers concerned. Unlike those of the workers' plans, they did not question the nature of the goods they were engaged in producing nor the (technical and physical) ways in which they were produced.

## **Conclusion: Impact and lessons of historical experience**

A starting point for this chapter was that the significance of the cooperatives studied herein can be seen in their attempt to form a quasi-permanent, institutionalized project for employment security, and worker influence which arose out of a positive challenge to not just reduce but abolish conventional managerial prerogative and capitalist employer property relations—even if that was of only an instrumental rather than ideological motivation. Yet the contention of this chapter has been that the past experience, specifically that of the 1970s when the phenomenon reached its relative apex, has disinclined workers in Britain—or certainly not made the case convincing or credible to workers—to use the tactic of occupation turned cooperative when faced with mass redundancy and workplace closure. Aside from some

ambiguity caused by whether these examples focused upon being experiments in workers' control, workers' capitalism, or rather sought the return of conventional capitalist ownership, the contention sought to explain this outcome by focusing upon three components, namely, social recognition, efficacy, and environment. The foundation underlying the contention has been that the significance of tactic is predicated upon the assumption it can provide better purchase than the simon-pure occupation (or strikes) in defending and/or maintaining employment security. Yet, examination of the historical record in the 1970s does not bear this foundation out, giving support to the contention. Key explanatory factors comprised undercapitalization and shrunken worker consciousness, and these came together in the absence of a strong, well-resourced, and widespread cooperative movement imbued with either anticorporatist or anticapitalist ideologies. Thus, in neither qualitative nor quantitative dimensions did the occupations turned cooperatives constitute a positive demonstration effect. Indeed, in his survey of the experience of new means of contesting capitalist employment relations in the 1970s, Gold concluded that "the cooperatives' failure reflected (unfairly) on cooperative organization, rather than on credit starvation or poor methods of capitalization."<sup>46</sup> The historical experience— notwithstanding differences in the union movement, government policy, and oppositional consciousness between now and then—is that both immediate and wider environments are still too inhospitable for the prospect for workers to deploy this tactic. And, often the level of (self-)exploitation of labor was greater and the level of reward was lower than under the previous conventional owners. Certainly, the occupations turned cooperatives were no "workers' paradise." Thus overall, the paucity of recent occupations and occupations turned cooperatives can, in large part, be convincingly explained by reference to the impact of historical record. And although of different geneses, the example of the Tower colliery cooperative, which closed in 2008 after resuscitating the mine in 1995 following its closure by British Coal the year earlier, and that of the most successful and largest cooperative, Suma, being a distributor of organic vegetarian wholefoods (since 1977), will have merely added further weight to this popular perception—where it consciously exists—of the lack of appropriateness and utility of the cooperative as a method to stave off redundancy and to provide employment.

The sense in which the potential demonstration effect was, indeed, held in check by the very times of the 1970s is gained from a reading of the thesis of the "limited reconstruction of industrial relations" provided by Phillips.<sup>47</sup> He points, through an examination of the social dialogue and political exchange in the 1970s around worker directors and workers participation, to a reading of the process of the redrawing the frontiers of control of managers and capital which emphasizes the degree of continuity and maintenance of the managerial prerogative as a result of



a countermobilization—using both confrontation and incorporation—by different fractions of capital. Phillips’ thesis also speaks to a wider concern about the issues of path dependency and the transferability, or otherwise, of ideas and practices across time. An intuitive “commonsense” reading of the differences between the 1970s and 1980s, on the one hand, and the new millennium, on the other, would stress the vast differences in terms of the center of political gravity and the balance of class forces such that it would be naive to expect, necessarily or otherwise, that workers would respond to mass redundancies and workplace closure with occupations, work-ins, and cooperatives. There is, of course, some substance to this reading and this would be the sense in which the lack of such direct actions reflects a clear and forceful path dependency and that the idea of such direct action has become a proverbial “fish out of water.” But the situation is—as it always is—more complex and complicated than that because it is through the development not so much of some notion of objective reality that leads to the outcome of passivity and inactivity vis-a-vis occupations, work-ins, and cooperatives. Rather, it is this *and* it is also the subjective process of the development of particular discourses by which some ideas and practices become closed off, dismissed, and forgotten (in commonsense terms) while others are promoted and acted upon (in equally commonsense terms). One example would be what is termed the “moral economy” and concerns what is and is not deemed to be morally acceptable according to the hegemonic worldviews at any one point in time. Suffice it to say that a social justice or social democratic perspective on the moral economy has been eclipsed by that of neoliberalism and “new” Labor’s variant of it, namely, social liberalism (the so-called third way).

Therefore, what this specifically relates to is that the era of a safe and secure employment, epitomized in the so-called job for life of a previous era, is no longer possible (or even preferable) as the cold winds of neoliberalism and associated globalization make themselves felt. Neither too is state intervention to rescue and preserve jobs possible (or preferable) anymore according to this discourse. The same can be said about industrial action to do so. Constantly disseminated, such a discourse invades the minds of workers (where they have no prior inoculation against it). Thus, the notion of “employability”—the employee’s personal responsibility to be trained and skilled to suit the labor market needs of employers—is a natural counterpart to the much older notion of “get on your bike [to look for work]” and undermines—indeed, attacks—any moral sense that workers have a right to work and a right to decent, edifying work. Under this discourse, individual and collective prosperity can only be achieved by making sure that the market works as efficiently and effectively as possible. The salience of this brief discussion on discourse, ironically and paradoxically, points in another direction—that is to say that with the hegemony of the neoliberalism, entrepreneurialism, and (micro)social partnership, along with

the other processes such as atrophy of worker influence, it is something of wonderment that any occupations and occupations turned cooperatives took place at all. Furthermore, it is arguable that it is the very clashing of discourses of expectations and rights of workers—such as the “right to work”—with material realities of late capitalism that generates the possibility of collective actions such as occupations and occupations turned cooperatives. Looked at in this way, it may be ventured that workers in Britain do not, thus and by comparison with workers in France, display the possession of a strong discourse of rights.

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## Notes

- 1 This level of redundancies and closures may also be related to some degree to the relatively easier ability to make redundancies in Britain than in many other European Union countries, with the point often being made by the Unite union in regard of manufacturing jobs that it is easier and cheaper to sack workers in Britain than it is in Germany. Thus, the exit costs (and associated political “heat”) are often lower in Britain than elsewhere.
- 2 Foster and Woolfson, 1986.
- 3 The influential role of the Communist Party, the cultural connotations of shipbuilding to the British economy and the way in which a community identity was deployed by the campaigners all made the UCS struggle have distinct features compared to any similar [*sic*] workplace struggles in Britain.
- 4 Darlington and Lyddon, 2001: 214.
- 5 The one exception to this may have been nationalization but for this the enterprise would have to conform to some notion of a strategic and critical mass, not to mention a campaign capable of leveraging this out of a government.
- 6 Gall, 2009 and 2010. These have been at Simclar, Calcast, Prisme, Visteon (two instances), Vestas, Orchard Lodge care home, and Links Home care home. This list excludes the high-profile occupations at Thomas Cook in Dublin and at Waterford Crystal, among others, because although the workers were members of British-based unions, the occupations took place in the Republic of Ireland. The origins and dynamics of the motivation to occupy are explored in the two aforementioned articles.
- 7 It is ironic that the both the Prisme and Vestas workers were not unionized prior to the act of occupation. Whether it is also reflective of stasis and decline in the union movement is a moot point. Separately, it is worth observing

that just over a year after the Vestas occupation ended, a small core of the occupiers, in alliance with a conventional company and with the help of the RMT (which had provided assistance during the occupation), launched Sureblades which began manufacturing wind turbine blades and granted union recognition to the RMT (see *Morning Star*, July 26, 2010).

- 8 This refers to the buying out of custom and practice arrangements and the exchange of wage rises for the introduction of flexible work practices.
- 9 Coates, 1981: 11.
- 10 Roberts, 1973: 222.
- 11 Coates, 1981: 11.
- 12 However, Jim Phillips (2008, chapter three) makes the point, in a survey of the analyses of the work-in and subsequently in his own analysis, that the outcome was more “ambivalent” and “ambiguous” than some others have argued. He focuses upon the issues of job losses sustained, challenging the social relations of production, and conflating of class and nation (as per the “proletarian nation”), all of which served to blunt the traction of the work-in as a successful workers’ revolt in regard of favorable outcomes in the arenas of material and ideological working-class gains. As a consequence, its impact as an exemplar for subsequent occupations and sit-ins may be doubted. However, while objectively the outcome may have been more ambivalent and ambiguous as Phillips argues, it is, nonetheless, possible that its subjective demonstration effect in the collective psychology of workers remained bright and undimmed because the projected assessments of its outcomes within the union movement were not ambivalent and ambiguous, and it is those ones that may have had the strongest bearing upon workers’ moods and sentiment in the following period a la the quote from Darlington and Lyddon (2001). In this sense, the subjective then became objective.
- 13 Levie et al., 1984.
- 14 Mustchin, 2010.
- 15 Woolfson and Foster, 1988.
- 16 The STUC referred to the 100-day occupation as “the greatest trade union victory since the Upper Clyde Shipbuilders struggle of 1972” (in Gall, 2005: 37).
- 17 Given that the yards were in a community that was relatively small and distant from workers in the rest of Britain (and where not part of a nationalized conglomerate like British Steel which had operations throughout Britain), the campaign was able to achieve an impact on a par with strikes, like that of the miners’ strike in 1984–5, which involved many more workers and communities and had an obvious national dimension by virtue of their cross-Britain presence. This speaks to the sense in which the UCS campaign successfully deployed a political challenge to the prevailing order by using not just the work-in tactic but also by mobilizing the surrounding communities.
- 18 Coates and Topham, 1974: 8–9.
- 19 Gold, 2004: 89.
- 20 Darlington and Lyddon, 2001.
- 21 Coates, 1976.
- 22 Wajcman, 1983: 186.
- 23 Eccles, 1976: 162–3, and 1981.

- 24 Wajcman, 1983: 186.
- 25 Mackie, 1976: 109–40.
- 26 Eccles, 1981.
- 27 Eccles, 1981: 378.
- 28 Lying behind this stance was an opposition from most unions to unions or workers being coerced into accepting the responsibility for making decisions as part of management which were antithetical to workers' interests. The view was that this was a trap of incorporation to be avoided at all costs. (See also Gold, 2004: 91–2).
- 29 Eccles, 1981: 393.
- 30 Clarke, 1977: 351–82, and Coates, 1976: 11–33.
- 31 By contrast, the use of outside expertise or employment of managers was a relatively less problematic issue of establishing relations of democratic accountability and control.
- 32 See also Clarke, 1977: 375.
- 33 Eccles, 1981: 381.
- 34 Mackie, 1976: 109.
- 35 Wajcman, 1983: 157.
- 36 Benn, 1976: 79.
- 37 Oakeshott, 1978: 108.
- 38 Wajcman, 1983: 156–7.
- 39 Coates, 1976 and 1981.
- 40 Burawoy, 1985: 89.
- 41 See Mellor et al., 1988: 67.
- 42 Fletcher, 1976.
- 43 Clarke, 1977: 372. By contrast, for example, the cooperatives of Mondragon in Spain had the unifying and powerful ideologies of Basque nationalism and anti-Francoism upon which to draw themselves together and obtain solidarity and support.
- 44 See Gilmour (2009), Beynon and Wainwright (1979), and also Wainwright and Elliot (1982). Organizations of the left and working class, particularly like the IWC, were unable to make tangible links between the two milieus. Moreover, the IWC remained skeptical of, if not hostile to, in the name of experiments in workers' control those occupations turned cooperatives which it saw as protocapitalists, namely, those who sought, or were prepared to countenance, the return of conventional capitalists and conventional capitalist relations as the price of providing employment.
- 45 This ideal is represented by the common phrase of turning “swords into ploughshares.”
- 46 Gold, 2004: 93.
- 47 Phillips, 2009. In this account, Phillips deploys a number of key themes to substantiate his thesis, of which the weakness of institutional support with the industrial relations arena and the earlier success of employers in molding the transition from industry-wide bargaining to company-level bargaining in a way which provided limited scope to challenge the managerial prerogative were critical. Another institutional factor that had a bearing on the emergence of such forms of worker action as occupations turned cooperatives was the fragmentation of collective bargaining structures inherent in the transition

from industry-wide to company level, and which took place in the period of the 1960s to 1980s. On the one hand, this decentralization facilitated the prospect that workers in individual enterprises could choose to respond in this way of occupying. On the other hand, the breaking of the more manifest links between workers in different enterprises as a result of the ending of industry-wide bargaining impoverished the resources which workers had to struggle with.

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## CHAPTER EIGHT

# From Direct Action to Workers Assemblies: Unions and the G20 Protests in Toronto

*Jeff Shantz*

The crucial challenges facing movements for positive social change in Canada, as in the broad mobilizations opposing the G20 meetings in Toronto during the summer of 2010, involves the relationship between unions and community-based social movements. The form of alliances, coalitions, and organizations involving unions and community-based groups (antipoverty activists, no borders activists, and anarchists) will determine the scope of opposition to states and capital and the real potential of evolving opposition to neoliberal politics. Perhaps, the key point on which this challenge pivots is the question of direct action and civil disobedience, the relationship of social movements to violations of law and property destruction. These are questions of strategy and tactics to be sure, but even more they are questions of how we understand the character of the state within capitalist societies like Canada. These questions have been ongoing, intensifying in the period of neoliberal globalization and the emergence of alternative globalization movements, and demonstrations against institutions of global state-capital, such as the G8/G20.

These are issues that can be difficult to address honestly, tending to illicit strong emotional responses from participants on both union and social movement sides. Criticism is often harshly received and the critics can be too readily dismissed as “outsiders” who don’t appreciate the way things



are done in the movement or group in question. I am perhaps particularly well situated to address this tension given that I am a longtime union member, who has also served as a representative on local executives and as a delegate to provincial federations in Ontario, as well as a longtime community activist involved with groups that regularly engage in direct action. I have participated in various demonstrations as a rank-and-file unionist and as a member of black blocs. I have rallied anarchists to join picket lines during strikes and mobilized fellow workers to take part in direct actions in defense of poor and homeless people.

This chapter examines some of the issues that pose problems and possibilities for developing resistance movements against neoliberal capitalist regimes in Ontario in light of the G20 protests and the fallout since. It begins by looking at union responses to direct actions during the G20 and attempts to contextualize these responses within ongoing practices and perspectives on organizing. It ends by highlighting a couple of projects that point toward a transcending of the divide between labor/community organizing and mass/direct action which has contributed to something of an impasse in political mobilizing in Ontario.

## **Which side are you on again?**

During the weekend of June 26–27, 2010 the meetings of the G20 were held in Toronto, Canada, bringing together elites of global capital and national states to plan policies that would help capital while imposing austerity on the working classes. The Canadian state, and its provincial counterpart in Ontario, accommodated their corporate bosses with expenditures, in a period of economic crisis, of an estimated 1.3 billion dollars to provide a massive security structure, including fences, security cameras, vehicles, weapons, and mass policing to restrict protest and suppress dissent. During the meetings, mass demonstrations took place across Toronto in opposition to the G8/G20 and against the capitalist system that it expresses. While much attention focused on supposed violence and property damage by demonstrators it has become clear that most violence was instigated and carried out by police. Despite this, and despite the more substantial harms effected by G8/G20 policies, many ranking union officials and high-profile activists openly condemned people who engaged in direct action, some, incredibly, calling for their arrests. At the same time, new formations of rank-and-file organizing emerged to contest the union officials and to suggest new ways of organizing workers to allow for more effective and durable forms of resistance in the future. In events like the G20 protests and clampdown, there emerge real opportunities for recognition and understanding that are not always so readily available behind the screen of “business as usual.” The learning curve shifts and some things become much more clear.

One of the interesting revelations of the G20 fallout is the extent to which many in the union leadership are governed by the morals, values, and prejudices of the dominant classes. This has been expressed in the numerous calls for repression of the black bloc by would-be spokespeople of the labor movement in Canada. A rather stunning case in point has been the number of open statements of support for, indeed appeals for, the state capitalist rule of law. For some the rule of law should have held against the black bloc. Others turn to the rule of law as a statist security blanket providing the basis for—the very conditions of—their “peaceful protests,” which the black bloc supposedly infringed upon. One of the most striking examples comes in the form of an incredible statement from CUPE-Ontario (Canadian Union of Public Employees), my former union federation:

Property was damaged, publically-owned [*sic*] police vehicles were burned, and innocent people were attacked and detained as a result of taking part in protests. All of this is wrong. What we have witnessed is nothing short of the abandonment of the rule of law, both by a small group who took part in the protests, and by a massive and heavily armed police force who were charged with overseeing them.

Having equated the black bloc with the police in their scorn, the statement goes on to say:

And it's a sad day when some of those, who feel powerless to change the direction of their elected leaders, find in that feeling of powerlessness an excuse to break the law and vandalize the property of their fellow citizens and who, in so doing, silence the legitimate voices of so many others whose commitment to protest and dissent is matched by their rejection of violence and vandalism.

Suggesting that the black bloc is an expression of powerlessness rather than confidence is one thing, but suggesting that breaking the law renders any activists or organizers illegitimate, as the statement does, is incredible. It is the logic of the bosses and the state (who set the property laws and benefit from them in the first place). And why should we view capital as our “fellow citizens anyway”? (This is not about CUPE-O, this statement expresses sentiments that have been put forward by many in leadership positions within unions in Ontario.)

The CUPE-O denunciation of direct action was echoed by the officialdom of the Ontario Federation of Labour (OFL), the provincial union federation. OFL President Sid Ryan, former CUPE-O head, boasted that OFL leadership “liaised with the Toronto Police and cooperated at every turn” during the large-scale June 26 protest. He then went further, denouncing

other activists, organizers, and indeed union members: “Shamefully, a small number of hooligans used the cloak of our peaceful and lawful demonstration to commit petty acts of vandalism in the streets of Toronto.” Once again the publicly stated commitment of leadership was to state capitalist order, the restricted terrain of capitalist legality that serves such an important role in neoliberal legitimization of anti-working-class policies (which are if nothing else legal).

Incredibly the Canadian Labour Congress, the national union federation, felt the need to add its voice to the chorus attacking activists: “The Canadian Labour Congress abhors the behaviour of a small group of people who have committed vandalism and destroyed property in activities related to the G20 summit in Toronto.” They also felt it important to make note of their collaboration with police: “We cooperated with police in choosing the route and had hundreds of parade marshals to maintain order.” How such assertions are helpful in building movements that might actually halt neoliberal capitalist regimes is not clear. What is clear is that many rank-and-file union members were troubled by these public displays of deference to the very authorities who were still holding activists and organizers, including union members.

That the CUPE-O and OFL pronouncements did not express a consensus view among union members is reflected in the rank-and-file statement released on July 5, 2010. The open letter to the Canadian Labour Congress was signed by more than 250 rank-and-file unionists. The hundreds who signed onto the letter included members of a variety of union locals, including CUPE, the Public Service Alliance of Canada, the British Columbia General Employees Union, United Steel Workers, Canadian Union of Postal workers, Ontario Secondary School Teachers Association, the Ontario Public Service Employees Union, and the Canadian Auto Workers. Their letter starts:

We are labour activists, many of whom were involved in organizing against the G20 Summit in Toronto and solidarity actions across the country. After the “Peoples First” march, many of us remained on the streets throughout the weekend contesting the unprecedented militarization of our city and the G20 neoliberal agenda.

We are disturbed and concerned to read the statement by Ken Georgetti, President of the Canadian Labour Congress, issued during the G20 summit. The CLC issued a statement condemning “vandalism” and declaring their commitment to working with the police throughout the summit; however, the CLC’s statement is shockingly silent about the violence perpetrated by the state and police, aimed at rendering the right of people to assemble, organize and resist obsolete, brutalizing our sisters, brothers and children.

The statement then outlines the problems created by open appeals to state authority and criminalization of activists by union leadership:

The focus on vandalism and attacks on private property espoused by the CLC statement and some mainstream media outlets, expels from the debate the legitimate concerns and lived injustices of many within the labour movement who turned out to protest the G8/G20. By commission or omission this limited focus legitimizes the suspension of rights and liberties in this city, including the right to assembly and the right to political protest.

In conclusion, the rank-and-file members point ahead to the many tasks facing working-class movements more broadly:

We as a labour movement must commit to organize social movements along with our allies in social justice, environmental justice, grass-roots, anti-poverty, anti-racist, feminist, non-status, Indigenous, Queer and international movements to challenge and resist neoliberal capitalist governments' ruthless assaults on the working people in Canada and globally. We will not and cannot win the struggle we face against the violent onslaught of neoliberalism by abandoning our allies and our communities in the wake of a massive crackdown on dissent.

In response, Georgetti showed a barely restrained contempt for this broad range of members from diverse locals. He referred to their statement as fiction and addressed them as "whoever you are." Even more troubling those who signed the letter were dismissed as activists and "retirees" (as if that's some sort of insult). Unfortunately, this reflects long-standing defensiveness and dismissive attitudes toward critics of leadership, even when those critics are longtime, committed union members.

Georgetti also drops the hammer that is often used by labor officials against other movements and groups—the financial contributions of unions. In his words:

We expended the lion's share of staff and financial resources for the huge civil, peaceful protest on Saturday involving an estimated crowd of 40,000 people. Most all of them were there to demand the world's leaders focus on the issues of jobs, maternal health, peace, the environment, the list goes on.

In addition, the CLC Chair's statement makes a rather broad, though typical, assumption that most people were there to make demands on world leaders rather than say to show their collective power and opposition to those very leaders. Referring again to some protesters, including union

members, as thugs, Georgetti goes on to lecture people on respect for state capitalist laws: “The CLC does not and will not condone that kind of behaviour or tactics perpetrated by a few and must disassociate itself from it when it appears to be part of our action. People and groups who loot and steal and vandalise are not those whom we want as allies.” Never mind that these are the same sorts of accusations that are routinely used against workers during labor disputes and on picket lines.

It is crucial to stress that during the G20 actions as in previous protests like the June 15, 2000 riot at Queen’s Park and Quebec City protests against the Free Trade Area of the Americas in 2001, there were rank-and-file union members who chose to go to the front to challenge the police lines, fences, and weapons that are the material expressions of the rule of law. Many refused simply to march to hear empty speeches or uphold the fetishization of “peaceful protest” regardless of actual effectiveness. After Quebec City, in fact, rank-and-file unionists, angry with the defeatist call of leadership to march away from the fences and into an empty field miles away from the meeting site, demanded direct action training in their locals when they returned home. Many of those who called for and those who gave direct action workshops were CUPE members.

## **Days of action or dead on arrival**

Much can be learned about the nature of mobilizations during the G20 protests by looking at earlier moments of large-scale resistance to neoliberalism in Ontario. Only months after the neoliberal Progressive Conservative (Tories) first election victory in 1995, unions, social justice organizations, and community groups launched a series of one-day, city-by-city mass strikes called the “Days of Action.” In each city, substantial portions of the workforce struck. The Toronto Days of Action shut down the city and the second day culminated in the largest demonstration in Canadian history as nearly 300,000 people took part. While results varied from city to city, the Days of Action cost the Tories’ corporate backers hundreds of millions of dollars. The Days of Action brought together diverse participants from a vast range of groups and constituencies into coalitions which held the potential for great social action. Sadly that potential was never realized.

The hoped-for culmination of the Days of Action in a real province-wide general strike, an action which could have brought the Tories to crisis, never occurred. While members of the Ontario Federation of Labour (OFL) voted in favor of proceeding with a general strike the initiative was cancelled in an underhanded manner by conservative officials tied to the social democratic opposition party the New Democratic Party (NDP). Fearful that the Days would hurt the NDP chances for reelection leadership worked to withdraw resources and slowly wind the movements down.

Even prior to labor's retreat, however, cracks were showing between those who wanted a real movement for change organized to drive the government from power and those who saw the Days of Action in primarily symbolic terms. While anarchists tried to take over the stock exchange and invade the Tory policy convention, others wanted to march to an empty legislature and listen to Billy Bragg. Union marshals acted to police militants, including rank-and-file workers. Some openly questioned the participation of anarchists in the Days.

Former OFL President Wayne Samuelson infamously proclaimed at a meeting I helped organize to discuss alliance building during the Days of Action that there are labor issues and social movement issues and unions should stick to labor issues. Social movements, he suggested, could stick to the rest. This is, unfortunately, a statement that still governs thinking among many union leaders.

Ever since the collapse of the Provincial Days of Action and the failure to follow through on a province-wide general strike in 1997 the resistance to neoliberal government in Ontario has been fractured and confused. From the other side, the disintegration of the Days of Action left the neoliberal parties (first the Tories, now the ruling Liberal Party) emboldened to surge forward with their agenda sensing that the opposition to them was not serious.

Among the groups most forcefully arguing for a province-wide general strike were OCAP and Anti-Racist Action (ARA). After the collapse of the Days of Action the two groups forged a closer working relationship which has formed a solid pole of resistance against bosses, cops, and fascists in Toronto. Many individual anarchists, frustrated by the lack of militant initiative in most community groups on one hand and the relative detachment and "lifestyle" preoccupations of many anarchist efforts got involved with OCAP as a way to match their militant perspectives with actions rooted in community struggles.

Indeed the Days of Action inspired the ongoing involvement of a new generation activists committed to community political organizing and direct action. Numbers of the young anarchists who tried to organize more militant actions during the Days of Action are the same people who, as somewhat older organizers, were involved in organizing the direct actions during the G20 protests. Many of these younger workers and activists found themselves within unions, often educational and public sector unions, and have worked for a decade now to build and sustain connections between unionists and community activists. They have done so, and learned to work within union structures, without giving up their commitment to direct action. Many were on the streets during the G20 protests and they have been mystified by the condemnatory responses coming from union leadership.

## Limiting structures

One cannot appreciate the recent tensions around anti-G20 mobilizations without some context. Reflecting upon and understanding the ongoing tensions between union organizers and social movement and community organizers is crucial for an appreciation of the events that played out during the G20 protests and since and for assessing the prospects for future developments of popular resistance to neoliberal capitalism in Canada. That resistance is in various ways limited and constrained by governing structures, institutions, and relationships.

For all of their potential power, the trade unions in Ontario are restricted by a leadership that cannot allow decisive force to be unleashed. To understand the difficulties facing rank-and-file resistance we must understand the roles and structures of leadership beyond a focus on conservative or progressive union leaders. In Ontario, during the 1930s and 1940s waves of union organizing, wildcat strikes, and occupations pressed a tactical retreat on the bosses and their state, leading to the extension of new rights to workers' organizations.

In place of open class war, a process of limited and uneven concession granting was established. This truce had the effect of regulating and compartmentalizing workplace struggles to keep them below the level of serious disruption. Each industry, workplace or section of workers, was viewed as having its own issues to attend to or, indeed, to bargain over. A new layer of union functionary emerged to broker and execute this deal. These union executives needed to placate membership with regulated contract gains while simultaneously ensuring labor force stability and an environment conducive to accumulation for the bosses. Negotiation is presented as a reasonable and effective solution to most problems. Officials strive to get the best possible deal for labor power rather than attack or end the overall system of exploitation. Emphasis is placed on bargaining power within the capitalist labor market.

Strike action became a last resort to be deployed only under very limited and legally defined conditions. Wildcat strikes and varieties of worker-initiated shop floor actions are negotiated away and prohibited within contracts. Workers who engage in such actions are open to sanction, a point the union leadership often reinforces within the membership.

While limited outbursts were permitted, leaders were obliged to police the deal and restore order in the ranks of the workers when the bosses deemed necessary. Bosses are not going to negotiate with people who can't or won't deliver what is agreed to. The bureaucracy developed centralized structures and methods of control and direction which fit its role and function. In times of mobilization the union leaders, rather than helping to overcome hesitation, view those who are mobilizing as a threat to be isolated or stopped entirely. Critically, all of this is related to structural pressures

on the union leadership based on their role within capitalist relations of production rather than on personal characteristics or perspectives as the left reformists would have it.

This has meant that over the past few decades working-class opposition in North America has been contained largely within official, typically legalistic channels. Most common among these have been established bargaining and grievance procedures via union representatives in economic matters. This has been accompanied by a containment of political action within the official channels of party politics and elections. Indeed the separation between economic and political spheres (and the relegation of unions to the limited terrain of economic management) is a reflection, and result of, the collapse of infrastructures of resistance that expressed the connections, even unity, of economic and political action, and the need for organizations that recognized the connections between struggles in these areas. Activities such as occupations, blockades, wildcat strikes, and sabotage have been dismissed or diminished within unionized workplaces in which unions act as a level of surveillance and regulation of workers, attempting to contain their actions within the framework of contracts with employers.

Indeed the main role of the unions became supervision of the contract during periods between bargaining and symbolic mobilization to support official union negotiations during legal bargaining. Rank-and-file militants have faced disciplinary actions, lack of support or outright shunning by union officials. Contracts include provisions that prohibit wildcats, as agreed to by the union representatives.

In Canada, the institutionalization of unions as economic managers has been accompanied by the institutionalization of working-class politics within electoral politics in campaigns of the New Democratic Party federally and provincially, at national and local levels. Politics has been reduced to party campaigns and lobbying for legislative reform as proposed and channeled through NDP caucuses (Shantz, 2009).

In the current period these institutional pressures and habits have constrained working-class responses to structural transformations of neoliberalism and economic crisis. Unions have sought to limit losses rather than make gains. The approach has been to negotiate severance deals that limit the harm done to former employees (and members) rather than contest the rights of employers and governments to determine the future of workplaces and workers' livelihoods.

These arrangements have also engendered a certain faith in or reliance upon the system among the working classes. Rather than seeking new relations, a new society, the institutions of the working class presented and replayed the message that working-class desires and needs could not only be met within capitalist society, but, even more, depended upon capitalism for their realization.



Such a notion played into the “trickle-down” fantasies of neoliberal Reaganomics, which insisted that policies and practices that benefited business should be pursued as some of the gains made by capital would eventually find their way to the working class and the poor. Such was the justification for the massive multimillion dollar bailouts handed to corporations as part of the economic crisis of 2008 and 2009.

This fatal position is reflected in the CLC statement around the G20: “We were exercising a democratic right to tell G20 leaders that there can be no recovery from the economic crisis unless they place a priority on the creation of good jobs.” Again the demonstrations are posed as simply a request that capital try to keep workers in mind. There is no analysis here of exploitation and no recognition that neoliberal advances for capital have been underlined by lousy jobs. Even more troubling is this incredible passage in the statement: “We are urging the leaders not to move too quickly to austerity measures and warning them not to chop public services.” Urging political and economic leaders *not to move too quickly to austerity measures*? The problem is not austerity, but the timeline in which it is imposed? Austerity is alright if it is portioned out over time? No sign of fight-back, resistance, or alternatives?

The problem is not simply one of the unions, however. Community organizers have too often avoided real engagement with labor institutions or have avoided fora in which they might meet and discuss matters with rank-and-file union members. Sometimes younger activists have little sense of the tenor and rhythm of workplace organizing. While I was involved in antipoverty organizing I helped to establish a phone tree for members interested in doing worker solidarity. A crew of younger members came forward to say that they did not know what rank and file meant.

Too often the measure of labor involvement in coalitions in Ontario has been the amount of money given to a campaign, the forcefulness of rhetoric from high-profile leaders, or the winning of a motion at this or that convention. The only way that any sort of credible resistance movement is going to be forged in Ontario, however, is through a redoubling of efforts to make connections between grassroots community groups and rank-and-file workers—the same workers who, in the Canadian Auto Workers, for example, openly condemned their leadership for not going to the fence in Quebec City against the FTAA and who demanded direct action training after Quebec. Indeed, direct action workshops are something anarchist activists can and should offer. They should also be ready to provide picket support, help build flying squads or industrial unions among unorganized workers, as the Industrial Workers of the World (IWW) have done among squeegee workers in Vancouver and involve themselves in the creation of joint union-community antiracism and antipoverty working groups. Activist workers must play an active part in building truly rank-and-file

flying squads and working groups whether in a union, in unorganized workplaces, or unemployed.

Community activists should attend labor council meetings and make themselves familiar to union activists. They should also attend picket lines and organize support for striking workers. One project I helped initiate in Toronto was an autonomous flying squad of community members organized specifically for strike solidarity actions. Another activity I have helped to organize, while doing antipoverty work, has been plant gate discussions to talk with workers and distribute literature during shift changes. My experience as an auto assembly worker taught me that people will readily take a range of reading material to have on hand for breaks.

## Promising developments

In order to move beyond the union/community activist, direct action/mass action dichotomies it is important to learn from real efforts by union members to develop militant action in solidarity with community organizers. Happily there have been important developments that have emerged in working-class political practice in Ontario over the past few years. Unfortunately, these developments have been overlooked and too little remarked upon in recent debates and discussions over the G20 protests. These suggestive projects include flying squads and the Greater Toronto Workers' Assembly.

The flying squad is a rapid response group of members who are ready to mobilize on short notice to provide direct support for pickets or actions. It may or may not be a recognized body of the local. The flying squad structure may consist of little more than phone lists and meetings but, significantly, should maintain its autonomy from the local and national union executives. Generally flying squads should be open only to rank-and-file members since they must be free to initiate and take actions that the leadership may not approve of. Some flying squads refuse even a budget line item so that they are in no way dependent upon leadership. In Canada, flying squads have offered crucial support to direct actions around immigration defense, tenant protection, squatters rights, and welfare support by mobilizing sizeable numbers of unionists who are prepared for actions without regard to legality. Flying squads take direct action to interfere with bosses' abilities to make profits. Not limited in their scope of action by specific collective agreements or workplaces, flying squads mobilize for community as well as workplace defense.

Not coincidentally, the contemporary flying squads in Ontario made their reappearance in several Canadian Auto Workers (CAW) locals in Windsor during the mid-1990s as a mobilization force for actions against the newly elected neoliberal provincial government. The network within

the CAW spread during organizing of the Ontario Days of Action. In the midst of a lengthy strike against Falconbridge mining in 2001, during which picketers were subjected to ongoing violence by company goons and security thugs, members of CAW local 598 initiated a regional Northern Flying Squad to reinforce and defend the lines and step up the struggle against the company. They helped to organize a solidarity weekend that brought flying squads from across Ontario for militant actions against Falconbridge, actions that many consider to have been the high point of the strike.

My union in Toronto, CUPE 3903, inspired by the CAW flying squads and the direct action movements against capitalist globalization, formed a flying squad to support OCAP's direct action casework around immigration defense and welfare support as well strike solidarity and organizing direct actions within mass anticapitalist demonstrations. At its height the flying squad had more than 80 members ready to mobilize on short notice to provide direct support for pickets or actions. Significantly, the flying squad maintained its autonomy from the union executive, refusing even a budget line item. In response to concerns raised by rank-and-file union members that their unions were not doing enough to prepare members for direct actions during alternative globalization protests, members of the local provided direct action training and workshops on forming and developing flying squads.

It must also be stressed that the presence of flying squads has been crucial in the success of various community-based actions, particularly around social assistance and immigrant defense. Clearly government officials, security, and cops respond differently when confronted with a room packed with workers holding union flags and banners than when confronted with a smaller number of people that they are willing to dismiss as activists. Through such actions, the flying squad demonstrates how organizations of rank-and-file workers can step out of traditional concerns with the workplace to act in a broadened defense of working-class interests. The expansion of union flying squads, with autonomy from union bureaucracies, could provide a substantial response to the state's efforts to isolate immigrants and refugees from the larger community. The emboldened aggressiveness of governments in Canada makes such actions in defense of working-class people absolutely crucial.

Rank-and-file committees and flying squads can become important parts of struggles over a broad spectrum of issues affecting working-class community life, including those which the mainstream unions ignore such as housing and unemployment. They can offer spaces for building bridges between workers, across unions and industries and between union and community groups. Autonomous from traditional union structures and organized around militant nonhierarchical practices, rank-and-file working groups and flying squads can provide real opposition to conservatism

within the unions as well. They provide a better approach than the more common model of the “left caucus” which tries to reform union policy, usually, again, through resolutions at conventions (Clarke, 2002). Flying squads are living examples of labor’s vital direct action history.

One of the most interesting developments to emerge in Toronto, and one that has increased its profile since the G20 protests is the Greater Toronto Workers’ Assembly. Initiated partly in response to the economic crisis, the Assembly participants sought to address the constraints of existing movements, including the labor movement, and bridge the gaps that keep elements of the working class divided along lines of race, class, gender, sexuality, but also job sector, workplace, employment, and citizenship status. The Assembly’s aim in solidarity among the working class defined in the broadest possible terms. Members are involved in many of the community groups that helped organize the militant G20 opposition, including OCAP and No One Is Illegal. As well, union members who have contributed to, and participated in, direct actions, have been active members of the GTWA. The Assembly provides an organizational space to get past the gap that exists locally between broad anticapitalist politics and the very specific, particular focus of many community-based groups and unions (Upping the Anti, 2010).

One of the primary concerns expressed within the Workers’ Assemblies has been the isolation of the labor movement and its seemingly growing insulation from the concerns of larger sections of the working class. As Rosenfeld and Fanelli (2010) recall:

As well, we were struck by the unwillingness of the organized labour movement to ally with increasingly isolated and impoverished sectors of the working-class, to link up with community movements, and to address larger social issues. The trade unions were, and still are, mired in concessions, wage freezes, and other kinds of compromises with employers, and a politics of tailing after the social democratic NDP, which was going nowhere—hence the lack of a real fight-back against the crisis.

The First Assembly was held in October 2009 following a series of broad consultas involving participants from a range of unions and social movement groups in Ontario. Crucially, the Assembly decided at the initial gathering that membership would be based on individual membership rather than by group. This has helped to overcome some of the tokenism of alliances and coalitions. It was also decided that membership would be regional, rather than casting a net for support from outside the Toronto area. This would allow for real face-to-face involvement and discourage symbolic membership. As of this writing one assembly had been held in 2011 with another scheduled.

In the lead up to the G20, ahead of the Fourth Assembly, the GTWA joined a range of community advocacy groups to host several events to mobilize opposition to the G20. The GTWA stressed the need to build for the protests with an eye toward longer term organizing that might challenge political and economic elites on a more durable basis (that would not dissipate after the big event was over as has too often been the case). GTWA members state their goals as follows:

To bring together activists within the broad working class movement, to explore the experiences and approaches to struggle that both unite and divide us as a starting point for overcoming divisions and building greater collaboration, exchange, strategic discussion and action amongst us.

To share our understanding of the problems created by capitalism and the current economic crisis and the need to develop alternative visions that challenge the logic and power of private corporations, and the states that back them, over our lives.

To identify and develop concrete strategies and organizational forms of struggle which defend working-class people's immediate needs and lay the groundwork for an equitable and democratic alternative to our present economic and political system. (Greater Toronto Workers' Assembly)

The GTWA currently involves over 250 members and almost 300 supporters (who maintain varying levels of activity). Members come from about 40 community organizing groups and approximately 20 unions or locals. The GTWA has formed committees or caucuses around a range of organizing issues, including campaigns; membership, finance, and outreach; internal political development and education; publications and external political education; culture; labor; and G20 solidarity (Rosenfeld and Fanelli 2010). The early goals have been regular citywide assemblies and discussions have occurred over mutual aid and shared resources such as publications, a website, and eventually a space. Educational fora and discussion series have already progressed and happen regularly, on a range of topics, including movement publishing and analysis of the crisis.

Participants in the GTWA have been clear from the outset that contemporary movements in Canada, labor and otherwise, pose an inadequate challenge to state capitalist political, economic, and social systems. While movements have been inspiring, and at times impressive, their capacities for struggle have come up short against powerful opponents. The GTWA stands as one attempt to address, and move beyond, those shortcomings. It makes an appeal for a new politics, with new organizational structures and infrastructures. As Rosenfeld and Fanelli (2010) suggest:

Seeking to move beyond coalition and network politics the Assembly is an organization that individuals belong to without giving up their membership and allegiances to community organizations, unions and left groups. We are committed to developing our understanding of what we're up against, who our potential allies are, and to organize and act in new ways that will take us from a politics of resistance to emancipatory alternatives.

The GTWA is attempting to transcend the divide between mass action and direct action, between labor movements and militance. Members seek a renewed labor movement that is democratic and participatory and which does not eschew practices that challenge state capitalist terms of legitimacy and illegitimacy. Still, the usual challenge, and the big question, remains: "If the assembly process is to give birth to an organizational force capable of challenging the hegemony of capital, however, it must surmount the impasse of the old politics of networks and coalitions, as well as business-as-usual unionism" (Rosenfeld and Fanelli, 2010). Interestingly, the GTWA has seen labor activists working alongside and in productive harmony with direct action anarchists, including groups like Common Cause, which have long supported, in an outspoken but critical manner, direct actions during alternative globalization protests. Here is an example of labor and anarchy complementing each other rather than posing opposite ends of a stark dichotomy.

Significantly the politics and practices of the GTWA have resonated powerfully with working-class activists in locales elsewhere in Canada, notably Vancouver, Ottawa, Montreal, and London, Ontario. There is then the possibility for a new form of labor organization that is connected throughout the country. This new politics and new organizing could hunt at a new national labor politics beyond the legal structures of collective bargaining, contracts, and craft or trade divisiveness. Participants are attempting to shift the focus from protest to alternatives.

The capitalist offensives of the past decade in Ontario have broken down working-class organization and resistance. Dismantling employment standards, freezing the minimum wage, eliminating rent controls and deepening cuts to social assistance for unemployed workers have made life more precarious for broadening sections of the working class.

This situation is not just a matter of deep humanitarian concern but a serious warning to the Workers' Movement. If the working class is reaching such a level of polarization and a section of it is experiencing such misery and privation, we are in a profoundly dangerous situation. (Clarke, 2002: 1)

Many workers are becoming tired of engaging in struggle only to find themselves under attack, not only by politicians and corporations, but by

the officials of their own unions. The questionable positions taken publicly by union spokespeople have convinced some grassroots activists and rank-and-file workers alike of the need to make end runs around the union officialdom and develop alternative projects directly. Certainly this is a healthy development, one which we must take seriously. For activists this means meeting with rank-and-file workers and having serious discussions about what sort of assistance anticapitalist movements can offer in their struggles against conservative leadership, policies, and structures in their own unions.

## Conclusion

If alliances, coalitions, and organizations are to develop and thrive on a more durable basis it is important not to paper over differences and divergences and instead to have honest, open, and critical analysis of challenges and obstacles to building movements that might be capable, not of criticizing or complaining about neoliberal regimes, but, of stopping them.

In expressing fidelity to the “rule of law” what is really being affirmed is fidelity to the state and to the bosses. Any union that expresses fidelity to the rule of law must be responsive to questions. To do so is to negate the rich history of the working-class and labor movements. For much of its history, right up to the present, the union movement has been “against the law,” its actions criminalized, its organizers arrested and worse. Anyone who’s been on a picket line when it really mattered should know how to take the “rule of law.” Would CUPE-O have sided with the rule of law against the sit-down strikers of the 1930s, against the Windsor strikers of 1945, the Mine Mill strikers of 2000–1, against the various general strikes? What about the recent factory occupations? Siding with the rule of law really does make clear “which side you are on,” to answer one of labor’s ancient questions. Union’s that uphold the “rule of law” in the face of employers who steadfastly and routinely do not are accepting conditions of capitulation and defeat. Nothing less.

Indeed it was through the UAW’s 1945 strike against Ford that unions won what would become crucial features of collective bargaining in Canada, including the closed shop and dues checkoff. Notably the strike against Ford climaxed with a direct action in which workers surrounded the plant with vehicles creating a barricade of the facility, several cars deep, that prevented any attempt by the company to access the plant and its materials while preventing the police from reaching workers. This was a show of creative militance, in which union flying squads played a significant part, that remains a compelling testimony to struggles beyond the confines of legal bargaining.

Mass actions are, of course, desirable and necessary. Unfortunately organizers in mainstream unions often draw a false dichotomy between mass action and direct action. What is necessary is mass direct action. And, while numbers are important, they are not sufficient. Large-scale rallies that do little to challenge economic and political powerholders, or give them cause to change course, must be viewed critically. At some point economic and political disruption, imposing a real cost on the political and economic elites who would impose harmful social, political, and economic policies upon us, is required. This is one of the things that the history of the labor movement, and strike action, teaches. So the question is really about how to show the *social power* of the working class, not simply a portion of its numerical strength. Even large-scale protests can be ignored if they do not demonstrate a real capacity to effect social change, as numerous demonstrations against various neoliberal governments in Ontario has shown. This is a lesson that should certainly have been learned by the longtime organizers who crafted the CUPE-O statement.

Even more, union organizers are wrong to assume that rank-and-file members will not engage in direct action, or even prefer it. The frustration expressed by rank-and-file members after actions from Quebec City to Toronto over the lack of preparation for more militant action during mass demos, and calls for greater preparation next time, offer ongoing testimony to this fact.

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## CHAPTER NINE

# The Emerging Paradoxical Possibility of a Democratic Economy

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For the most part, serious scholars and activists have addressed the possibility of progressive change in capitalist systems from one of two perspectives: The “reform” tradition assumes that corporate institutions remain central to the design and structure of the system and that “politics” in support of various “policies” (e.g. taxation, spending, incentives, regulation) will contain, modify, and control the inherent dynamic of a corporate dominated system. Liberalism in the United States and social democracy in many countries are representatives of this tradition. The “revolutionary” tradition assumes that change can come about only if major corporate institutions are largely eliminated or transcended, usually but not always by violence—and in many important theories, notably by a crisis collapse of the system, leading to one or another form of revolution.

But what happens if a system neither “reforms” nor collapses in “crisis”?

My suggestions in this presentation are two:

First, that in contexts of “neither reform nor crisis collapse” very interesting strategic possibilities may sometimes be viable (even in some cases predictable)—and that such possibilities are best understood as neither “reforms” (i.e. policies to modify and control, but not transcend

corporate institutions) nor “revolution” (i.e. the overthrowing of corporate institutions).

Second, that the United States is entering a period in which a situational logic of this kind may under certain circumstances lead to longer term processes that are best described as “evolutionary reconstruction”—and that these may have far-reaching democratizing implications different from reform and revolution.

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Over recent decades since the postwar era, in many areas of truly fundamental liberal concern, scholars have documented long trends that register reform’s decay or (occasionally) stalemating—with limited positive “achievements” best understood as resistance efforts against the more fundamental decaying backdrop. Alternatively such gains often stand as important but unusual historical oddities explainable only by reference to much earlier, extremely unusual historical circumstances. A common experience involves gains that are real but simply do not alter decaying trends: for instance, in 2007, liberals succeeded in passing much hailed legislation that increased the minimum wage from 5.15 dollars an hour to 7.25 dollars an hour over three years. But the “real” (inflation adjusted) minimum wage had been more than 2 dollars *higher* (10.10 dollars an hour in 2010) four decades earlier, in 1968. Even as overall national income quadrupled, the minimum wage had become lower in real terms *after the new legislation* than it had been when John F. Kennedy was president.

The modern trends registering reform’s failing capacity in many key areas are not in dispute: Though there have been specific legislative achievements in defined areas, since the highpoint years of the boom era, both income and wealth trends have become more concentrated; encroachments on civil liberties have increased; environmental degradation has continued as measured by several key indicators (with trend abatement in a handful largely traceable to earlier reforms, and efforts to resist the overarching global warming trajectory marginal at best). At best, too, liberalism appears as an after-the-fact “resistance movement” in connection with war and peace: It has not been able to prevent major wars it opposed; instead its limited achievements have involved efforts to slow down, call back, and resist wars in Korea, Vietnam, Iraq, (arguably) Afghanistan—always agonizingly slow even in its successes. Liberal economic strategy has been increasingly hamstrung by opposition to public spending and demands for tax relief—with stagnation only one of the more obvious and painful modern outcomes.

Perhaps most illuminating of the underlying systemic relationships are key facts related to economic power: over the past three decades the top 1 percent of Americans more than doubled their share of the nation’s income, increasing it from 10 percent in 1980 to 23.5 percent in 2007. Which is to say the bottom 99 percent of Americans saw its income share radically, not

marginally, reduced in tandem. Had the Federal government—instead of the top 1 percent—taxed away this much income (13.5%) from the bottom 99 percent, it would have been deemed an extraordinary outrage. (It would also have amounted to nearly 1 trillion dollars in additional available tax revenues each year.)

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A growing body of social, political, and historical work has suggested many of the underlying reasons for the modern stalemating of reform. Although globalization, new technologies, the rise of the Right are all commonly cited, most important almost certainly is what has *not* been present. It is profoundly instructive to note that previous eras of major progressive change were, in fact, highly dependent on massive, global-scale crises (and their aftereffects). The most obvious is the massive crisis we call the Great Depression, indisputably the permitting condition of the New Deal—and of legislative achievements that had been all but inconceivable before the crisis itself massively (but temporarily) shifted politics. The “outcomes list” of Depression-era progressive gains includes Social Security, creation of the Security and Exchange Commission, the Glass Steagall Act (e.g. the Banking Act of 1933), the National Housing Act of 1934, the Tennessee Valley Authority, and, critically, the Wagner Act facilitating labor union organizing. (Union membership stood at a mere 12% of nonfarm workers in 1929; it rose to 26.9% by 1940.) It is impossible to know what might theoretically have occurred had massive economic crisis not disrupted American politics, but very few serious historians believe anything like this list of achievements would have become reality if prior conventional and largely conservative political trends had simply continued along established lines.

That the “postwar boom” was the essential permitting context for a long list of progressive achievements during the second period of progressive change is also recognized by most analysts. Only a few analysts, however, have underscored the obvious point that the “boom” is inseparable from the conditions created by World War II, the second extremely unusual twentieth-century crisis radicalization of historical context—and that, accordingly, the political developments of the period must be understood in a much larger frame. First, and again critically, World War II made possible the further (temporary) expansion of labor union power—from its 26.9 percent level in 1940 to 35.4 percent in 1945. Second, World War II produced consumer savings that drove a major expansion of the postwar economy. Third, World War II also famously “compressed the income distribution,” which in turn created a further (temporary) source of expansive economic demand based on increased consumption by lower income groups. Fourth, and critically, World War II (again, temporarily) destroyed the nation’s primary economic competitors at the same time it helped build

US domestic industrial power. World War II also accelerated (though it did not create) liberation movements among African Americans and feminists.

Recognition of how very unusual and special was the “postwar boom” context is instructive: It was a brief moment in political time when high economic growth and high tax revenues coincided with the years of twentieth-century labor unions’ temporarily boosted power. Many progressive achievements of this period—including Medicare and Medicaid—are simply not explainable without reference to underlying conditions created by the unusual second large order twentieth-century crisis we call World War II. Moreover, the Korean War, Cold War, and Vietnam War temporarily extended the boom. Critically, the very special conditions of war-related high economic growth and high tax flows obviated and temporarily alleviated social and economic problems—many of which have now returned with great force. The 25 years from 1945 to 1970 were overwhelmingly the most powerful period of economic achievement in modern history.

Viewed in this larger perspective what is of perhaps greatest importance about recent decades is “the dog that did not bark”—Sherlock Holmes famous insight into what was *not present*. In the American case what has been absent is that which was the driving force behind the great periods of reform. Namely, massive crisis (and intimately related aftereffects).

In any serious historical view the most important (apparent) exception to the general rule—passage by the Obama administration of health care legislation in 2010—registers as a historically aberrant and highly vulnerable development. The fundamental structure of the American health system is also, in fact, in large part the product of World War II, of World War II’s direct aftermath “postwar boom,” and of the Great Depression and the political changes it generated. The first crisis created the modern payroll related health insurance system, the second created financial flows (and a political moment) that were the crucial permitting conditions that allowed enactment of Medicare and Medicaid legislation, and the two, together with other changes made possible only by the Great Depression, expanded the labor movement’s political capacity to play a significant role in enactment of the Medicare-Medicaid core of the modern health care system—and to continue as a (dwindling) supportive force upon which all further changes, including those of the Obama era, have depended.

What this largely path-determined pattern tells us, again, is that unusual crises can shift the rule; *but the rule in most areas is one of substantially stalemated reform in connection with the truly major trends.*

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Historians Nick Salvatore and Jefferson Cowie have offered a converging analysis of the challenges facing reform that emphasizes cultural factors. Their argument is that the middle third of the twentieth century is best understood as “The Long Exception”—meaning, broadly, that the main

developmental lines of modern historical experience are anything but liberal, and that moments of achievement are exceptions to a much more conservative and ongoing politically dominant rule.

Related to this are the well-known underlying weaknesses of the American progressive tradition: The profound differences between European historical development and US historical development, racial makeup, large scale, and above all, continued decline of the American labor movement (even as corporate power has increased) offer further reasons to be skeptical of a significant revival of traditional reform strategies.

If the great changes of the middle decades of the twentieth century were exceptional, and were largely driven by the special context produced by the Great Depression and World War II (and its aftermath postwar boom), then what might be the nature and implications for the emerging historical context?

*Of central importance is the radical decline of the most important institutional source of progressive reform capacities—organized labor.* Union membership stood at 12 percent of nonagricultural labor in 1929, largely as a result of changes traceable to the Great Depression and World War II, it rose to 35.5 percent in the mid-1950s; it has since declined to 7 percent in the private sector (12% overall), and appears to be moving toward a point lower even than its pre-Depression 1929 levels. To the degree (as many studies show) that organized labor is key to progressive change in noncrisis modalities in most advanced nations, the prospects for traditional reform are extremely dim.

Equally significant are the reasons why a massive crisis leading either to a revolutionary or a New Deal scale response is unlikely: most important, first, is that the scope and scale of government established by previous progressive political gains, and by military and global foreign policy trajectories, is now sufficiently large so that a full-scale economic collapse is highly unlikely. The critical numbers are straightforward. In 1929 the scale and scope of the reasonably stable government “floor” underlying the economy was roughly 11 percent of the Gross National Product of that time. In 2007 the scale and scope of the government floor underlying the economy was roughly 32 to 33 percent of the Gross National Product that year (and even higher in 2008–10, given that the GDP denominator of the key fraction has been so depressed). Yes, major recessions are possible (and likely); but no, they are not likely to reach the depth and crisis level reached in 1929 and the decade of the Depression. Further, public expectations are now far different than they were in the first third of the twentieth century; no political party can any longer risk presiding over sustained unemployment in the 25 percent range. Finally, even conservatives like Martin Feldstein, Chairman of the Council of Economic Adviser in the Reagan Administration, now understand that some form of major Keynesian solution is necessary in extreme circumstances. (And the Bush Administration,

of course, sponsored “stimulus” legislation 152 billion dollars early in 2008—to say nothing of a 700 billion dollars “TARP” bailout involving large-scale public ownership shares.)

During the first, second, and third quarters of the twentieth century, significant scale military engagements (World War I, World War II, and the Cold War\Korean\Vietnam Wars) were important sources of economic expansion. However, “boom” conditions from this source are also unlikely. In fact, the trend of military spending over the past several decades, though large in absolute terms, has been one of slow decline relative to the very large American economic system. (Military spending averaged approximately 10.4% of GDP during the 1950s, 8.7% during the 1960s, 5.8% during the 1970s, 5.75% during the 1980s, 3.96% during the 1990s, and 3.77% in the 2000s.) The trend, in turn, is driven by the reluctance of the public to sustain “small large wars” at a level large enough to overcome the very large American economy’s underlying stagnating tendencies. Nuclear weapons, furthermore, make massive industrial scale war like World War II (which absorbed 37.8% of GDP in 1944) unlikely. Taken together, such factors imply a slowly declining trend of economic stimulus (relative to the very large economy) as a result of war-related developments.

If neither boom related progress nor crisis collapse New Deal scale reforms (or revolution) are likely, what then?

Paradoxically, precisely because of the reform’s decaying capacities, four “elements of emerging long-term possibility” appear, *under certain conditions*, to begin to offer new lines of potentially expansive change for progressive politics. I have emphasized the words *under certain conditions* both to make clear that the “elements of emerging long-term possibility” are just that, but also to indicate that the degree to which the various forms of change might become significant depends fundamentally on the nature of the stalemated and decaying historical context we are entering—and whether it continues, as appears likely, in a manner that excludes truly massive crises of the mid-twentieth-century scale.

The first trajectory of long-term institutional possibility involves local, everyday experience, and accordingly may also have foundational implications for citizen’s political and democratic cultural development over time. In part for quite idiosyncratic reasons, *in significant part because of severe and growing social, economic, and fiscal pain related to the failure of reform*, new economic institutions of various kinds have been quietly developing just below the surface of media attention over the past several decades. Importantly, all are characterized in one way or another by very American forms of democratized ownership. There are now, for instance, more than 11,000 enterprises that are largely or significantly owned by their employees. (More individuals are involved than are members of unions in the private sector.) Another roughly 4,500 not-for-profit neighborhood based community development corporations are largely devoted to housing

development. An exploding trajectory of “social enterprises” that undertake businesses in order to support specific social missions comprise what is sometimes called “a fourth sector” (different from the government, business, and nonprofit sectors). More than 120 million Americans are members of various forms of urban, agricultural, and credit union cooperatives. Important new “land trust” developments are underway in many cities, an institutional form that develops and maintains low and moderate income housing through new forms of ownership.

As experience with the various democratized forms has become increasingly enriched over time, innovative strategies have also begun to emerge and suggest broader possibilities. In Cleveland, Ohio, for instance, an integrated group of highly sophisticated worker-owned companies, supported in part by the directed purchasing power of large hospitals and universities, has opened a major new vector of urban strategy. In San Diego, California, a comprehensive, community owned development project consciously links individual and collective asset development through a 65 million dollars commercial and cultural complex anchored by a shopping center. The complex, in turn, has begun to develop a range of other social and economic efforts. In most of the developing institutions environmental concerns are also central; many are “green” by design, and increasingly so as time goes on.

Of potential importance for the longer term are, first, that in most instances the new democratizing ownership approaches offer responses (or suggestive directions of response) to economic dislocation and social pain that traditional policies simply have been unable to deal with; second, that in most instances, quite unusual local alliances (including not only progressives, but often local business, labor, nonprofit, and religious leaders) have supported the various new strategies; and third, that in many cases the institutional trajectories have also begun to define (and secure) new supportive measures from local, state, and national policy makers, thereby also beginning to define new directions for potential ongoing and more expansive policy and political action. What is critical is the long, slow, many decade long developmental arc: from the social and economic difficulty *left in the wake of reform's failure*, to experimentation, to ever greater numbers and refinement over time.

The second line of emerging possibility is different. It involves a “dynamic logic” of political anger in connection with financial institutions that appears likely to lead in the direction of modest, substantial, or in the extreme, potentially very large order economic democratization. First, an impressively broad range of analysts—left, right, and center—agree that current financial regulatory strategies are likely to fail, and that further, large-scale financial crises are highly likely. Second, *given the weakness of progressive political capacities*, attempts to improve regulation are all but certain to be porous in the extreme, and subject to insider manipulation.



Third, the pain and anger caused by financial crises has already produced efforts to move beyond regulatory policies in the direction of institutional change: 33 Senators voted in 2010 for a proposal to break up large Wall Street investment banks, and for the first time in history, legislation was approved to audit the Federal Reserve Board. Here the long-term question is obvious: Even if efforts to break up big banks were one day to succeed, the history of antitrust in general (as well as that of modern banking) strongly suggests that over time major banks would likely find ways to regroup and reconcentrate—which ultimately may well pose the question of whether some form of direct public ownership might become the only realistic option.

However, the long-term dynamic plays out, strategies to establish or expand what amount to selectively targeted public investment banks have, in fact, for some time already been quietly developing in connection with small business, energy, housing, infrastructure, and other selected areas. Community development finance institutions have also rapidly expanded in many cities and states; roughly a thousand now exist. (The government also already operates approximately 140 quasi-banks which provide loans and loan guarantees for an extraordinary range of domestic and international economic activities. The Department of Agriculture alone operates the equivalent of the seventh largest bank in America; new green energy financing capacities were enacted in 2009.) In several states—including Florida, Illinois, Oregon, Massachusetts, Idaho, and California—proposals to replicate North Dakota's long-standing and highly successful state bank have been suggested by politicians of various ideological persuasions. The trajectory of exploration is clear; how far it may develop is likely to depend on the intensity of future financial crises, the degree of social and economic pain, and political anger in general, and the capacity of a future politics to focus support for major institutional reconstruction and democratization. That quite radical future efforts to restructure "Wall Street" may gain increasing support from both the populist left and the populist right is by no means impossible.

If the unexpected intensity of public anger at Wall Street in recent years offers suggestive insight into lines of potential longer term development in connection with financial institutions, a very different logic suggests a related trajectory of developmental possibility in connection with health care. Here the first stages of change are likely to be negative and painful, and are all but certain to involve programmatic cutbacks. The first stages, however, are not likely to be the last: over time cutbacks are also all but certain to produce great pain, and also (if the past is any guide to the future) highly publicized stories of accident victims being refused access to hospitals, people dying in the streets, the disabling results of mothers and infants being sent home too early after delivery, and so on. At the same time, increasing costs will continue to undermine the competitiveness of

corporations facing global challenges from companies operating in nations that have public health care systems. Cost pressures are also likely to intensify interest group conflict between insurance companies, hospitals, and other medical providers. Although cost cutting will inevitably impact the weakest individuals and groups first, ultimately there is no way to control costs over the coming decades—*and solve the problems facing contending interest groups other than insurance providers*—without one or another form of public insurance at either the state level or federal level, or both. Any serious analysis of the longer term pressures makes it clear that question of interest is to what extent, and at what pace, the underlying cost problems force development in the direction of democratization over time—either directly at the national level, or piecemeal, state by state building up to a national form at a later date.

The fourth “element of emerging longer term institutional possibility” is quite different. Here what stands out are many little discussed new and traditional municipal and state ownership strategies—along with new pressures that appear likely, ultimately, to force attention to their potential importance in connection with the growing long-term fiscal crisis. One line of evolving exploration involves municipal land development—as, for instance, when cities like Washington, DC, and Atlanta directly capture increased land values created by transit investments through municipally owned land development. Another trajectory involves public enterprises that capture methane from landfills and use it to fuel electricity generation, thereby providing both revenues and jobs; a third involves establishing city owned hotels; in Colorado, Denver Health, a municipal enterprise, transformed itself from an insolvent city agency (39 million dollars in debt in 1992) to a competitive, quasi-public health care system (54 million dollars ash reserves in 1997 delivering over 2.1 billion in care for the uninsured over the past ten years. Older democratization forms range from several thousand municipally owned electric utilities to numerous state venture capital investing strategies that in many areas of the nation include state ownership (and profits from) significant shares of businesses financed with public support.

Other approaches that suggest possibilities for potential future application and possible expansion—especially in the context of increasingly difficult conditions—include large-scale efforts in California, Alaska, and Alabama. CalPERS, California’s public pension authority, has been a leader in helping to finance local community development needs; in Alaska, state investment of oil revenues provides each citizen with dividends from public investment strategies as a matter of right; in Alabama, public pension investing has long focused on state economic development needs, and importantly, in many instances has also facilitated the expansion of employee ownership.

The community, municipal, and state elements of longer term possibility involve very specific institutional patterns and wealth democratizing

practices that offer models of long-standing practical experience that may be drawn upon under certain conditions, and especially if economic and fiscal problems cannot be solved by traditional means. Critically, they do not depend primarily on either of the two central lines of traditional progressive “policy”—namely, various forms of regulation and various forms of tax-supported public programs, both of which face growing political challenges. Instead, the central focus is on maximizing for local public benefit the ownership of various forms of enterprise that have positive implications for various communities of interest.

Municipal and state ownership strategies are the “wild-cards” of the emerging context. In some cities and states, conservative efforts to cut taxes have produced fiscal problems so severe that some mayors and governors have either sold off public assets or attempted to do so. (In Chicago, outgoing Mayor Richard Daley—after already privatizing parking meters and toll collection—has proposed selling-off recycling collection, equipment maintenance, and the “Taste of Chicago” festival.) In other localities, responsible political leaders have resisted this temptation. Although it is impossible to predict with certainty, there are reasons to believe that longer term financial pressures are likely ultimately to force increasing attention on ownership strategies as the only way to bolster city and state finances without increasing taxes—a logic noted long ago by David Osborne and Ted Gaebler in their book *Reinventing Government*.

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Might continuing social and economic pain—combined with the development of practical new institutional experience—one day make possible new paradigms that go beyond current reform models? The financial collapse of General Motors and Chrysler, and subsequent public rescue (and commitment to public rescue) were not unprecedented. Similar problems occurred with regard to Chrysler in 1979–80, Lockheed in 1971, Franklin National Bank in 1974, savings and loan institutions in 1989, the airline industry in 2001, and similar problems are likely to occur in future. In connection with the automobile companies direct public ownership of 61 percent General Motors (with a minor ownership share by the United Auto Workers) became public policy in 2008–9 as a result of very large tax payer investment. In addition, taxpayer investments in military aircraft production indirectly support development costs of major airplane manufacturers like Boeing.

At what point (and under what circumstances) over the coming decades might the development of new democratization practices in diverse local and other sectors lay groundwork for continuing and refining, rather than abandoning, forms of joint public\worker ownership like that established in connection with General Motors and Chrysler? Might the challenge of more powerfully directed, and effective, forms of Chinese industrial policy

ultimately force a reassessment of US practices? Especially, if social and economic pain and public anger intensify?

A central issue involves the question of time, and, again, a perspective that is essentially historical. Under any significant scenario the trajectories of change involving new institutional possibilities are inevitably likely to be long, not short, and this in turn once again points toward evolving tendencies, not simply elections, policy shifts, and momentary legislative variations that do not alter fundamental trends.

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American liberalism, like social democracy in other nations, began with the assumption that a corporate capitalist system, one in which the ownership of wealth was also extremely concentrated could, in fact, be managed in ways that achieved progressive values through two quite distinct strategies. The first of these well-known and well-established approaches is commonly termed “regulation,” an approach that involves both direct and indirect measures (including not only rules and standards, but also incentives and penalties for certain activities). The second approach is sometimes critically but not inaccurately dubbed “tax and spend,” which is to say that the allocation of resources in the system was and is assumed by right to flow first to corporations and individuals, and thereafter must be taxed back to the extent feasible so that government can pay for public services, clean up the environment, help those left out of the system, and so on.

So common and conventional are such principles that few progressives have openly and directly questioned whether the basic assumption underlying each is, in fact, correct, given the realities of America’s quite specific historical conditions. That assumption, as has been clear throughout, is that sufficient political-institutional power can actually be mobilized to make both “regulation” and “tax and spend” strategies work. The argument of this presentation is that this assumption as it concerns certain absolutely critical issues has been only partly true. The power assumptions underlying both strategies not only are faltering and losing their critical capacities, but for quite fundamental reasons *the ongoing realities of the new era appear likely to make this increasingly obvious to more and more Americans.*

The likelihood is one of an eerie form of long enduring, ongoing stagnation, and semistagnation over the coming era, a long-term political-economic environment that may be punctuated by modest upturns, on the one hand, and occasional “Great Recessions,” on the other, but one in which the primary reality is best described as economic decay. Blockages in the political system are all but certain to add to the difficulties, further underscoring the possibility of an extended historical period of ongoing challenges, of substantial unemployment, and of underemployment, of pressure against resources, spending, and taxes, and of steadily growing social and economic pain. Further, given the power imbalances, other stalemates in the

political sphere are also highly likely—stalemates especially in the capacity to regulate successfully, and to allocate resources through appropriation and taxation policies. The underlying difficulties are likely to be further exacerbated by international pressures from competitors like China, by periodic shortages and speculative prices explosions in commodities like oil and certain grains, by financial crises caused either by trade imbalances or further speculative manipulations and maneuvering by large financial institutions

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A long, persistent, deepening period of stagnation and social and economic decay—*but not of collapse, nor of successful liberal pendulum swing cyclical progress*—does not fit well with either of the two major paradigms that have governed traditional progressive thought. The ongoing painful lesson of such an era, quite simply, is that none of the old solutions, liberal or conservative, provide answers to problems of extreme importance. The realities of an extended period of stalemate, stagnation, and long running decay, accordingly, are also likely per force of painful *necessity* to generate more fundamental reassessments, and the exploration of much longer term and unusual alternatives and outcomes that may not easily be compressed into traditional political categories.

*Such conditions, critically, are also likely to continue to deepen the kinds of pressures and dilemmas that have given rise to the various new forms of institutional change, and processes that might best be termed “evolutionary reconstruction.”* And precisely because traditional strategies are unlikely to be able to alter major trends, the era of stagnation and decay is likely to continue to generate ongoing opportunities to nurture a painful, paradoxical, and extremely difficult developmental trajectory open to slowly building a new direction.

In the first instance, more expansive processes of evolutionary reconstruction are simply likely to build upon and extend the various forms of quietly developing emergent and potential institution-shifting change—at the level of local economic institutions, in connection with various elements of banking and finance, in connection with health care, in connection with long established patterns of municipal and state owned economic strategy.

So far the evolving elements and partial elements have only fragmentarily been embraced and only occasionally and sporadically been integrated into explicit political strategy. On the other hand, each line of development has also already begun to develop piecemeal political and policy support in diverse settings. Municipal, state, and legislative strategies to provide technical, loan, loan guarantee, and other backing for new strategies have begun to multiply. Efforts to challenge financial concentration, to establish new public banks, to expand and improve public elements of health care are all well within the framework of long developing political strategy.

Legislation to support various democratized ownership forms has been introduced by several Senators, and so on.

Such policies mainly aim simply to achieve specific gains for specific groups and communities. However, most also move in the direction of quite explicitly altering underlying institutional power relationships. The logic is most obvious in connection with health care and banking. To the extent a public health care option may one day replace and erode insurance company dominance over time, it thereby inherently displaces and reduces the power of that institution. To the extent community banks, targeted public, or cooperative financial institutions take over selective functions either sporadically or slowly at the margins, the institutional power of very large financial institutions is thereby reduced. To the extent significant scale cooperatives, employee-owned firms, and other locally anchored firms backed by supportive public strategies prosper, large corporations are reduced in their bargaining leverage vis-à-vis local city officials. Such public serving, quasi-public, or fully public *institutional* shifts—as conservatives fully recognize—inherently also serve to bolster older forms of progressive politics.

The possibility of a slowly expanding trajectory of pain-driven advances of this kind suggests the direction of a different and unexpected route to quietly building forms of institutional power that also might one day begin to implicitly compensate for the decay of labor union power. Quiet “displacement power” rather than “countervailing power”—and both, of course, also supported by political organizing. The new institutional forms also begin to sketch the possibility of a morally important (and potentially politically inspiring) vision—one that in very practical terms begins to offer realistically ways to think about, and perhaps slowly achieve, a slow democratization of the economy in general, and of the nation’s extraordinary wealth.

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The most important questions inevitably involve the scope and scale of alternative scenarios, and the time dimension of change suggested by the possibilities of the new historical context. The logical options are not difficult to define.

Despite the various tendencies already emerging in the wake of failed policy, it is possible, quite simply, that the ongoing path of progressive politics—either in a more energized version of its traditional form or in a direction that also self-consciously incorporates and integrates new institution building and institution challenging efforts—will nonetheless be unable to offer anything more than a marginal response to the corrosive and decaying tendencies of the era.

Which in turn might simply mean no serious alteration in the long running negative trends and no significant resolution of the deepening problems now confronting the American system.

The era of stalemate and decay might simply continue. . . . Rome declined.

Again, almost certainly, the difficulties of the emerging era are likely to generate further right-wing political agitation, and in all probability at some point a highly conservative government continuing and extending the line of development begun by Reagan and deepened by the Bush era.

The pain of ongoing difficulties might also easily produce violence or a terrorist attack (or both), and with either or both a repressive national response, particularly but not exclusively if a conservative government is in power.

It is also possible that a more dangerous corporate form of state might emerge (though the substantial stability of a nonetheless decaying system is likely to work against emergence of formal systemic change in the direction of an American form of semifascist organization—what the late Bertram Gross termed “friendly fascism”).

Critically, however, the longer term processes at work suggest it is also well within the logical possibilities of the era of stalemate and decay that a reasonably coherent new progressive strategic direction may slowly be developed—one that in its institutional thrust moves beyond but also complements traditional lines of politics and policy.

Such a direction would logically bring together (1) traditional liberal reforms to the extent feasible, with (2) growing populist anger and movement agitation aimed at corporate power, the extreme concentration of income, failing public services, continuing ecological decay, and military adventurism, with (3) an approach aimed at slowly building the new institutional basis of a more expansive democratizing politics capable both of achieving equity and ecologically sustainable economic growth.

Such efforts would likely also converge with a wide range of environmentally inspired, small-scale “new economy” efforts that involve community-building, small business, small cooperative, and other related strategies. New organizations like the Business Alliance for Local Living Economies (BALLE) and the Sustainable Business Alliance have also been quietly developing momentum in recent years. A longer range possibility points to a planning capacity both to achieve stable sustainable communities, and to undergird a coherent approach to reducing unsustainable growth.

The overall developmental trajectory would likely also converge with new forms of activism emerging in response to the painful conditions of the new era. Quite apart from the potential institution-shifting developmental trajectories, there are many other fragmentary straws in the wind, little noted by an underfunded, overworked, and decaying press, that suggest other possibilities: At one level are literally hundreds of quasi-political activist efforts organized around various issue-related campaigns ranging from the hundreds of local living wage campaigns to the Apollo Alliance and the Working Families Party. At another are new, more radical convenings such as one that brought more than 15,000 people to a Social Forum

held in Detroit in 2010 that overwhelmingly emphasized decentralization and cooperative economic themes.

At still another level are opinion surveys that underscore how little the next generation—*the people who will build the next politics*—are concerned with the shibboleths of the old. (Even as Republicans railed away at liberals, charging them with the immorality of “socialism,” an April 9, 2009 Rasmussen poll found those under 30 are “essentially evenly divided” as to whether “capitalism” or “socialism” was a preferable system.)

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It is a commonplace of historical-political analysis that in periods of social and economic pain, times when traditional strategies no longer work, frustration grows and new movements for change begin to develop. Various commentators have suggested the emerging era may resemble the period of great unrest prior to the Populist and Progressive eras; others have likened it to Jacksonian era of the early 1800s; some, to the decades before the Civil Rights Movement exploded; some even to the decades leading up to the American revolution itself.

There is, accordingly, also a more fundamental and more distant possibility to consider, a possibility difficult in all periods of history to assess, or even, for most people, to seriously contemplate. It is that the era of stalemate and decay just possibly may be understood as the prehistory, and forming time, of very different longer term processes of change.

It is clear that the principles underlying new forms of highly decentralized cooperative, community, public, and quasi-public ownership stand as democratizing principles—and what might be characterized as a quietly developing sketch of a partial, more democratized parallel economic system—increasingly in opposition to the extreme concentrations of ownership now dominant in the American political economy. The new forms suggest future possibilities for practical and economically viable approaches even as the dominant structures in banking, health, auto, and other key sectors demonstrate their inefficiencies internally, and their external capacity and indeed interest in blocking positive national change.

There is clearly little to lose and much to gain from building the new institutional directions no matter what; all in one way or another, minimally, help alleviate the growing pain.

Beyond this, as the pain, confusion and anger of the era of stalemate and decay continue, just possibly the quietly emerging new direction might also one day offer both the current and new generation an energizing, pragmatic, and very American challenge to the master myth of our particular form of capitalism—namely, that it is morally acceptable for millions to live in misery, for communities to decay, and for global sustainability to be threatened, while a mere 1 percent at the top continues to capture 23.5 percent of the nation’s income and continues to own, benefit from and control 46 to 49 percent of its productive wealth.





## CHAPTER TEN

# The Social Economy in Venezuela: Between the Will and the Possibility<sup>1</sup>

*Juan Carlos Monedero*

This chapter was published originally in Spanish in *Otra Economía*, volume 3, number 5, second semester 2009. Although with regard to certain details there have been changes since then, the situation described is still essentially the same.

### **The social economy as an economy of participation: The Bolivarian process as an alternative to the neoliberal model**

Without intending to give figures a magic meaning, 10 years is sufficient time for evaluating the economic performance of a country including a case such as the one necessarily faced by the Bolivarian Republic of Venezuela during this decade, what with the demands for trying an alternative during the euphoria and right after that the crisis of the neoliberal model. A decade where the panorama has been a constant aggression wherein Bolivarian Venezuela has been submitted to all the pressures which at other moments in history had done away with governments oriented for change in Latin

America. Venezuela has occupied its own peculiar space in the international context, which is principally due to the fact that it has concentrated attacks from the world status quo, especially from the United States. The Venezuela referred to in the world media because of its Misses, its skyscrapers beside its shanty towns and the Saudi condition of an elite which would conspicuously use the petroleum income that has opened the way for another where the priorities are the *discussion on socialism of the twenty-first century*—and thus the search for a discourse and an economy at the service of the excluded majorities; *Latin American integration*—where necessarily the search for new forms of complement which replace the free trade treaties collides with the North American intent on keeping its sphere of influence; and the *payment of the social debt* in a context of large popular support and demand for national sovereignty.

The neoliberal model has devastated not only the economic basis of a large part of Latin America but has also turned the political systems, the normative basis, social trust, and national self-esteem into ashes. Thus a reinvention need in no case be only economic. The pretension on the one hand of making politics an unpleasant, dirty, and self-interest based field ruled by sinister cliques and which it is best to look at with apathy and distance on the other hand, when economics is turned into a supposed science determined by unquestionable means guided by experts (including *wise* people) and which one must look at with resignation and respect, has given hegemony to an idea which Marx warned was profoundly detrimental: a partial consideration of subjects which are to be determined by the march of each society. It is only by this fragmentation that there can be explained the capacity of the market economy to create a *market society* (Polanyi), that is, the free arrangement which an economy based on the private property of the means of production and on the role of the market makes available when it comes to establishing prices and the quantities of products in order to finally obtain the mercantilization of growing areas of society. The final result is the subordination of growing layers of the population to the increasingly concentrated interests of the valorization of capital, with the scenario of exclusion and inequality which has turned into the *natural* stage curtain inherited from the neoliberal monolith. The understanding of the economy as *political economy*, that is, a relational conception of society which makes the combined consideration of the social areas (economy, politics, the system of norms and culture) obligatory also makes analysis the support of transformation as it makes the results of one comprehension or another evident. Thus it is clear that whoever bets on the primacy of inequality and exclusion is nurturing social conflicts (and not the other way around).

One of the main discourse lines of candidate Hugo Chávez in 1998 referred to a subject of political economy: doing away with corruption, recuperating economic activity in the national interest, removing the national

pact which supported the economic and institutional elites, and paying the social debt, especially with regard to whatever had to do with alimention. Ten years after the caracazo the structural reasons which motivated the people's uprising not only were in force but had also been intensified in terms of unemployment, housing, health, and illiteracy. To demonstrate that the former lieutenant-colonel who had risen in arms against the Punto Fijo model was not one more candidate of the covert system using an antisystem discourse, it was urgent to demonstrate interest in paying the social debt. In the beginning there was no clear ideological line which indicated how to act (in a confused *totum revolutum* there were the economic liberalism of the Third Way, the military authoritarianism of Argentinian Ceresole, Bolivarian nationalism, prejudice against the Cuban model, distance from the socialist tradition, a certain anti-imperialism, etc.), so that the principal line followed was marked by a bland nationalism of the urgency of poverty which allowed the recuperation of the concept of *populismo* increasingly in a derogatory manner as the bet on the global health of the people gained more ground in the public policies of the first Chávez governments.

From the presidential chair at Miraflores Palace there was not much possibility of doing something because of the existence of few tools for change or simply regulatory ones with which the system had guaranteed its consuetudinary power practices. State power is not power all by itself. Thus it was necessary to recuperate the principal economic support of the state in a country producing a single commodity—petroleum—which lacked a fiscal framework. In that urgent policy an alimentation reform was also incorporated which implied both an agrarian reform to face big landholdings and a reform of the coastline to slow down the deterioration of the ecology, the exhaustion of the fisheries, and the foreign exploitation of fish. These battles, which clearly had both national and international consequences on the relations of property and production (to which should be added a presumable *contagiousness effect* on other countries in the region) implied a struggle with the principal actors of the neoliberal model: the powerful countries of the North, the great transnational enterprises, and the national globalized elites. In view of the correlation of forces and bearing in mind that armed struggle was no longer an alternative so that that fight might be successful, the people's participation was necessary.<sup>2</sup>

The first task of recently elected President Chávez was the creation of a new *social contract* which would convoke and allow people's participation to overcome the strangling caused by the neoliberal model. It is not surprising then that the principal concept which is repeated in the constitutional text is participation, which for the first time demanded an unusual presence in the area of the productive forces calling on citizens to reinvent an economic model based on the *social economy*.

A society involved in participation would make the economy, in an almost tautological construct, a *social economy*. That is, an economy

understood as a means of a society for its reproduction and survival. Such a participation—which is defined as *of the people, for the people, and by the people*—determines that one does not understand a statized (nationalized) economy nor a capitalist economy based on private property and the market but rather an economy understood as the democratic field of social reproduction where the market exists as a tool but does not determine a growing proletarianization and pauperization; and where the state is the support for making it march without being its bureaucracy ridden jail. Positively an experimental state at the service of the creation of value in use more than value in exchange.

The abandoning of *political economy* replaced by quantitative, deductive axioms without empirical evidence during the neoliberal hegemony sets down the basis whereby references to social economy create a “cognitive mark” which connects the concept to a subordinate, marginal, less efficient, and ideological part with regard to the mainstream *economic science*. In order to overcome this conceptual limitation Professor Coraggio has presented a definition of *economy* as:

[T]he system of INSTITUTIONS, VALUES, AND PRACTICES which A SOCIETY IS GIVEN so that its members and the whole society are found in the social division of global labor, organizing production, distribution, circulation, and consumption of goods and services in order to realize the social-natural metabolism (exchange of energy between men in society and the rest of nature) so as to satisfy the best way possible (amplified reproduction of life in each historical moment) the needs and the legitimate desires of ALL the members of that society (including the future generations).<sup>3</sup>

The requisite for being able to commence these reforms implied a constitutional reform much more ample than the previous legalization/constitutionalization both of the neoliberal model and of the Punto Fijo pact which had created a state with declining public space, without any real confrontations, which was univocal and paternalist. We insist that it is not possible to understand Venezuela of the past 10 years without the profound deterioration in which it fell during the so-called Fourth Republic, especially since the late 1980s. Venezuela, as understood abroad, was free of the military dictatorships of the 1970s, which had a consolidated democracy with regular elections and partisan pluralism, which belonged to those select political clubs of a European cut called international socialist or international Christian democratic and which was part of a stable picture which appeared not to be gainsaid by any reality. But in 1996, 65 percent of the Venezuelan population was poor, between 1970 and 1997 the workers saw half their income had disappeared, and the GINI coefficient showed that inequality put Venezuela below South Africa and Brazil.<sup>4</sup>

## The constitutional bases for a social and people's economy<sup>5</sup>

One of the key impulses for the constitutional reform which brought President Chávez to the government in 1998 was the setting of the juridical bases for the creation of an economy which surpassed the social limits of the capitalist system. As the Constitution would soon state, civil and political rights are also social, and it is precisely on this integral comprehension which the possibility of building an alternative to the capitalist system would obtain.

In the preamble the will to advance toward noncapitalist formulae is clear. The preamble together with Article 2<sup>6</sup> constitute the fundamental bases not only of the Constitution but also of all public action which the country has exercised since the year 1999.

This way values such as a democracy which is participatory and protagonistic (an adjective whereby there is the intention of working toward the people's directing of the democratic process), as well as independence, peace, solidarity, liberty, equality, and the common good, among others, govern the development of the whole process, project, and/or movement which tries to change the social, economic, and political reality of the nation.

The "people's economy" or "social economy" is included in these principles. They aim to break with the paradigms of exclusion which were consubstantial to the Fourth Republic. In this sense and with the purpose of opening the road toward the effective participation of the people in national development, Article 70 of the Constitution expresses the postulate that the forms of economic participation which the people have are "self-management, co-management, cooperatives in all their forms (...) and other associative forms guided by the values of mutual cooperation and solidarity."

These legal roads opened by the Constitution for economic participation by the people are converted to the principle of a constitutional chain which aims at the establishment of an economy with social and not individual characteristics (private property yet clearly being guaranteed). For instance, in Article 87 the right to a job is affirmed while there is an attempt to adapt all corresponding measures so that people will have access to a job which permits them to live with dignity. This way the support and protection of comanagement, self-management, and cooperatives are converted to a measure which tend to guarantee that every citizen work and therefore can live with dignity.

Now then, the world, despite the economic crisis which burst out in 2008 is still mounted on the globalizing wave of a neoliberal character which attempts directly against any economic project which understands

sovereignty as the conversion from market values to the values of civil society. Before this ensemble which tries to undermine the bases of a state which deems itself sovereign, Article 112 expresses that, although there is the impulse and promotion of private initiative, “the Venezuelan state has the vital role of regulating the economy with the purpose of promoting the development of our nation.”

Getting deeper into the regulatory character, the impeller and protector of the state for the “people’s economy,” Article 118 manifests that “[t]he state will promote and protect these associations [cooperatives, savings banks, and other associations of social and participatory character] destined to improve the people’s alternative economy.” With this legal arrangement one can clearly observe the relation existing between the present juridical order and the new model of a people’s economy.

Perhaps the most terrible obstacle to a long-term construction of a worthy social life has to do with the deterioration of the environment transformed by capitalism into one more commodity. At the opposite extreme the social economy and the ecological movement are a whole, it being impossible to speak of a harmonious development without comprehending the importance of the conservation of the environment and the survival of mankind.

For this reason the Venezuelan state, as the expression of a new and *revolutionary* state, has undertaken the protection of the environment as a constitutional duty. In Chapter IX of the Constitution (Articles 127 through 129) which verses on environmental rights the obligation of the state and the citizens to protect the environment with an end to assuring the sustainable development of the Republic is openly manifested.

As it is an advanced constitution, the Bolivarian supreme charter incorporates the municipality as one of the most important places for the development of the people’s economy. With the purpose of advancing in the process of decentralization and giving greater participation to citizens, Article 184 in its numerals 3, 4, and 5 establishes that the municipalities are to promote the following:

- 1 Participation in the economic processes, stimulating expressions of the social economy such as cooperatives, savings banks, mutual funds, and other associative forms.
- 2 The participation of working men and women and communities in the management of public enterprises through mechanisms of self-management and comanagement.
- 3 The creation of organizations, cooperatives, and communal enterprises of services as sources for generating jobs and social welfare favoring their permanence through the designing of policies in which they can participate.

The definition of the Venezuelan socioeconomic regime in Article 299 opens the door to a new national system in which the values of competition and individualism are surpassed by those of social justice and solidarity but still bearing in mind that the best manner to reach national development harmoniously is being productive and efficient.

An essential theme for the edification of the alternative economy which is being developed in the country is the *latifundio* (big landed property) and rural development. In unison with that and, aiming at tackling these subjects so important for the economic development of the country, the Constitution states in its Articles 306 and 307 the need to promote an integral rural development, agricultural activity, and the optimum use of land; in its turn, with an end to initiating the democratization of the land, the *latifundio* is declared “contrary to the national interest.”

Article 308 is linked to Article 118 as it establishes the will of the state to protect and promote alternative associative forms, thus affirming the will to change the neoliberal system which has been implanted in the country. The article affirms as follows:

The state will protect and promote small and middle sized industries, cooperatives, savings banks as well as the family enterprise, the microenterprise and any other form of community association for labor, savings, and consumption in a regime of collective property with the purpose of strengthening the economic development of the country sustaining it in people’s initiatives. Training, technical assistance and opportune financing will be assured.

Finally, it is necessary to mention the qualitative leap which has been given in legal matters regarding the promotion and protection of people’s industries and craftsmanship enterprises. They enjoy the “special protection” by the state and the laws of the Republic as they try to stress both knowledge and cultural practices of the diversity of peoples and ethnic groups which dwell in our territory.

## **The reinvention of the role of the state in the social economy: The missions as public policies with people’s participation**

We have seen that the economic performing of Bolivarian Venezuela is very much linked to the political avatars in an area which, even before the Americans and Soviets divided the world into spheres of influence in Yalta and Potsdam, was already considered the backyard of a US turned empire. In fact the role of Venezuela as a liable supplier of fuel at a good price and



quality for the United States has been fundamental since the first years of the twentieth century especially since the role played by Venezuelan fuel in the war against Japan and at the high point of American industrialization since the 1950s.

The impulse of the so-called missions was linked to the recall referendum which the opposition put in motion to take President Chávez out of the Palace of Miraflores in August 2007, the basis for which was Article 72 of the Constitution (which permits with only 20% of the electorate's signatures the continuation of any public office). As President Chávez himself recognized in August 2007, the missions were a suggestion of Fidel Castro's as an answer to the real fact that it was not enough to conquer the state to conquer power. The memory of the Fourth Republic was too intense, and the sociological fourth republicanism pervaded the state apparatus in an absolute way. The intentions to use the public administration to pay the social debt in education and sanitation were answered by civil servants long established in the state structures with a reverberating *no*. If Venezuelan doctors were not willing to *go up the hills* (of the shanty towns), it was necessary to find alternatives. If the school teachers would not answer social needs, it was necessary to resort to other formulae. If the economic administration organs had no answers for over half the population, it was necessary to find other mechanisms. A sort of parallel state with people's participation was put in motion. The answers required were found by resorting to the organization of the people and in some cases to help from Cuba (which, like any other country, exported what it was competitive in). Around 18 thousand Cuban medics as well as a strong social impulse began to fill in the traditional holes of the Venezuelan state. The *Misión Barrio Adentro* (the so-called Into the Slum Mission) led medics and medicine to the hills; the Robinson Mission brought literacy to the rest of the Venezuelan population (thus accomplishing beforetime, as the United Nations recognized, one of the goals of the millennium); the Ribas Mission increased elementary schooling; the Sucre Mission incorporated into higher education those sectors which had been left outside of the system; the *Misión Vuelvan Caras* or About Face Mission aimed to build an associative cooperative social tissue raising the number of cooperatives from 762 in 1999 to 69,231 in 2006 and to 184 thousand registered by 2007<sup>7</sup> and collaborating in the diminished unemployment from 16.6 percent in 1998 to approximately 8 percent in 2008; the Negra Hipólita Mission assisted children living on the street; the Identity Mission granted ID cards to those to whom civil existence had been denied (something which boosted notoriously voters' registration); the Mercal Mission created a network of subsidized foodstuffs in which 60 percent of the country's population participates.

The missions are an essential element for understanding the Venezuelan social economy since they incorporate three great characteristics: (1) the incapacity of the inherited state to be concerned about the social debt (with

obvious failures during the first five years when it was time to eradicate illiteracy with the apparatus of the Ministry of Education; with the refusal of doctors of the public system to include serving in the hills where the poor sectors are concentrated; or with the severe difficulties of the Ministry of Labor to boost employment—to cite just three examples; (2) the involving of sectors of the population concerned with the solution of their own problems at a moment of strong social *mystique* (those moments when, according to Hirschmann's expression, collective action is more important than private interest); (3) the role of the state to empower the people—during a first phase—and to later be financier and orienter of self-management processes. The NUDES (Núcleos de Desarrollo Socialista, that is, Socialist Development Nuclei), processes of the self-management of enterprises, the boosting of cooperatives, the granting of microcredit, production and social property enterprises, training processes—all these are elements of that renewed *third sector* where the citizenry detect the problem, propose the project and execute it, and the state develops the job of giving the impetus, financing, technical aid, and evaluation, so as to look for an accommodation of relations based on the idea of subsidiarity (whereby a lower level may do what a higher level does not do, but which a higher level follows and does not let allow a localized management to vanish).

The missions were an initial success as opposed to phony solutions. Essential public goods which the Fourth Republic had denied for decades reached the poorest sectors of the citizenry. The novelty of the initiative, the initial success, the people's *mystique* which followed the first moments of this *parallel state* made their recognition most ample. Nevertheless, once that period was over, everything seems to indicate that the missions need, in order to be consolidated, some kind of institutionality which integrates them in a more stable political realm so that it is not sustained by volunteer labor nor by abstract motivation. The role of the state here appears to be relevant and like a guarantee to complete that process (which does not mean it be the traditional liberal state). Nevertheless it has yet to be resolved what the role of the state apparatus in the discourse and the practice of the so-called *socialism of the twenty-first century* is. The experimental state, which follows subsidiarily the self-organization of the people, requires a long phase of installment so that its evaluation escapes short-term estimations.

## Map of the principal Venezuelan missions<sup>8</sup>

**Misión 13 de Abril:** Its objective is to strengthen the people's power through the creation of the Socialist Communes, where, on the basis of the people's power and for the purpose of building socialism, there would be all the other missions.

**Misión Alimentación:** It incorporates as central elements the MERCAL network (with subsidized food) and the PDVAL network (which guarantees the distribution of food). They are supply networks which offer basic food at low prices with no middlepersons and as far as possible resorting to production cooperatives. The saving which MERCAL benefits the population with on an average is 42 percent of what one would have to pay at other retailers' (data from MINCI). The people's restaurants are also included here.

**Misión Barrio Adentro:** The general objective is to guarantee access to health services for the traditionally excluded populace through a model of integral health oriented toward the obtaining of a better quality of life. It has several phases in the barrios including general medicine, centers of general diagnosis, clinics, and hospitals. Initially it functioned with Cuban medics although more and more Venezuelan medics have been incorporated.

**Misión Che Guevara:** It replaced the Misión Vuelvan Caras (About Face Mission). If the latter concentrated on the creation of cooperatives, Misión Che Guevara concentrates on educational and training tasks. It aims at developing a plan of studies to create ethical-moral consciousness through transversal training, that is, the application of an ethical-theoretical program *pari passu* with a program emphasizing socioeconomic production.

**Misión Ciencia:** It is directed toward the modeling of a new scientific and technological culture which has an approach toward a collective organization of science, a dialogue of knowledge, integral development, interdisciplinarity, and the participation of diverse actors in the area of the scientific and technological development of the country with the purpose of reaching greater levels of sovereignty. One of its ends is to incorporate the massive incorporation of social actors with the intensive utilization of knowledge through economic, social, academic, and political networks for endogenous development and Latin American integration.

**Misión Cultura:** The objective of this mission is to consolidate national identity marked in the process of decentralization, democratization, and access of Venezuelan culture to the masses. It intends to potentialize institutional synergy to stimulate community participation, guarantee the access of the masses to culture, to provide the diffusion and creation of cultural manifestations of the people's and community sectors establishing the participatory building of the patterns of the valorization of culture. All this will establish an innovative system of protection of the cultural patrimony and national identity. It comes forth together with Simón Rodríguez University.

**Misión Guaicaipuro:** It is created in order to reconstitute the rights of the aborigine peoples and communities of the country. The general objective

is to restitute the rights of the aborigine peoples in accordance with the Bolivarian Constitution of the Republic of Venezuela.

**Misión Habitat:** Its goal is to include the inhabitable areas, to give answers to the problems of families and communities not only regarding construction work but especially regarding the development of the habitat and to begin to raise projects of integral urbanism which include all services, from education to health. Another one of its objectives is to evaluate grounds to be destined to the building of Self-Sufficient Endogenous Housing Developments.

**Misión Identidad:** It is a program which in just a few minutes grants an ID card both to Venezuelans who up to the moment do not have one (and consequently cannot exercise many of their rights because they are not included on any official list) as well as people who in accordance with the law have already acceded to Venezuelan nationality due to their long years of residence in the country.

**Misión José Gregorio Hernández:** This mission will finish its first phase, during which a census will be taken of all people with a genetic deficiency or illness and has thus far included 873,300 people in the states of Miranda, Delta Amacuro, Zulia, Barinas, and part of the District of the Capital. The mission has been named after a medic considered “the people’s doctor” for his self-denial while exercising this profession.

**Misión Madres del Barrio:** Its objective is to support housewives who are in dire need so that they and their families can overcome the situation of extreme poverty and get prepared to get out of the poverty in their community through the incorporation of social programs and missions, community accompaniment and the granting of a monetary income.

**Misión Milagro:** Operation of ophthalmologic pathologies free of charge for citizens of lesser economic resources. It began in July 2004 as part of the agreements between Cuba and Venezuela. It originally benefited only Venezuelans, but now it includes other countries in Latin America too.

**Misión Negra Hipólita:** Directed toward fighting criminal risk situations as well as helping all children on the street who suffer from poverty. Its objective is to coordinate and promote everything related to the integral attention for all children, adolescents, and adults living on the street, pregnant teenagers, people suffering from deficiencies, and senior citizens in a situation of extreme poverty.

**Misión Piar:** This mission matches directly the Integral Plan of Sustainable Development in the Mining Communities with the purpose of dignifying the quality of life of small time miners by stimulating a rational and organized use of resources in accordance with the environmental norms.

**Misión Ribas:** It's an educational program which the government has been developing since November 2003, and its goal is to include all those people who have not been able to get a secondary school degree; it benefits those citizens who, regardless of age, want to finish their secondary school studies after the conclusion of their elementary school course.

**Misión Robinson I:** It is a mission which has fully realized its objectives—as UNESCO has recognized—which was to teach Venezuelans scattered over the whole country how to read and write.

**Misión Robinson II:** Its objective is that its participants be approved up to the sixth grade of elementary education and to guarantee the consolidation of basic knowledge acquired during the literacy campaign and to offer other opportunities for training in various professions. Misión Robinson II is supported by the “I can do it” method—started in Cuba but with adaptations—which uses TV, video classes, and support leaflets as an educational strategy. It supposes the continuation of Misión Robinson I after it became a success.

**Misión Sucre:** It is an initiative whose object is to potentialize institutional synergy and community participation to guarantee access to university education for all who have a secondary school diploma but are not yet adequately prepared for the university and to transform their condition of people who have been marginalized from higher education.

**Misión Zamora:** Its objective is to reorganize land tenure and the use of idle lands that could be used for agriculture to eradicate the *latifundio*. It's a constitutional objective included in the revolutionary process which Venezuela now lives to reach equality and social equity in conformity of Article 307 of the Constitution of the Bolivarian Republic of Venezuela.

## **Lights and shadows in the Venezuelan social economy**

The recuperation of the economy with the impulse for petroleum has achieved constant increases in the index of human development—already indicated—as well as significant advances in the struggle against poverty (total poverty was reduced between 1998 and 2008 from 50.4% to 31.5%, and extreme poverty from 20.3% to 9.1%). Those social accomplishments are held under three great headings: the policy of supporting the real wages and the increase of employment; the direct or indirect transfers of income to families through those participatory public policies known as missions—which, as we have seen, include sanitation, health, and social security; and the creation of the political, juridical, social, and economic bases for the

transition toward food and production security (something which requires more time to be consolidated). To resort to a less problematic index, we can see that between 1998 and 2007 the GINI Index went down in Venezuela from 0.49 to 0.42 with a constant reduction of inequality in the country. (See Figure 10.1).

The advancements in the improvement of the standard of living of Venezuelans in the past ten years are also demonstrated in the index of human development which the UNDP has developed. (See Figure 10.2.)

But it is important to point out that these transformations have occurred without being involved with private property. The transformations of the Venezuelan economy can be reserved in the relations of property and also in the relations of production. Only indirectly do the *great movements* necessarily give us the keys to the evaluation of the development of the social economy. The indicators of welfare are considered with reference to the social, political, and economic structures of the countries of the North and are difficult when it's a question of measuring another type of public policies which have clear-cut effects on the welfare of the population (as is the case of the missions in Venezuela).

The recuperation of PDVSA after the so-called petroleum sabotage of 2002–3 has allowed the investment of the surpluses of exploitation in the social economy although the functioning of the company itself is still that of a state company which operates in a capitalist market such as the petroleum market. And it is equally important to point out the weight of what has been called a rentier mentality typical of a country which built its state thanks to the appropriation of the petroleum royalties at the beginning of the twentieth century.<sup>9</sup> This rentier mentality makes the transformation of Venezuela into a productive company difficult. Petroleum plays the role of a natural magic-maker which enriches the tissue of the system without any visible effort—the Lafargue promise to the right to laziness—besides which it allows the reduction, at least perceptively, of the conditions for exploitation as surplus value is brought out through the sale of hydrocarbons. And that's what also explains the constant effect of the so-called *Dutch disease*, that is, the growth of imports motivated by a one product export model which winds up generating great price-raising and the failure of domestic production (always pressured by the lower importation cost).

Thus that which allows the financing of self-management and of the redistribution of opportunities is also going to pressure the efforts of self-management or the models of endogenous development to low complexity levels, with considerable difficulty to take off on their own once state support is over. The rentier mentality in Venezuela is inseparable from the current luck of social economy for the absence of an entrepreneurial, labor, and unionist culture permeates the whole society which is largely motivated by the keys to a consumerist society. The analysis of the social economy in Venezuela has shown greater signs of advancement legally

and rhetorically than concretely, which does not mean that most relevant advancements in the economic sphere—which have been translated into an evident improvement of the quality of life of the Venezuelan people—cannot be harvested.<sup>10</sup>

A first approximation gives us the picture of more than 2 million people who stopped being poor between 1999 and 2007; the rate of unemployment had a 9.5 percent decrease; formal employment went up from 53 percent to 56.8 percent, and informal employment went down from 47 percent to 43 percent; 845 thousand new retirees have been incorporated into the social security system, thus surpassing the million mark. There is a coverage of over 13 million people through the Alimentation Mission with MERCAL and PDVAL. There are 4 million students at the basic education level who are being fed for free at school through the School Feeding Program. In 2008, 3.4 million people had been graduated through the education missions, and 1.1 million people were studying at them. Likewise, the increase of the population which attends the education system at its preschool, basic, secondary, and higher levels is evident. Regarding Barrio Adentro mission health has been brought to the poor in their own neighborhoods. The same can be said regarding people's housing and urbanization, thus contributing to the occurrence of certain diseases, and especially to the reduction of infant mortality. By 2008 the Barrio Adentro medical offices had 313,249,337 visits. Social expenditure as a reflection of that intervention had increased from 47.9 percent in 1999 to 59.5 percent in 2008, which was made possible by a constant increase of the gross national product for more than 20 semesters once the so-called petroleum sabotage of 2002–3 was overcome.<sup>11</sup> (See Figure 10.3.)

One of the effects of the sabotage was that the unemployment rate went up from a 16.2 percent rate in 2002 to a 16.8 percent rate in 2003. The rate of informal employment at 51.4 percent in 2002 went up to 52.7 percent in 2003. The highest rate of unemployment was registered in February 2003 at 20.7 percent. Nevertheless, and despite the world economic crisis, Venezuela in 2008 kept its unemployment rate down to 7.8 percent, going in the month of September 2008 up to 8.4 percent (to be contrasted with 16.1% in 1999 when Chávez becomes chief of state). (See Figure 10.4.)

There must also be pointed out the increase of agrarian surface, one of the central elements of the model of *endogenous development* which aims at stimulating self-employment and at the same time reaching food sovereignty. The organizations of the so-called participatory or people's power are fundamental for the increase of these figures since a large part of the recuperation of the agricultural and agro-industrial processes, although still insufficient, are stimulated by the presence of the missions which emphasize the social economy, combined in different variations with the policies

of microcredit, the Agrarian Communal Councils, Agrarian Communal Banks, the Land Act, and yet other forms of control and management of the means of production called *Socialist Economy*. The NUDES, that is, Nuclei of Endogenous Development, are one of these last examples and consist of moving the social economy of the people's self-organization model toward the creation of the communes (unified systems of territorial-residential communal councils which belong to the geoeological and production ambit). Thus the About Face Mission and also the 13th of April Mission were enormously important as they articulated political and economic affairs in self-sufficient social networks. In the words of Minister Elías Jaua About Face is the "mission which unites and culminates the education and social processes of the ensemble of the participatory missions of the Bolivarian government as it incorporates its participants into the processes of local development."<sup>12</sup> (See Figure 10.5.)

It must be acknowledged that the greater part of the lands redistributed did not occur by way of the granting of property but rather through agrarian charters, which allows the state to have the last word, evaluate each case, and, if such be the case, revoke these or those cases.<sup>13</sup>

Finally, and despite the difficulties with measuring—with traditional instruments—of the elements of social welfare which the missions taken altogether contribute, it is important to understand that the basis for President Chávez's popularity is the improvement of the material conditions in the households. (See Figure 10.6.)

## Aspects of inefficiency regarding the development of an alternative economy

Nevertheless, and as we put it in the beginning, 10 years after the beginning of the Bolivarian process (named revolution from the official positions with rhetorical endeavor) criticisms have begun to be articulated from inside the process with regard to the economic and social accomplishments of the governments presided by Hugo Chávez just as people have begun to pose questions on the *socialist* character of the model.<sup>14</sup>

As Víctor Álvarez put it during that meeting, the performance of the Venezuelan economy is far from being able to be recognized as *socialistic* each time that the participation of the private sectors in the gross national product has grown during this decade. We've already seen that the tasks of redistribution of income have improved the living conditions of a large part of Venezuelan society, but that hasn't been translated into an increase of the proportion of state participation in the internal product nor—which would allow us to speak of state capitalism—of the participation of the social economy in the ensemble—it hardly increases from



0.5 percent in 1999 to 1.6 percent after 10 years of *revolution*.<sup>15</sup> (See Figures 10.7 and 10.8.)

Along these same lines one could think that there is some kind of correlation between efforts with training and employment in the social economy, which is something the figures themselves deny. (See Figure 10.9 and Table 10.1.)

As Álvarez points out, there is no consistency between the sum total of graduates (957,373) and the 201,733 people working in the social economy. Supposing that all those who work in the sector of the social economy were graduates of the Che Guevara Mission, we would have the paradoxical result that that enormous effort is destined to training workers for the state sector and to a greater extent for the public sector.<sup>16</sup>

It is also worth while pointing out the Dutch disease already referred to, according to which, especially in its Venezuelan version, the position of a country which exports petroleum, together with the will to pay the social debt which the Bolivarian governments have demonstrated, winds up strangling national production—both by the pressures from labor which the petroleum sector creates as well as by the lower costs on a short-term basis through importation more than production, with the equally paradoxical result of increasing dependence on imports.<sup>17</sup>

Due to the impact of the rentier heyday agricultural imports have shown a growing tendency which inhibits and replaces national production. The final result strangles the NUDES with great difficulties for the distribution of production and finally for the return of the microcredit lent.

But not all problems are linked to Venezuela's import condition. It's more difficult to evaluate the inefficiency which in general terms follows the non-petroleum productive model. The luck of the Social Production Enterprises (SPE), now called Socialist Production Enterprises, is an example. Born as enterprises directed to building values in use—and not values in exchange—according to the guidelines of the Hungarian Marxist István Mészáros, they have wound up converted, with a few exceptions, to indirect forms of outsourcing with working conditions inferior to those which would be equivalent to other entrepreneurial figures (for instance, cooperatives).<sup>18</sup>

## Overt conclusions

Bolivarian Venezuela has become a world reference because it has trod all the “puddles” brought about by the neoliberal deluge: it has shown its face to the colossus of the North, obliging the United States to reconsider its agenda in its traditional *backyard*; it has reduced the power of the IMF and the World Bank to dictate economic policies, and it has done so with its own arms (in this case resolving its debts with these institutions besides helping

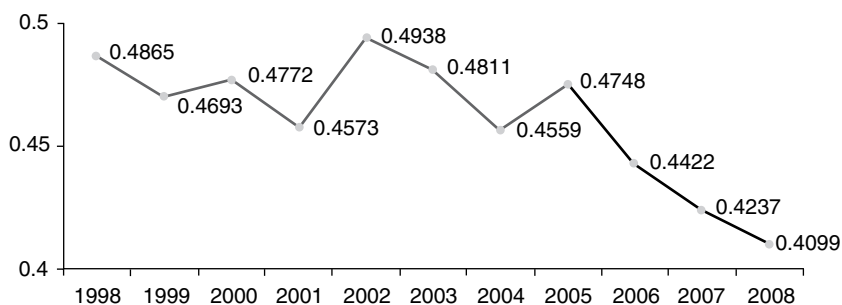
other countries to do the same); it has impelled Latin American integration in a surprising way, giving the South of the continent a regional rank (the Bank of the South), the Union of South American Nations; TeleSur; integration in the MERCOSUR; ALBA (Alianza Bolivariana para los Pueblos de Nuestra América or in English Bolivarian Alliance for the Peoples of Our America) as opposed to ALCA (Spanish initials for Free Trade Association of the Americas); it has called the attention of the Vatican for its frivolity for ignoring the terrible consequences of colonization and evangelization: it has reimpelled OPEC by managing to recuperate prices for petroleum; it has impelled a new geometry of international power (up to the point where the United States, quite ridiculously, has incorporated Venezuela on various occasions to the *axis of evil*); it has returned the word socialism to the political agenda, rejected by the European Social Democratic left in the wake of the fall of the Wall of Berlin; it has become a presence in the world thanks to the loquacity and the *antipolitical* character of President Chávez, which on the other hand is a motive for declassifying him from being *politically correct* in the Western world; this same leader has established the bases for demonstrating that there is the possibility of a peaceful and electoral road toward social transformation, precisely the same one which has not been seen on the continent since the ousting of Salvador Allende in 1973; and finally and perhaps most relevantly, Chávez by getting himself the credit for being deemed a *dangerous governor* by the centers of world power has politicized his people and established the bases for paying the social debt, building a social imaginary of rights which he considers the essential condition to face neoliberal globalization with.

This does not mean that there are no problems in Bolivarian Venezuela. And what's more, the success of the Bolivarian process is sustained by the identification of real problems and not by attributing its own mistakes to conspiracies or sabotage of the many enemies of the process (although it's quite true that conspiracies and sabotage do exist). The whole specter of problems should be identified. To the problems of inefficiency and corruption already mentioned—whose principal responsibilities must be looked for in the weakness of the state—one must add the unengaged behavior of the economic elites with the country. They are responsible among other things for the flight of capital and the lack of productive inversions typical of a rentier bourgeoisie accustomed to making its profits from the political operation of the state apparatus. If the failure of the coup d'état helped to purge the armed forces of a good many of the conspirators; if the failure of the petroleum strike made it possible and logical to fire the higher echelons of PDVSA, which had converted the petroleum company into a "state within the state," these aspects are not sufficient for building a productive apparatus which breaks with a rentier tendency which characterizes all strictly petroleum countries. During a short period there

has been created in Venezuela a *nomenklatura*—popularly known as *boliburguesía* (Bolibourgeoisie)—which has produced inside the Chavista ranks some sorts of elite behavior typical of the oligarchy of the Fourth Republic.

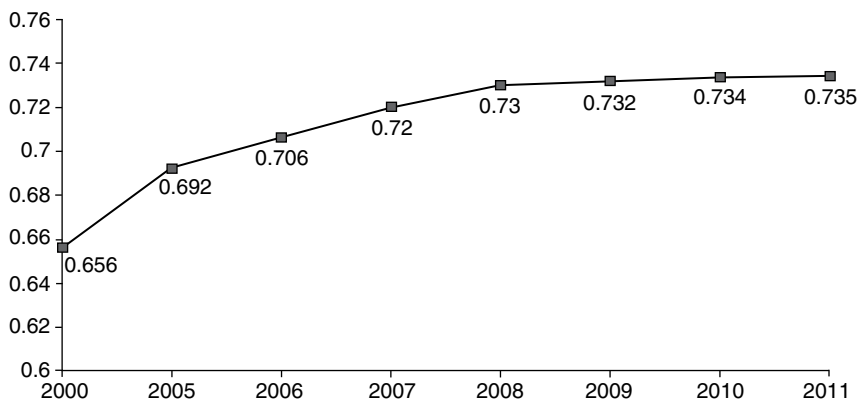
The condition of a democracy constantly besieged has also generated a primacy of loyalty on the efficiency, strengthened by the style of President Chávez's government, characterized by a kind of democratic Caesarism (in Gramsci's terms) which loses that democratic virtue when it reaches lower political levels getting converted to a mere authoritarianism. By the same token the virtue of not counting on any model should have put more interest on theoretical research and technical training so that information on the application of public policies would not be obtained by mere trial and error, which generates high costs. The Bolivarian Republic of Venezuela during these ten years has not been capable of forestalling the rentier condition inherited from the Fourth Republic, the collective view of a wealthy country where to each citizen there corresponds with nothing in exchange for his or her "jet of petroleum." True, imports have grown in an important manner on the one hand through the obvious redistribution of income set in march, which has generated a greater demand for goods, but on the other hand through the difficulties to create a national productive framework both in urban and rural areas capable of facing that growth of demand (without forgetting the aliquot part which corresponds to the internal intentions of destabilization through hoarding and restriction of access to goods).

In conclusion, and as we have been pointing out, the interests in the failure of Venezuelan democracy are many. The inefficiency of the state and the lack of cadres conspire to make problems even greater. But no less important are those factors which constitute a solid leadership, the maintenance of the price of petroleum, and the creation of new political instruments such as the United Socialist Party of Venezuela, which as a whole can make the Venezuelan experience an unusual fact of a democratic building of socialism. Ten years of intentions to build a social economy, beyond the light and the shadows, have a permanent effect: the creation of the consciousness that it corresponds to the people in an organized fashion to take the reins of their own destiny. This generates a scenario of uncertainty—the people converted to a multitude, that is, with the capacity to act politically according to their own criterion—and at the same time of hope for the structures of 300 years of the capitalist system and of 40 years of neoliberalism can only be impeded either by a catastrophe—which would be ecological—or by the collective action of a conscious people.



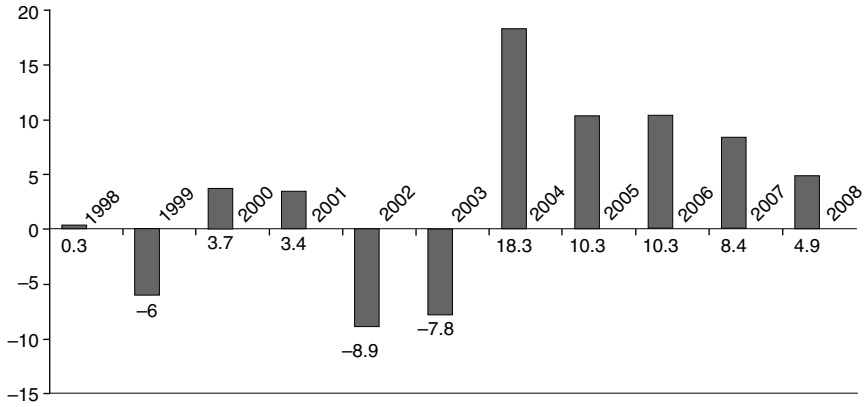
**FIGURE 10.1** *GINI coefficient 1998–2008.*

*Source:* Víctor Álvarez, Bolivarian Republic of Venezuela Minister of Basic Industries and Mining, 2009 (personal correspondence with the author, see note 1)



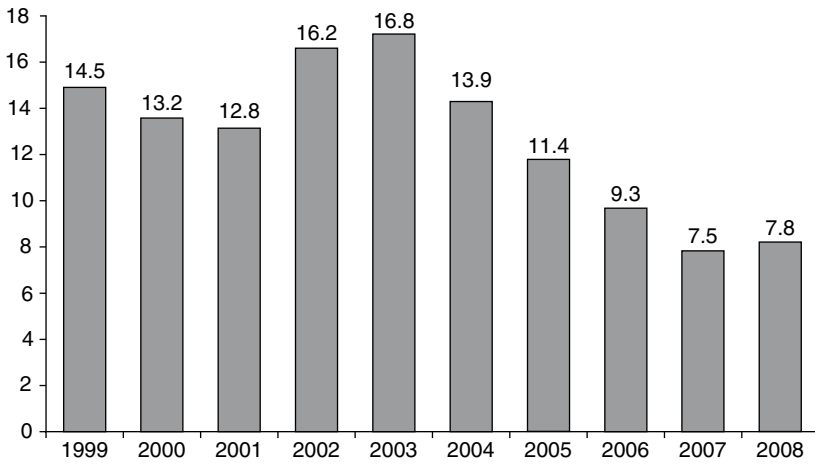
**FIGURE 10.2** *Venezuela's Human Development Index 2000–11.*

*Source:* Human Development Index (HDI) value. Indicators accessed on October 16, 2012 from <http://hdr.undp.org>



**FIGURE 10.3** *Evolution of the Gross Domestic Product (1998–2008).*

Source: Banco Central de Venezuela, Informe económico, several years



**FIGURE 10.4** *Rate of unemployment (1999–2008).*

Source: Instituto Nacional de Estadística (INE)

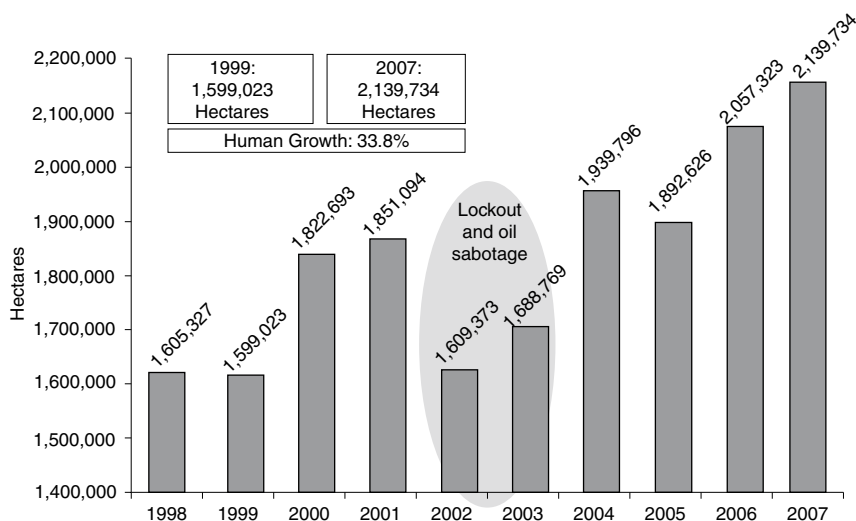


FIGURE 10.5 *Agricultural service (1999–2008).*

Source: Ministerio del Poder Popular para la Agricultura y Tierras, Ministerio del Poder Popular para la Alimentación; Ministerio del Poder Popular para la Planificación y el Desarrollo (April 2008 Report: Logros Económicos)

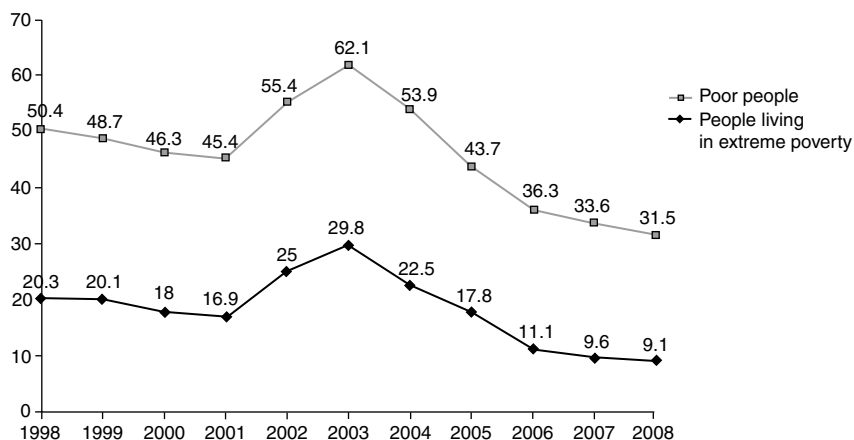
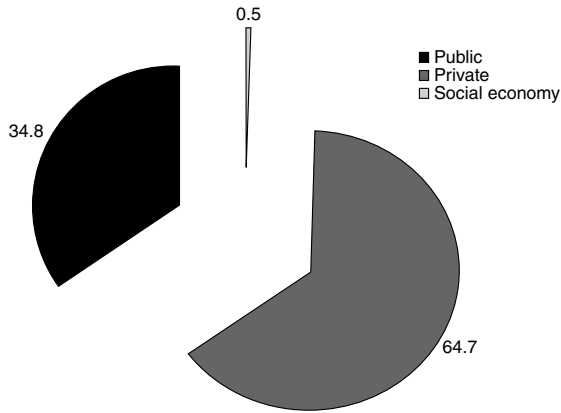
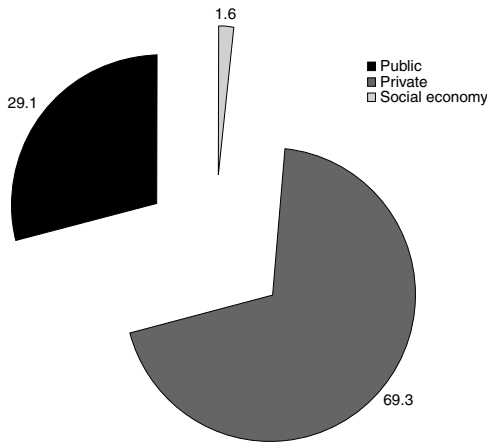


FIGURE 10.6 *Percentage of people living in situations of poverty (1998–2008).*

Source: Víctor Álvarez, Bolivarian Republic of Venezuela Minister of Basic Industries and Mining, 2009 (personal correspondence with the author, see note 1)



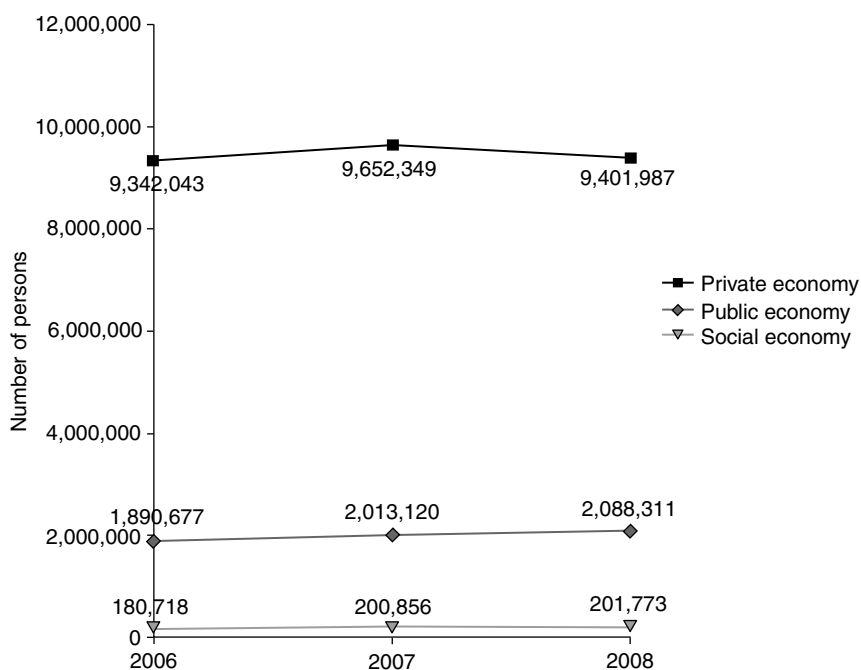
**FIGURE 10.7** *Gross Domestic Product by institutional sectors (in 1999).*  
Source: Instituto Nacional de Estadística (INE)



**FIGURE 10.8** *Gross Domestic Product by institutional sectors (in 2009).*  
Source: Instituto Nacional de Estadística (INE)

**TABLE 10.1** Graduates of the Che Guevara Mission

Year	Number of graduates
2005	264,720
2006	320,928
2007	136,462
2008	235,263
Total	957,373

**FIGURE 10.9** Employees in the public, private, and social economy (2006–8).

Source: Víctor Álvarez, Bolivarian Republic of Venezuela Minister of Basic Industries and Mining, 2009 (personal correspondence with the author, see note 1)

*Translated from the Spanish by José Brendan Macdonald*



## Notes

- 1 My thanks to Víctor Álvarez, who was Minister of Basic Industries and Mining in President Chávez's government, a great deal of whose graphs are incorporated here and which he presented during the debate on the lights and shadows of the Bolivarian process which we had at the Centro Internacional Miranda in Caracas in June 2009. I also want to thank Daniel Castro for his detailed reading of this piece and his valuable comments.
- 2 Wilpert, 2007.
- 3 Coraggio, 2007.
- 4 Lander and Navarrete, 2007.
- 5 El Troudi and Monedero, 2007.
- 6 Article 2 of the Constitution of the Bolivarian Republic of Venezuela: "Venezuela constitutes itself as a democratic and social state of law and justice, which holds as superior values of its legal order and actions those of life, liberty, justice, equality, solidarity, democracy, social responsibility and, in general, the preeminence of human rights, ethics and political pluralism." Available in Spanish at [www.constitucion.ve](http://www.constitucion.ve)
- 7 The problem of official data on cooperatives in Venezuela is proverbial, and to date there are data neither from the SUNACOOOP (National Superintendence of the Cooperatives) of Venezuela nor from the INE. These two organs did a census on cooperatives in 2006 where it was concluded that of the 158,197 cooperatives inscribed only 37,552 were operating. One year later, Juan Carlos Alemán, president of SUNACOOOP, mentioned different information. In 2007 of the 184 thousand cooperatives which had been inscribed 124 thousand were inactive, that is, 66 percent of them. Nevertheless the number of cooperatives (but not of members of cooperatives, which barely reaches 1 million) is the highest in Latin America. This information would indicate a great administrative impulse for the creation of cooperatives but a very small number of cooperative members. See [http://versionfinal.com.ve/galardones/fabiola\\_02.pdf](http://versionfinal.com.ve/galardones/fabiola_02.pdf). A study from the cooperative field itself can be seen at [http://gestionparticipativa.coop/portal/index.php?option=com\\_content&view=article&id=182:cooperativas-en-venezuela&catid=59:cricket&Itemid=323](http://gestionparticipativa.coop/portal/index.php?option=com_content&view=article&id=182:cooperativas-en-venezuela&catid=59:cricket&Itemid=323).
- 8 Information gathered by the author on his own initiative, namely, data on the objectives of the different missions collected on the web pages of the ministries and the entry "misiones bolivarianas" at [www.wikipedia.org](http://www.wikipedia.org).
- 9 Baptista, 2005.
- 10 For the construction of the neoliberal discourse see Monedero, 2009.
- 11 Ministerio del Poder Popular para la Planificación y Desarrollo, 2008.
- 12 Cited by Parker, 2006: 69.
- 13 I owe Daniel Castro this information on agrarian contracts.
- 14 The case that has gotten most resonance was the meeting organized by the Centro Internacional Miranda in Caracas in June 2009, where there were a considerable number of domestic and foreign intellectuals who have followed the Bolivarian process since its beginnings. At that meeting one could hear tough criticisms of the distance between discourse and practice of government administration at the time when one was alerted on the need to further

investigate socialist measures as a requisite for keeping the people's support. Important political actors from the Bolivarian government as well as from the parties and the opposition took positions publicly in this debate—among them the president, the foreign minister, and the general secretaries of the principal parties. This debate can be consulted through “advanced research” on Google under its title which is *Democracia y Socialismo: callejones sin salida y caminos de apertura*.

- 15 Álvarez, 2009.
- 16 Álvarez, 2009.
- 17 Karl, 2007.
- 18 El Troudi and Monedero, 2007.

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## CHAPTER ELEVEN

# Argentine Worker Cooperatives in Civil Society: A Challenge to Capital-Labor Relations

*Peter Ranis*

Contemporary Argentine industrial and enterprise worker cooperatives were essentially born in the run-up to and during the massive popular societal demonstrations of December 2001. They owe much of their momentum to the social and economic crisis that offered little alternative to laborers and employees but unemployment and poverty. Factory and enterprise bankruptcies and employer abandonment of places of work forced the laborers and employees to seek the redress of their grievances. One of the measures to which they turned, inspired by two prominent worker organizations, was the formation of worker cooperatives which are sanctioned by historical Argentine law. Forming cooperatives became only the first step in often long legal, community, and political struggles that gave the workers temporary rights to reenter the factories and enterprises and initiate or continue production and services. What follows is an appraisal of the capacity of Argentine worker cooperatives to maintain alternative norms of producing under capitalist economic constraints while providing an ongoing critique of traditional capitalist modes of workplace organization.

The Argentine worker cooperatives are not movements that have been able to mount a collective insurgency that would inspire one to recall the Paris Commune of 1871. Then workers for several weeks sought to turn factories into democratically run enterprises throughout Paris in the latter

days of the French defeat at the hands of the Prussian armies and the creation of the Third Republic. In those heady days of revolutionary struggle, the Paris Commune was elaborating a plan to turn all of Paris' factories and workshops that had been closed by their employers into an amalgamation of one large cooperative network. Of course, these decisions were made in the context of a revolutionary culture, temporary as it was, that sought to change the organs of indirect, parliamentary democracy for direct worker-led municipal councils, universal suffrage, the right of recall of elected representatives, and a whole host of deep structural changes that were, within seven short weeks, aborted by the administrative, political, and military powers of the national government at Versailles (Marx, 1998). Though Argentina experienced the heady days of 2002 when the watch words were *Que se vayan todos* ("get rid of them all") referring to the economic and political powers that be, the resultant caretaker policies of acting president Eduardo Duhalde and return of a Peronist to office in 2003 restored Argentine "normalcy." The opening for a revolutionary change was, in retrospect, short-lived and the return to liberal politics dampened hopes for a spontaneous proliferation of worker cooperatives.

The Argentine society after the crisis of 2001–2, and particularly after the elections (2003, 2007) of presidents Néstor Kirchner and Cristina Fernández de Kirchner from a newly formed Peronist coalition, *Frente por la Victoria*, has returned to the fold of a liberal democracy and thus the possibility of forms of working-class power, autonomy, or special access have been marginalized. Civil society has always been a contested and troublesome terrain. Workers, though an overwhelming societal majority, have throughout history been unable to achieve political change that offered them advantages befitting their numbers and their contribution to the health and welfare of that same society. This has been amply perceived since the dawn of industrial capitalism. For example, for Hegel, civil society was a combination of the forces of individual desires dominated by economic interests. These needed to be refashioned and mediated by the moral code of the state. As he wrote, "[civil society] . . . is in thorough-going dependence on caprice and external accident, and is held in check by the power of universality. In these contrasts and their complexity, civil society affords a spectacle of extravagance and want as well as of the physical and ethical degeneration common to them both" (Hegel, 1942: 123). Marx, coming out of this Hegelian vision of civil society was among the earliest analysts to fully encapsulate the material nature of civil society as divorced from the principles of political society and the claims of citizenship. In *On the Jewish Question*, Marx depicted the duality of the civil society where bourgeois self-interested motivations predominate and where people behave largely as individuals pursuing their personal and family interests. On the other hand, political society represents the mythic individual in whom community in citizenship triumphs over material concerns. In

the spirit of Thomas Hobbes, Marx saw civil society as predominantly a “war of all against all.” The public *persona* was transmuted into the private aggrandizing individual (Marx, 1978a). In this struggle it has always gone badly for the working class.

## The postrebellion Argentine context

Marx’s notion of “species being in community with other men” falls by the wayside as economic man inevitably triumphs. And high on that list of self-interest is the defense of private property so critical to John Locke’s view of civil society. This became for the Argentine workers their most serious obstacle in recovering the factories and enterprises to which they had devoted many years of their lives. Once in default, the Argentine bankruptcy laws favor the primacy of creditors and the rapid auctioning of the factory or enterprise, its machinery, furnishings, and supplies. It is at this point in the commercial litigation that the worker organizations and their lawyers, representing the locked-out workers, commence proceedings that allow for the worker cooperatives to temporarily occupy the factories in lieu of compensation for lost wages and benefits, since at the time of the auction, as secondary creditors after the primacy of banking creditors, they would be assured often but 5 percent of what was owed them. It is a strategy that seeks to protect the basic property, machinery, patents, and copy rights from the auctioneer’s gavel. The Argentine community of civil rights groups, the residue of the once prominent neighborhood assemblies, the immediate neighbors surrounding the factory or enterprise, assorted groups of unemployed workers who were picketing (*piqueteros*), university and secondary school students, human rights groups and several small leftist political parties have all at one time or another pitched in to lend their support to the workers to prevent their ouster from their jobs and livelihood. The essence of community-based citizenship, that Marx described, becomes the means by which portions of society necessarily come to the aid of workers exercising their essential task of earning a living (Marx, 1978a). This is made absolutely necessary in Argentine society where the balance of interests is tilted so strongly in favor of powerful economic interests with their predominant control over both capital and the state. Thus in Argentine civil society, the prerequisites for and commitment to a just legal and economic order are still so distant that incredible efforts must be marshaled to attain the most minimal rights for the vast bulk of the working class. Marx correctly envisioned that existing civil society would be dominated by production and commerce and that these entities would be the chief concern of the State (Marx, 1978b).

Despite these historical and contemporary obstacles, the Argentine worker-occupied factories and enterprises represent a novel on-the-ground

departure among social movements. They have the authenticity to flourish, embedded as they are in the survival responses of workers and the moral authority of maintaining national production through working-class employment. The 1990s, under the Carlos Menem presidency, had dramatically accentuated the devastating deindustrialization in Argentina that began during the military regime of 1976–83. Within the first several years of his government, the country sold at bargain-basement prices the national enterprises of petroleum, gas, electricity, railways, hydroelectric dams, banks, the subway system, maritime and airline fleets, the most traveled commuter highways, and radio and television stations (Ranis, 2004). Under the aegis of an overvalued dollar-peso parity, foreign investment increased significantly as did foreign imports of all kinds of industrial products. While we witnessed a spiral of Argentine deindustrialization, investments abounded in utilities, services, and the extractive economy. The demise of industrialization had a nefarious impact on domestic enterprises with a concomitant increase of unemployment, poverty, and inequality symptomatic of a dual society (Rameri and Raffo, 2005; Lozano, 2005). The partial financial default of Argentina in late 2001 sharpened these conditions. The collapse of the peso convertibility severely affected smaller firms with higher levels of indebtedness, those that produced for the domestic market but often depended upon imported raw materials and supplies for their production (Kulfas, 2003).

Even the positive growth rates since 2003, averaging just under 8 percent through 2008 (Página12.com.ar, January 23, 2009) have not impacted substantially on 80 percent of the Argentine population. In 2008, 14 percent of the Argentines remain poor, 4 percent indigent, 9 percent of the population is either unemployed or underemployed, and 40 percent of the economically active people survive in the informal, nonunionized sectors of the economy (Página12.com.ar, September 22, 2009 and December 15, 2009). In a country once dense with powerful unions, only the formal sector remains heavily unionized at 20 percent and the bulk of it resides in the public sector (Página12.com.ar, December 20, 2009). Whereas before the advent of the military dictatorship in 1976 the top 10 percent of social strata earned only 8 times the bottom 10 percent, that figure had increased to 35 times in 2006 (La nacion.com.ar, December 21, 2006). In 2009 the top 10 percent of the population earned 26 times the bottom 10 percent. The wealthiest 10 percent held 33 percent of national income, while the bottom 40 percent strata earned 13 percent of national income. Though poverty and indigence have fallen substantially in Argentina since 2002, income distribution continues to be among the most unequal in the world with a GINI index of 0.426 (Página12.com.ar, December 5, 2009). What makes an unjust society is much more about how unequal is its class structure than how many poor people it has. The former is a question of purposeful public policy, the latter a question of resources, geopolitics, and

history. As Marx wrote so poignantly, “the bowl from which workmen eat is filled with the whole produce of national labor, and that what prevents them fetching more out of it is neither the narrowness of the bowl nor the scantiness of its contents, but only the smallness of their spoons” (Marx, 1975: 7–8). In this respect, Argentina is the most unequal country in Latin America, if not the most unjust.

During the Argentine recession of 1998–2002, the societal indicators hit rock bottom. Poverty and unemployment soared to unparalleled historical proportions reaching three-fifths of the population as poor or indigent and a third without full-time employment. The crisis accentuated preexisting patterns and behavior among the owners of small- and medium-sized Argentine industrial firms and commercial establishments. The worker-occupied factories and enterprises did not proliferate in a vacuum. They are a direct result of the Menem governmental policies that allowed workers to be fired and laid off, with limited severance packages, if management could prove to the Ministry of Labor that the firm’s viability was endangered. In essence, Argentine labor flexibilization laws allowed the owners of these firms to reconfigure the workplace to enhance productivity and to restructure their work force based on market rationales (Ranis, 1999). These policies combined with the recession that began in 1998 and the default crisis of 2001, created a miasma in the world of work. Many of these firms started proceedings that would end in default to their creditors and outright declarations of bankruptcy. Invariably, in the cases in which workers chose to occupy their factories and enterprises, there was overriding evidence that the industrial recession was often fraudulently used by the owners to decapitalize their firms, attain millions of dollars in government credits for nonproduction related financial speculation and, ultimately, to deprive the workers of their earned wages as they broke the labor contracts and often simply walked away from the factory or enterprise (Kulfas, 2003: 8–19). As these neoliberal policies deepened in the 1990s, a portion of the Argentine workers seized on the methodology of taking control of factories and enterprises that were being decapitalized by their owners and/or were in various stages of debtor insolvency or outright bankruptcy. Worker-occupied factory and enterprise cooperatives became a clear alternative to unemployment and poverty (Di Marco and Palomino, 2003; Fajn, 2003; Cafardo and Font, 2003; Rebón, 2004; Ruggeri and Palomino, 2005; Ranis, 2006; Vieta, 2009).

## **Argentine worker recuperated enterprises confront the neoliberal system**

In the wake of these abhorrent conditions, two Argentine worker organizations were founded which attempted to organize and motivate workers to



take over their factories and enterprises and then use moral suasion, political pressure, and legal strategies to maintain control over their means of production and provision of services. The Movimiento Nacional de Empresas Recuperadas (MNER) was founded in 2002 and the Movimiento de Fábricas Recuperadas por los Trabajadores (MNFRT) was founded in 2003. Their goals were similar: to create a belt of worker cooperatives throughout the country. Their strategies differed and will be amplified below. Estimates of the number of enterprise occupations vary from as few as about 100 with 8,000 laborers and employees to as many as 250 with approximately 15,000 workers. The wide fluctuations are because some estimates cover factories and enterprises that have been researched and documented and others that have as yet not been documented but are reportedly managed by the workers. More importantly, as the takeover process often is surrounded by bankruptcy filings, prolonged litigation, and occasional municipal and provincial legislative expropriation measures, the definition of a worker-occupied enterprise is dependent upon the author's understanding as to whether the enterprise is fully a stable worker-run enterprise or one still in the process of formation.

The Argentine bankruptcy law permitted, as one alternative, the formation of cooperatives with national, provincial, or municipal government involvement. In May 2002, in the midst of the economic crisis, an important additional reform of the bankruptcy law allowed for the bankruptcy court trustee to rule that workers could initiate production in the enterprise, if a majority of workers so agreed. The law permitted the factory or enterprise to continue to be an integral whole until such a time as the factory could be auctioned off to a new buyer. Obviously, this constituted a very unstable situation among the workers willing to continue production via a workers' cooperative, since they were not guaranteed any priority at the time the factory was auctioned. At this point, the workers, in consultation with legal advisors and the two umbrella worker organizations dedicated to recuperating enterprises, began asserting provisions of the national and provincial constitutions of Argentina that provide for the right to work in any lawful industry, the right to strike for lost compensation, and allows for the expropriation, duly compensated, of private properties on behalf of workers for reasons of the "common good" and "public use" (Briner and Cusmano, 2003: 26–30). In a major victory for thirteen occupied factories located in the capital city of Buenos Aires, the municipal council passed legislation in November 2004 that made permanent the rights of the worker cooperatives to maintain control over their enterprises. The legislation stipulated that the machinery, the trademarks, and the patents belong to the workers. The workers were given three years of grace to begin paying over twenty years, in six month installments, the value of the firm at the time of the bankruptcy, not the enhanced value added by the workers at the time of the expropriation. Prior to this blanket permanent expropriation authorized by

the municipality, there had been individual company expropriations on a provisional, two-year basis in several Argentine provinces, predominantly in the Province of Buenos Aires via its provincial legislature. In the absence of legislative intervention, other cooperatives have restarted production under a judicially arranged rental agreements. This is particularly prevalent in cases where the previous owner has abandoned his property.

Legally sanctioned expropriation avoids the fear of the owner and creditors coming back to make claims on the enterprise. Workers forming cooperatives make the claim that they are owed severance pay, often months of missed pay checks, lack of social coverage, including pension, *aguinaldos* (year end bonuses) and health care (*obras sociales*). Expropriation provides the protection from the creditor demands on the previous owner's debts. Without expropriation, creditors can demand the auctioning of the building and its contents to pay the owed debts. This leaves the workers in the streets with minimum compensation by Argentine bankruptcy law which provides that bank and suppliers are prime debtors and workers as secondary debtors owed but 50 percent of their claims. Once provincial or municipal legislative expropriation is in place creditors must go through the courts to attain their debts. The municipality or province takes charge of dealing with the creditors. In most cases these entities have not provided the public monies to make the creditors whole. Until there is national expropriation law in Argentina, cooperatives continue to seek continuance of grace periods at the municipal and provincial levels.

The great majority of worker-managed enterprises are in the metallurgical (including appliance and auto parts), food processing, meat-packing and allied industries, printing and ceramic establishments as well as, though in smaller numbers, in hospitals, health clinics, private schools, hotels, supermarkets, pharmacies, and other services. A 60 percent of the factories and enterprises are in the capital and Greater Buenos Aires, which have traditionally been the industrial center of Argentina. In a recent exhaustive survey of 156 recuperated factories and enterprises throughout Argentina, in 71 of which interviews were conducted, a team of investigators found that 95 percent of the recuperated work places were cooperatives and that three-quarters of them had 50 workers or less. The overwhelming majority produce for local domestic consumption at levels averaging 50 percent of potential capacity, though some plants do better than others, mainly the metallurgical and food processing sectors. Significantly, the average wage level in the worker cooperatives was 250 US dollars a month which is substantially above average Argentine salaries and 5 times unemployed welfare payments to the *piqueteros*. What is particularly noteworthy is that two-thirds of the recuperated enterprises have histories that date back to the halcyon days of Argentine industrial growth between 1940 and 1970 (Ruggeri et al., 2005). This era of import-substitution industrial national development was abrogated by the military regime of 1976–83

and continued under the weakened state system of the Raúl Alfonsín presidency. It received total acceptance under President Menem and his adoption of the neoliberal model as promoted under the structural adjustment reforms of the Washington consensus.

At approximately the same time period as the Ruggeri study, Julián Rebón has written up his investigation of recuperated enterprises limited to the capital of Buenos Aires. Its data provides a nuanced understanding of the processes and outcomes of the cooperative phenomena as understood and implemented by its worker participants. The underlying message of the study was that the workers, whatever their ideological predispositions and levels of class consciousness, were essentially resisting unemployment to the best of their capacities. It comprised an intensive investigation of 17 of the 26 recuperated enterprises within the city of Buenos Aires. A 62 percent of them were involved in industrial production, with the balance mainly in the service areas inclusive of hotels, restaurants, schools, and health clinics. The majority of the workers were skilled laborers as opposed to technical or unskilled workers (Rebón, 2004). Nationwide, Rebón has estimated that among recuperated enterprises, that there is a mortality rate of about 15 percent, but that is more than compensated by the formation of new cooperatives each year (Interview, July 16, 2007).

The MNER has been led by Eduardo Murúa and José Abelli and the MNFRT by Luis Caro. Between the two associations, the former is more national and is heavily represented in the capital city of Buenos Aires; the latter is more ensconced in Greater Buenos Aires, which includes the surrounding industrial suburbs in the Province of Buenos Aires. In interviews with the three leaders in July 2004, with Murúa in July 2006 and with Caro in July 2005 and July 2006, it became clear that they have much in common in their critiques of the neoliberal economy and the irresponsibility of both the corporations and the Argentine government. They recognize the conundrum of a surplus-labor economy and an increasingly competitive international environment that puts major downsizing and race-to-bottom pressure, particularly on small- and medium-sized capitalist enterprises. The MNER, under the leadership of Murúa, ex-member of the left-Peronist-*Movimiento Peronista Montonero*-makes the connections between the US Treasury, the World Bank, and the IMF as the originating source of the austere, corporate-driven Argentina national economic policy. On the other hand, the MNFRT avoids politicizing the issues and takes a more task oriented, case by case approach that applies various legal and self-help measures to initiate the enterprise recuperating process. Symbolic of the differences between the two worker organizations are their representative slogans. The MNER creates the image of strength through outreach and solidarity by way of “to occupy, to resist, to produce,” borrowed from the Brazilian landless peasant movement—“*Movimiento Sin Tierra*.” On the other hand, the MNFRT, promotes a more pragmatic approach that

focuses on self-sufficiency and autonomy by way of “to work, to produce, to compete.”<sup>1</sup>

As José Abelli told me, “We have destroyed all the rules of economics. We only had human capital. In some recuperated factories we began with only US\$100. In many cases we have tripled to quintrupled the number of workers. Salaries have multiplied by ten times in some cases. We have created a virtuous circle” (Interview, July 21, 2004). On the other hand Murúa has argued for a clear national expropriation legislation that could encompass the 10,000 enterprises that have gone bankrupt and allow the workers a chance at reviving them. Murúa argued that this, along with a moderate subsidy per worker involved in cooperatives from the Ministry of Economy or Labor, would regenerate thousands of jobs. He argued “Workers can produce without capitalists; but capital cannot be produced without workers. Cooperation can supersede competition at being productive” (Interview, July 8, 2006). On the other hand, Caro of the MNFRT expects little governmental support in the way of subsidies and chooses the road of labor sacrifice within the cooperatives during the first few months of takeover while saving the salaries of former managers, who often earned between ten and twenty times the wages of the average worker.

For Caro, it is of crucial importance to maintain the Argentine factories and enterprises in operation. If the factory is abandoned or sold as property without the workers, the experiences of its employees, the tools lost, the whole country is the poorer.

An axle-wheel is sold as scrap iron, but for a worker this axle-wheel provides work for three people: the lathe operator, the assistant and the apprentice. The judge can sell it all; but I believe in a new deal, a new contract, without disregarding the creditors or the owners, one that gives the workers the opportunity to use their resources to pay off the property. (Interview with Luis Caro, July 19, 2005)

At the same time, Caro is a proponent of using the various provisions of the provincial and federal constitutions that, he argues, would trump the national bankruptcy law which is far less favorable to the workers' interests (Interview, July 24, 2006).

Caro's position meanwhile has focused on advocating for a reform of the Argentine national bankruptcy law (*Ley de Quiebras*) of 1995 which puts workers at a severe disadvantage. Secondarily, their claims come after the debts owed the banks and providers by the closed enterprise. A factory bankruptcy traditionally is tilted to favor the previous owners, the creditors, and the court-appointed trustees that seek to move toward bankruptcy in order to attain their healthy commissions of up to 12 percent. Once in auction, purchasers buy equipment at bargain-basement prices to resell later at huge profits. And, of course, should the factory or enterprise

be reconstituted once more, none of the workers are guaranteed a job. For all these reasons, expropriation is the far better outcome for the workers because it avoids the possibility of the owner (and sometimes, the creditors) coming back. This has allowed the workers to begin to share in the cooperative's profits in lieu of the lost severance pay and social coverage (pensions, *obras sociales* and *aguinaldos*). As Caro argues, bankruptcy provides the workers at best only 50 percent of what is owed them in indemnization, often as little as 5 percent once the assets of the equipment and machinery have been sold off.

The workers' 20–30 years of work is sold for a pittance at a rigged auction. . . . The workers' constitutional right to strike, remain in the plant because it is my factory, my home, my livelihood, defending my work and my machinery; what I have built up and I remain to protect this from the owner emptying a place of potential production. (Interview, July 24, 2006)

Expropriation gives the cooperative workers protection from the creditors' demands upon the previous owner who incurred the debts. Without expropriation, creditors can demand the auctioning off of the building and its contents, while throwing the workers into the streets. Creditors must now go through the provincial courts to make their claims. It is for these reasons that Caro and his colleagues argue for case by case expropriations that are most likely to curry the favor of commercial court judges. He doubts the passage of a national law of expropriation on the horizon. He argues that, "With expropriation there has to be compensation, *si o si*" (Interview, July 24, 2006). At the work site, once the cooperative is formed, Caro argues that workers banding together can usually make a go of it. Often up to 80 percent of the cost of paying the profits and salaries of the owners and managers are ended. Moreover, cooperatives are spared paying sizeable taxes on enterprise profits. In addition, workers can decide collectively to reduce their wages in the first months of recovery while utilities and most suppliers need not be paid until the end of each month.

## **Worker cooperatives challenge political and economic institutions**

Nevertheless, the dominant political and economic institutions of contemporary Argentina are not supportive of a major worker cooperative movement. Though they maintain a sympathetic hold on public opinion which favorably contrasts the hard working cooperative laborer or employee with the *piqueteros* on welfare, the national administration is unsympathetic

and only nominally supportive via very minimal per worker subsidy from a subsecretary office of the Ministry of Labor, in most case having to go through a series of technical and bureaucratic hoops before even qualifying for the nominal subsidy.<sup>2</sup> In addition, limited subsidies have occasionally been forthcoming on an ad hoc basis, largely from the Ministry of Social Development (Ministerio de Desarrollo Social) and the Municipality of Buenos Aires (Ruggeri et al., 2005; Interview with Eduardo Murúa, July 26, 2004). According to Cecelia Casablanca, representing the Ministry of Production, since 2004 the Municipality of Buenos Aires has given limited subsidies and assistance in such areas as equipment purchase, hygiene, commercialization, infrastructure, and technical training because they argue that the cooperatives lack expertise (Interview, July 24, 2006). Since early 2006, the Municipality of Buenos Aires has created a Sub-Ministry for the Social Economy directed at supporting projects in the informal economy that lead to the creation of mini enterprises, such as in textile and food processing. The formation of cooperatives is one of the major goals. Once organized, the city of Buenos Aires establishes contracts to purchase supplies such as hospital sheets, public school uniforms, and school lunches. The Sub-Ministry provides small subsidies of 1,000 to 2,500 US dollars to newly formed cooperatives (Interview with Hugo Fucek, Executive Director, July 26, 2006). These subsidies and subsidized technical assistance plans point up a major shortcoming for Argentine cooperatives. In contemporary Argentina, there is almost no predictable line of bank credits available to the cooperatives, so that they must depend on unpredictable and arbitrary decisions of public officialdom to give them one or another ad hoc and one-time subsidy. Virtually no bank, public or private, ventures to give cooperatives or recuperated enterprises loans because in many cases they lack the financial accounting history, modern technology, and explicit market plans—all generic questions that do not always fit their profile (Interview with Ramiro Martinez, spokesperson for a small NGO, *Recuperando el Trabajo* (Recovering Work), July 27, 2006). And once more, with public subsidies, the cooperatives have to provide an accounting for every peso spent, whereas with a commercial line of credit the cooperatives would establish a degree of autonomy on how they implement the money.

The office of the Presidency, the Ministry of Economics and the Banco de la Nación have given occasional pro forma audiences to representatives of cooperative worker organizations but they in reality place them below their radar screen. Equally daunting is the deleterious neglect on the part of the national legislative and judicial powers. Edith Oviedo, president of a children's book publisher cooperative—*Cefomar*—plaintively saw the national government as “deaf, dumb and blind” to the needs and potential of Argentine cooperatives (Interview, July 25, 2006). In the vacuum of national legislation, it is particularly the adjudicating court judges and the court-appointed trustees who, during the conflictual stages of a company's

insolvent debtor proceedings and subsequent bankruptcy filings, present the greatest obstacles to the workers taking over the enterprise, committed as they are to the fundamental priority of the sanctity of private property. At the same time the business community is clearly suspicious of the worker cooperatives. On the other hand, in cases of conflict between the cooperatives and their former owners, the surrounding factory or enterprise community, the *piqueteros* and sectors of the legal, political, and human rights associations come to their aid in terms of moral, political, and technical support.

Absent from these worker support groups, with few exceptions such as the printers union and some metallurgical, ceramic and pharmaceutical locals, is the Confederación General de Trabajo (CGT), the massive Argentine labor federation. It has been uninvolved and has essentially washed its hands of the plight of the workers' cooperatives in sustaining their factories and enterprises (Interview with Javier López, executive secretary of ANTA the cooperative federation within the Central de los Trabajadores Argentinos (CTA)—the alternative labor confederation, July 27, 2007). The CGT apparently sees the move to recuperate employment as an epiphenomenon of neoliberal economic adjustments for which they won't sacrifice their relationships with the employer class. Their structural vision is that of representing fully employed, dues-paying members, not those that have left their web of representation. The CGT seems caught in a time warp in which unions negotiate with employers for minimal pay increases in return for ever-increasing benefit givebacks while minimizing massive downsizing of the formal labor force. Ignored entirely in this posture are the majoritarian informal workers that now include the cooperative laborers and employees. Since the cooperative workers are, in essence, their own bosses, the trade union movement cannot seem to adjust to that structural characteristic. At the same time, the CTA has also, until recently, remained aloof, focusing rather on questions of economic income redistribution than in a revision of the relations between capital and labor (Interview with Javier López, Executive Secretary, ANTA, July 27, 2007). Owning their own means of production puts the cooperative workers in a kind of representational limbo. This requires the cooperative worker organizations to focus their attention on changes in public policy as opposed to a reorientation of the union outlook.

In this regard, decades ago, Antonio Gramsci wrote that political society and civil society reinforce each other to give advantage to certain strata, groups, and institutions. Civil society remains more hegemonic than free and is based on a manufactured consent (Gramsci, 1971: 206; Buttigieg, 2005: 6). Though the leaders of the Argentine cooperative workers movement and their professional and legal support base serve in some sense as Gramsci's "organic intellectuals," the worker cooperatives survive in an uneven playing environment. Conditions make it difficult for the workers

to assert freedom and independence from the dominance of public policy makers. The cooperatives are certainly not beyond the governmental, administrative, and juridical reach of the State. In fact the civil society is the arena in which the ruling strata extends and reinforces its powers and legitimacy (Buttigieg, 2005: 26).

The cooperative movement in Argentina is fraught with serious challenges that sometimes seem overwhelming, but that the workers continue to confront with a combination of desperation and ingenuity. The challenge to the worker-occupied enterprises is that, usually upon the takeover, many administrative personnel have left with the owners and managers. This phenomena, though it saves huge administrative costs, often requires major adjustments and a learning curve for the workers in the first months of the takeovers. Many cooperatives, because of their conflictual histories, often have to pay suppliers in cash, have difficulty establishing new credit lines, and many work with raw materials provided by the contractor (a *façon*). Another area that naturally confronts the newly managed worker enterprises is the severe lack of investment capital and access to the market. However, once these challenges are met, the worker solidarity and sense of competence is usually greatly enhanced. In my interview with the leader of an umbrella worker organization, it is clear that the first months of the enterprise recuperation requires great sacrifice and commitment in both the labor hours, deferred pay, reaching out to previous suppliers and establishing continuing commercial contacts with retailers (Interviews with Luis Caro, July 13, 2005 and July 24, 2006). And, since often the newly established worker cooperatives depend upon large capital enterprise suppliers, this can act as a major roadblock to reinstate production. On the commercialization side they do better, since two-thirds of their customers are small- and medium-sized establishments, social entities, other cooperatives, and sympathetic consumers at large. Under these conditions, most recuperated factories and enterprises I visited would like to have community outreach programs but circumstances make this difficult. In many sites, the workers are too exhausted from their labors, their obsolete machinery needs replacing and often they are undercapitalized without the necessary labor force to undertake these societal outreach programs. Pablo Heller makes the further argument that many cooperatives are so underfunded that they are forced to auto-exploit their work force under onerous conditions (Interview, July 26, 2007 and Heller, 2004).

The Zanón ceramic tile and porcelain factory of Neuquén Province is perhaps the bellwether of the movement to recuperate abandoned factories in Argentina. Though it has formed itself into a cooperative called FaSinPat (short for *Fábricas sin Patrón*—Factories without Bosses), it still advocates for an eventual national ownership with worker control instead of the cooperative enterprise approach. The Zanón workers argue that expropriation without compensation is the essentialist goal since payment would reward



fraudulent behavior by the owners at the expense of the economic where-withal directed at the community and the society at large.<sup>3</sup> According to Mariano Pedrero, legal advisor to the Ceramic Workers Union of Neuquén (El Sindicato de Obreros y Empleados Ceramistas de Neuquén), they advocate for an independent social movement that puts the Zanón factory at the service of the community and not the market. As opposed to what he calls “the islands of worker cooperatives” trying to survive, the Zanón workers want to use the recuperated factories as a wedge to develop a social movement on behalf of societal change. Pedrero sees the Zanón experience as an example of John Holloway’s “changing the world without taking power” (Interview, July 13, 2006). In the eyes of the Zanón workers that change requires expropriation—“nationalization under worker control.” Pedrero argues that “If there were 100 Zanóns this would be a different country. Zanón is struggling not to be just another factory but to be the leading edge of social change in Argentina” (Interview, July 7, 2005).

The Zanón ceramics factory has managed not only to preserve the workplace but to add to national productivity and to create employment, while reaching out to its surrounding community (Magnani, 2003: 132–58). Its internal egalitarian organization and community outreach make it a standard of worker self-management and community relations. Since 2002, when the factory takeover took place, the factory has gone from 260 to 475 workers and has greatly increased its production. It has excellent relations with the local university, the *piquetero* organizations and the civil society at large by way of its community center, health clinic, employment of those in need and its multiple cultural, artistic and recreational outreach programs, that often included 10,000 people, many of them geared to the children of the city of Neuquén. In addition, the Zanón workers continually make donations of free tiles for building projects for schools, hospitals, child care centers, and individual families in great need (*Workers of Zanón* communiqué, September 19, 2008). Though political conditions under presidents Néstor and Cristina Fernández de Kirchner and governors Jorge Sobisch and Jorge Sapag made expropriation of the plant without payment and under worker control an unlikely prospect, the workers continued to defend that vision (Interviews with Mariano Pedrero, legal advisor to Zanón Ceramic Union, July 7, 2005 and July 13, 2006). Nevertheless, the workers militancy combined with solid community support finally achieved the expropriation of Zanón as a cooperative by the Neuquén Provincial legislature on August 12, 2009 after nine years of working-class struggle. The Province of Neuquén took on the commitment to compensate the creditors.

Distinct from the many Argentine labor unions that have not supported worker cooperatives, the Zanón Ceramic Workers local won majority control in 1998 against the former bureaucratic union that was in collusion with the owner.<sup>4</sup> This, in itself, made the Zanón cooperative cohesive as the union took a leadership role in strategic and tactical decisions. Once representing

the workers, the union has been instrumental in confronting an evermore repressive owner administration leading to the factory occupation of 2002. The makeup of the union leadership was also extremely important since it consisted of several highly influential members of a Marxist political party, the Socialist Labor Party—Partido de los Trabajadores Socialistas (PTS) which advocated for nationalization with worker control.<sup>5</sup> They continue to promote the thesis that worker autonomy is not negotiable and that workers can direct social, political, and economic policy for the good of the greater society. There is little doubt that the interaction between the PTS cadre and the rank-and-file Zanón workers was a crucial element in their enduring struggle against what seemed insurmountable odds centered in the opposition of both the Argentine provincial and national governments as well as the threatened capital formations in Neuquén and within Argentina itself. It is only the ability of these workers to organize the city and surrounding communities of Neuquén that has allowed this ceramic factory to survive and prosper. In my visits to Neuquén and the Zanón factory in 2005 and 2006, I saw clearly the ostensible commitment of this left leadership to a moral and incorruptible stance on both internal factory questions and in its relationship to the outer community. They consistently applied direct democratic procedures in the running of both the union and the factory. The factory assemblies are assiduously held and the union shop stewards debate the issues democratically with high levels of rank-and-file participation. When they had openings at Zanón the union gave priority to the various organizations of the unemployed *piqueteros* as well as family members of the ex-ceramics workers fired by the former owner (Aiziczon, 2007: 17). It is very significant that in 2006, an “independent” union leader, Alejandro López, won the union election replacing Raúl Godoy as general secretary, though they share their antibureaucratic and participatory orientation.

The Zanón cooperative has been able to engage the Neuquén community. In protests initiated by public sector employees, public school teachers, nurses, or the students of National University of Comahue (*Universidad Nacional del Comahue*), the Zanón workers always lend their workforce in the demonstrations. Their message, that includes a clear cultural outreach along with their political message, is a distinct part of their overall strategy. Each week they have three 15-minute radio programs to counteract the provincial press and radio stations favorable to the Neuquén Popular Movement (*Movimiento Popular Neuquino*), a very conservative, majoritarian party that dominates the provincial polity. Raúl Godoy, subsecretary general of the Zanón Ceramic union leadership, explained “Zanón moves on two legs—production and politics—they go together or they don’t go at all” (Interview, July 14, 2006). While Alejandro López, the Ceramic Union general secretary, said “When we have to support another struggle, we stop production because it is a social investment, a sowing that we reap in the future” (Interview, July 15, 2006). They see productivity as means to a

larger goal, as part of the working-class struggle for greater power and recognition within society. Moreover, they stand out in that they send sizeable supportive delegations to national cooperative mobilizations and meet with counterparts at conferences from western Europe to Venezuela.

Since the failed attempt to shut down the factory and lock out the workers in 2001, the Zanón workers have successfully carried out an impressive democratically run factory. All policies are made by majoritarian decisions of weekly run assemblies. In addition, once a month production is halted for an 8-hour discussion among the workers concerning procedures and goals. No leadership position is permanent, and the constant rotation of positions of responsibility is a hallmark of this cooperative. Workers in production, sales, or administration, earn the same monthly salary. However, those responsible for such key areas as maintenance of the machinery and those who safeguard the factory at night and on weekends receive an additional 10 percent over the basic salary. In addition, each month, if they meet their production goals, all workers receive a production bonus of approximately 80 US dollars added to their base pay of 600 US dollars a month. The organization of the work day is very distinct from the prior Zanón family management. At that time, workers in each sector had to wear a different uniforms that preventing moving out of their designated areas, could not talk or listen to music while working nor could they drink maté on the job. All this has been reversed (Interview with Alejandro López, general secretary of the Zanón Ceramic Union, July 15, 2006).

Leaders and delegates can be revoked by a simple majority vote and terms of office have been reduced from 4 to 3 years. The workers' assembly remains the highest organ. In the cultural arena, Zanón does not dismiss workers for ideological or religious reasons, only malfeasance, proven neglect of the machinery and products, or a consistently unexplained absenteeism. Women make up 10 percent of the workers. They receive paid maternity leaves—45 days prior to the birth and 45 days after the birth. In addition, mothers are allowed to begin work 1 hour later and go home 1 hour earlier. We learned from Vanessa Jaramillo, spokesperson for the Zanón factory women's section, that the Zanón women are also major activists among the *piquetero* organizations, peasant groups, state workers, teachers and university student movements (Interview, July 15, 2006).<sup>6</sup>

The Zanón workers see their factory at the service of the community and not the market, and that attitude has been translated into countless acts of solidarity, and they have been compensated by the community in five attempts by the provincial police to take over the factory. Zanón workers are battling not just to be a workers' cooperative factory but, also, an incipient movement inspiring social change (Ranis, 2006). They argue that a consequential state must take responsibility for creating jobs while allowing workers to control production and extend its surplus to the whole community. Historically, when the Zanón workers have initiated a protest to

call for provincial expropriation without compensation, they have always organized a mass movement that mobilizes vast sectors of the communities of the city of Neuquén that inevitably influences the political culture of that city. I have been a witness to their demonstrations in July 2006 and attest to the support the workers received from the provincial Universidad de Comahue students, public school students, teachers, nurses, and public sector employees. The Zanón workers differ from many of the cooperatives that I have studied, in that they see their cooperative as only a preliminary stage in the process of social change.<sup>7</sup>

The Hotel Bauen, stands as perhaps the most serious iconic commercial cooperative challenge to Argentine private business as usual because of its location on the corner of two of the major thoroughfares of Buenos Aires, the avenues of Corrientes and Callao. The 20-story hotel was built at the height of the military governmental repression in 1978 in anticipation of the World Soccer Championship held in Buenos Aires. The former owner, Marcelo Iurcovich, incurred multiple loans from governmental and private banks during the military regime and later, the Menem government, and used these credits, as the Argentine economy began to falter in the late 1990s, to invest in other hotels and financial markets. The owner, after successive firings of the employees, sold the hotel to a Chilean firm which paid only a third of the 12 million dollars owed Iurcovich and by December 2001, in the depth of the economic crisis, claimed bankruptcy, throwing the remaining workforce of 80 into the streets. At that time, the son of the original owner, Hugo Iurcovich, asked the commercial courts to reinstate the family ownership. However, he never paid the banks the original loan agreements and thus was not awarded the hotel. In essence, the hotel still belongs to the Argentine government's Banco de la Nación which has never been repaid their original loans. At the same time the Bauen workers via an injunction, filed for and received a temporary two-year law of expropriation through 2007 so that the worker cooperative could reopen the hotel.

In March 2003, under the organizational prodding of Eduardo Murúa of the MNER, 32 of the former hotel employees had entered the hotel and began to restore its bar, lounge, and eventually rehabilitate its rooms. By 2006 they had restored 80 percent of the 160 rooms for tourism and had reached 150 workers, many, as is the cooperative tradition, family members of the hotel employees. At that time, many employees lived in the hotel so as to save on meals and commuting expenses. Among the earliest guests of the hotel were cultural groups from Venezuela, funded by the national oil company—PDVSA that provided early stimulus for the hotel renovation. The hotel was skillfully commercialized, rehabilitating the cafeteria, bar, and bookstore and slowly the available rooms. In my several visits to the hotel, it always seemed to be a meeting place for students and professionals as well as a hub for cultural, musical, and intellectual activities. Very early in the restoration they received progressive tourism from both within and

outside Argentina that allowed the cooperative to continue their work and begin the process of rehiring their labor force. During the rehabilitation, the employees worked for very basic wages so as to allow the cooperative to reinvest the profits for restoring more and more of its cafeteria, commercial, and residential space (Fields, 2008). As among many of the recuperated enterprises, the Bauen workers, via its weekly assemblies, had to decide between increasing employee salary dispersals and reinvesting the basic surplus capital into the assets of the hotel.

Nevertheless, the Bauen cooperative experience remains in legal limbo, particularly since the municipal elections of 2007 resulted in the election of a conservative mayor and a conservative majority in the municipal council (Interview with Fábio Resino, delegate for Bauen, July 28, 2007). What has essentially kept the worker-managed hotel in operation, as with the Zanón cooperative, is the community support, solidarity from other cooperatives, political support from leftist political parties, and sectors of the human rights and legal communities.

The Chilavert printers' cooperative represents another emblematic experience in the Argentine cooperative movement. As in the history of so many cooperatives the previous owner took out large loans invested in personal ventures and then declared insolvency. It is then the enterprise that has to answer to the bankruptcy. Prior to the bankruptcy declaration there is a *convocadores de creditores* in which there are attempts to resolve the financial crisis and during which the workers legally are permitted to organize as a cooperative. During this period, the owner tried to empty the printing establishment of its most valuable printing presses. And in the declaration to the creditors, the owner had already erased these two presses from the inventory. According to Ernesto González, president of the Chilavert Cooperative, this represented collusion between the trustee of the commercial court and the owner of the enterprise—a common experience in Argentina (Interview, July 25, 2005). The interim solution is dependent on the quite arbitrary decision of the judge to allow the workers to maintain the enterprise with a rental agreement with the former creditors. Again, only expropriation allows for a long-term solution for the workers, during which they are able to again get back to work and begin to accumulate some assets.

Chilavert's leadership and small contingent of over a dozen employees recognize the pressures to take on the values of the larger society and act like any other small business trying to thrive. Most of their profit comes from the publication of magazines, advertising pamphlets, and catalogues, but their steadiest income is from the printing of social science, literature, and arts books. Yet, they have undertaken distinct programs that set them apart from the more limited outreach programs of many other cooperatives. They run multiple cultural and historical programs for the neighbors of their community, some especially directed to primary and secondary

school students in the areas of graphic and industrial arts (Interviews with Cándido González and Martín Cossarino, members of the Chilavert shop committee, August 4, 2004 and July 10, 2006). Their focus then largely turns on changing public policy rather than applying for bank loans or public subsidies.

## Argentine worker cooperatives: A growing phenomenon

Recuperated industrial enterprises remain the most celebrated and acknowledged societal labor movement in Argentina in the postcrisis years, yet smaller worker cooperatives of all types of origin abound in Argentina in multiple urban and rural economic niches in far greater numbers. According to ANAES (National Institute of Associations and the Social Economy) under the auspices of the national Ministry of Social Development there are almost 15,000 cooperatives in Argentina, over half in the city of Buenos Aires and Provinces of Buenos Aires, Córdoba, and Santa Fe (ANAES website, January 19, 2009). Among these, over 8,000 are worker cooperatives, the balance formed as housing and construction, consumer, agricultural, public utilities, and credit and insurance cooperatives. Collectively they make up 9 percent of Argentine national GNP (Página12.com.ar, December 14, 2009). Cooperatives have existed in Argentina since the 1920s, mostly in the agricultural, consumer, credit, and public utilities areas. However, since the 1990s and economic crisis of 2001, the creation of worker cooperatives have been preponderant, with estimates as high as two-thirds having been formed in the past 6 years (Interview with Ramiro Martínez, President of the NGO-*Recuperando el Trabajo*/Recuperating Work, July 23, 2007).

Many Argentine worker cooperatives were born in 2002–3 in the depth of the economic crisis that beset Argentina with rampant unemployment and spreading poverty among the poor, working and middle classes. They are distinct from recuperated factories and enterprises since they were initiated from the collective interests and efforts of the participants and represent entirely new business ventures. Several of the worker cooperatives I visited in 2005, 2006, and 2007 came about through incredible sacrifice and commitment. One such clear example is the Cooperativa La Cacerola, a bakery and restaurant cooperative, founded in the 2003. It originated from unemployed workers that made up 90 percent of the *Asamblea Popular* (Popular Assembly) in the Almagro district of Buenos Aires. These popular assemblies proliferated during the depths of the economic crisis with the watchwords of “Que se vayan todos.” In the early days of the subsequent Duhalde government, followed by the Kirchner administration, it became

clear that the Peronist leadership had returned in full force and that the people had to essentially pull themselves up by their own bootstraps. The Almagro assembly chose to avoid the route of public assistance (*planes familiares*) and created a consumer cooperative for vegetables and fruits bought collectively from farmers markets (*mercado acopio*) and distributed to its 100 members. They organized their own markets and traded goods and services among themselves as an interim barter club that lasted two years and existed on the edge of the money economy.

At this point, one of the assembly members, a master baker, was about to lose his baking machinery. The neighborhood assembly occupied the tiny premises and eventually collectively reached a rental agreement with the commercial court judge. Along with the master baker and an unemployed former bank loan officer they formed the nucleus of a bakery. They began hiring, the only prerequisites were to be unemployed and be willing to work hard, demonstrate solidarity, and be pluralistic and tolerant of distinct points of view. With the help of Eduardo Murúa and the MNER, they found two small abandoned warehouses which the Buenos Aires municipality subsequently, as the owner, allowed them to use. In return, as a newly formed cooperative, they established a relationship with the city to provide certain needy public schools with lunches that eventually reached 2,000 prepared meals. With a loan from the Banco de la Nación of 10,000 dollars, they began hiring new workers and expanded to establish a restaurant on the premises and now have over 40 employees. No doubt the unusual success at achieving this loan came from the fact that the loan solicitation was made by the cooperative treasurer, Walter Blanco, himself a fired bank loan officer. Blanco relates that they have opened up a second floor dedicated to cultural events, buying the furniture and tiles at reduced prices from other existing cooperatives, including the Zanón Ceramic Cooperative. In 2004 they participated in the formation of *Mesa-Movimiento de Economía Social Argentina* (Argentine Social Economy Movement), coordinating 50 such small- and medium-sized cooperatives and other small enterprises, essentially in food and textile production and have created a weekly *feria* (open market equivalent to farmers' urban market) in which they sell to the general public (Interview, July 20, 2006).

The workers' cooperatives have in most cases become self-help, autonomous struggles in which workers share equally in the profits and share equally when sustaining losses. Via worker assemblies the workers are well informed and they collectively make the major decisions on investments, work schedules, and work rotations. Antisocial behavior is addressed and work malingerers and "free riders" are fired, but only after documented repeated offenses. Worker alienation is significantly muted as they feel they are literally working for themselves and are their own bosses. When orders drop, instead of firing workers they all submit to a pay cut across-the-board until things improve. In that sense they are shareholders as well as workers.

They realize, having essentially been abandoned by the labor unions, that they are in a risky business and must depend on their own resourcefulness to survive. Though they have made important connections with other recuperated enterprises in the MNER and MNFRT, community organizations and the progressive left, they still live in a challenging environment.

In another context, Samuel Bowles and Herbert Gintis have described this condition well. "In contrast with states and markets, communities more effectively foster and utilize the incentives that people have traditionally employed to regulate their common activity: trust, solidarity, reciprocity, reputation, personal pride, respect, vengeance and retribution, among others" (Bowles and Gintis, 2002: 424). Since chronic, structural unemployment and poverty confront the workers on a daily basis, their cooperative construct is developed to a high level of intercommunication and consensus-building since they are only as strong and viable as their weakest link. Their autonomy and independence from the former owner-employers, unions and state supervision sets them free from those traditional monetary relationships. It is not too misplaced that in a microcosmic way the cooperative workers have replaced the liberal motto of "a fair day's wage for a fair day's work" with the "abolition of the wage system" (Marx, 1975: 78). As the worker cooperatives struggle to occupy, recuperate, and maintain their factories and enterprises they must necessarily depend not only on community support but also upon people politically and legally knowledgeable about their rights and prerogatives.

As it has been posited since Hegel and Marx, civil society is essentially bourgeois society. Argentine workers must actually claim that, in establishing cooperatives and in defending their places of work from the auctioneers, their demands are an essential part of that very bourgeois fabric of civil society. They need to become conversant with bankruptcy laws, provincial and federal constitutional provisions, and argue along the lines that convince bankruptcy court judges and trustees that their capacity to run a factory or enterprise is sustainable and capable of turning a profit for past creditors as opposed to simply selling off the installation and its contents by way of an auction. In order to reach these jurisdictional arenas, the workers have often resorted to "semi-legal" actions of factory and enterprise occupations and resistance to being removed. At that stage, they depend upon lawyers and civic activists who support and defend their grievances. As Chatterjee writes in the context of India, "these groups, organized into associations, transgress the strict lines of legality in struggling to live and work." He accurately depicts such groups as living within "political society" but outside of what is conventionally thought of as "civil society" replete with access, influence, and legitimacy (Chatterjee, 2004: 40). Within political society, *piqueteros* are picketing and blocking highway and street commerce to make their demands and workers struggle to form cooperatives. Both are attempts to push civil society's governmental



leaders to evolve and expand their understanding of the meaning of civil society and who deserves rights within it. And in that often unequal struggle, workers and their legal and community advocates must seize on every democratic claim to justice, equity, and reasonableness to achieve their modest goals. As Chatterjee reminds us, “Property is the crucial dimension along which capital overlaps with the modern state” (2004: 74–5).

## **Internationalizing the cooperative initiative**

Given the clear lack of a concerted response from the Argentine state and its key economic ministry, a leader of one of the two worker organizations—the MNER—Eduardo Murúa traveled to Venezuela in mid-April 2005 where he attended the Third International Solidarity Congress in Defense of the Bolivarian Revolution, sponsored by the Venezuelan National Workers Union (UNT). As an invited guest speaker, Murúa spoke of the Argentine experiences of worker-occupied factories and enterprises to a very receptive audience of 500 trade unionists. One of the major themes of the conference was “worker co-management” in Venezuelan enterprises and one of the slogans—“without co-management there is no revolution.” Comanagement was meant to precisely encompass the Argentine initiatives in running their factories, namely coparticipation in production decisions, improving working conditions, setting egalitarian wage policies, and collectively organizing the enterprise and commercializing its products. During his stay in Venezuela, Murúa also had a favorable hearing from President Hugo Chávez, in which the Argentine pointed to the more propitious environment for worker-managed enterprises in Venezuela under a worker friendly government. Chávez acknowledged he was interested in the Argentine experience, since he was looking for a way to bring together small- and medium-sized business owners with workers to recuperate abandoned Venezuelan enterprises, with the proviso that they establish asset and profit-sharing mechanisms with the workers. Murúa significantly added that the workers must control the enterprise policies as well as supervise its accounts in order to assure that the firm has primordially collective outputs and goals. Murúa also pointed to the special presidential initiatives provided to President Chávez and his opportunity in Venezuela to put worker control on the agenda throughout Latin America. Because of Chávez’s interest in the Argentine experiences in recuperating factories and enterprises, Murúa was able to leave his MNER-written bill of national expropriation that has not been given support in the Argentine congress. Significantly, by May 2005, the UNT had elaborated a proposed law to be forwarded to the Venezuelan congress that put worker coparticipation in industrial enterprises on the agenda; and indeed in July 2005, Chávez proposed government financing at low interest rates to 700 closed factories and to 1,149

factories partially paralyzed since the 2002 economic crisis, if they would cede comanagement and profit sharing to their workers. The Venezuelan government will promote these factories as cooperatives or “social production enterprises.” As in Argentina, the Venezuelan national constitution allows for the expropriation with just compensation for reasons of “public use or social interest” (La Nación.com.ar, July 15, 2005).

Very dramatically, the Venezuelan government and its Chávez-allied alternative labor federation (UNT), subsidized and sponsored the Primer Encuentro Latinoamericano de Empresas Recuperadas (First Latin American Meeting of Recuperated Enterprises) at the end of October 2005. No doubt, the impetus came from the Argentine MNER, which sent the largest delegation to the three-day conference in Caracas. Significantly, Hugo Chávez opened the meetings before several thousand delegates, interested elected officials, unionists, the press, and observers. His inspirational speech of 2 hours spoke to the creation of a new network of recuperated factories and enterprises throughout Latin America, parallel to the Venezuelan sponsored and funded *Petro-Sur* and *Tele-Sur*. He envisioned an *Empresur* to which the government has committed a budget of 5 million US dollars. He took the opportunity during his presentation to announce the expropriation of three Venezuelan firms on behalf of its workers. Within Venezuela, this level of commitment was exemplified by the existence of a Ministry of the People’s Economy. Given the lack of such initiatives and funding from the Argentine government, this was a major breakthrough for the legitimization of this belt of worker-managed enterprises in Argentina as well as in Venezuela, Brazil, and Uruguay, where parallel worker cooperatives, mixed enterprises, and state-owned and worker-controlled factories and enterprises have recently developed.

The meeting, which I attended as a guest observer, counted 700 workers representing over 250 enterprises from 8 Latin American countries spearheaded by delegations from Argentina, Venezuela, Brazil, and Uruguay. The focus of the meeting centered on contemporary challenges of existing public policy, production obstacles, and community outreach. During the 3 days the delegates met in cohorts of workers whose firms were prepared to exchange raw materials and products, explore new markets, exchange technological and scientific information, and extend fraternal, financial, and cultural cooperation. In addition, there were meetings of both labor union and governmental and legislative representatives to explore means of assisting the evolution of recuperated worker enterprises. In 3 short days, 75 commercial agreements were signed among various Latin American worker enterprises in such areas as tourism, wood and paper production, food production and processing, shoes and footwear, plastics and transport.

The Argentine government’s lack of resolve in funding and supporting worker-managed factories and enterprises may exemplify a neoliberal

economic outlook that relegates public policy to act on behalf of only such entities with recognized and significant market power.<sup>8</sup> Thus it may be that worker organizations must combine across borders to achieve the type of consideration they need. In any case, the MNER's more visible and aggressive approach (compared to the MNFRT of Luis Caro) has resulted in a negative response from the Kirchner governments. As a comparative study indicated, "In the final analysis, even new kinds of global conferences on new global issues with new global participants remain partially imprisoned by traditional roles and priorities in international politics. State sovereignty sets limits of global civil society" (Clark et al., 1998: 35). The recent meetings in Caracas sponsored by Chávez's government support the assessment of Susan Burgerman.

Networks of activists operate across political systems irrespective of their nationality, occupying a political space that ignores the boundaries between states; they infiltrate governments and intergovernmental bureaucracies; they attempt, with varying degrees of success, to engage in the arena of international politics, formerly considered the sole preserve of states; they are simultaneous insiders and outsiders. As insiders, they are citizens whose political voice may be based entirely on resources provided by international allies. As outsiders, they are politically active non-citizens who stay involved over a period of time, still identified with international sources of power who become built into the political institutions of the country. (Burgerman, 1998: 923)

Keck and Sikkink write of the boomerang pattern.

When a government violates or refuses to recognize rights, individuals and domestic groups often have no recourse within domestic political or judicial arenas. They may seek international connections finally to express their concerns. . . . Domestic NGOs bypass their state and directly search out international allies to try to bring pressure on their states from outside. . . . On other issues where governments are inaccessible or deaf to groups whose claim may nonetheless resonate elsewhere, international contacts can amplify the demands of domestic groups, pry open space for new issues, and then echo back these demands into the domestic arena. (Keck and Sikkink, 1998: 12–13)

## **Cooperatives, civil society, and the state**

Argentina seems to combine the dual characteristics of Italian civil society as described by Robert Putnam (1993). Within the same metropolitan regional context of the capital city, greater Buenos Aires and the Province

of Buenos Aires where over one-third of the entire Argentine population resides, one finds in close proximity both elements of the Italian north and the Italian south as depicted by Putnam. On the one hand, we observe a rich *mélange* of associational life with high union density, multiparty proliferation and high levels of participatory cultural outlets, while not many kilometers away one sees clear strongholds of elitism, verticality, religiosity, political clientelism, and party patronage. The worker cooperative movements have been active within these cross-cultural geographies and through their various capabilities have mounted a certain challenge to the Argentine political, economic, and legal systems. Though they have come away with some victories and some defeats, they have managed to combine certain features that allow one to perceive them as proponents of “contentious politics” as social movements. Sidney Tarrow has provided a useful explanatory definition. “Contentious politics occurs when ordinary people, often in league with more influential citizens, join forces in confrontation with elites, authorities, and opponents. . . . They contend through known repertoires of contention and expand them by creating innovations at their margins. When backed by dense social networks and galvanized by culturally resonant, action-oriented symbols, contentious politics leads to sustained interaction with opponents. The result is the social movement” (Tarrow, 1998: 2). Certainly Argentine worker cooperatives fulfill Tarrow’s criteria for a social movement in that they use collective action because they

lack access to institutions [and act] in the name of new or unaccepted claims, and who behave in ways that fundamentally challenge others or authorities [while they build] organizations, elaborate ideologies, and socialize and mobilize constituencies, and their members engage in self-development and the construction of collective identities. (Tarrow, 1998: 3)

It is important to remember that while the Argentine workers cooperatives, whether one considers them as several parallel worker cooperatives, an extended network of recuperated factories and enterprises, or a bona fide social movement, they are but a small segment within the larger Argentine civil society. On the other hand, do they represent the challenges facing the whole gamut of the working-class writ large now and in the future representing 80 percent of the Argentine population? They offer a critique of capitalism’s *modus operandi*. Though a part of extant civil society, they do not render obeisance to the ideology of the capitalist workplace hierarchy. Yet, as Michael Walzer has written, smaller civil society entities, such as worker cooperatives, eventually need to be sustained and protected against powerful and abusive employers, managers, and political party and trade union bureaucrats by a just state linked to that same civil society (Walzer,

1998: 139). But in a larger measure, as Gramsci wrote, the working people had to achieve independence from bourgeois political culture.

Workers [and peasants] had to do more than simply join organizations, such as trade unions, that represent their interests; they needed to educate themselves, to learn to look at the structure of the state from their own perspective, and to develop the capacity to imagine a different kind of society and the collective will to struggle for it. (Buttigieg, 2005: 23)

In their essential forms they reflect once again upon Marx's notion of working-class freedom in which he argued, "the associated producers, rationally regulating their interchange with Nature, bringing it under their common control, instead of being ruled by it as by the blind forces of Nature; and achieving this with the least expenditure of energy and under conditions most favorable to, and worthy of, their human nature" (Marx, 1967: 820; also see Marx, 1983: 131–46; and Lukács, 1971: 27).

Granted, there is a fine line between worker organizations such as the MNER and the MNFRT qualifying as viable grassroots domestic networks and then blossoming into full-fledged social movements. To qualify as a successful social movement, according to Michael Edwards, they should have "a powerful idea, ideal or policy agenda; effective communications strategies to get these ideas into politics, government and the media; and a strong constituency or social base that provides the muscle required to make those targets listen and ensure that constituency views are accurately represented" (Edwards, 2004: 34). Should the worker-occupied factories and enterprises accumulate strength and resources, their potential egalitarian organization of the workplace can begin to have an effect on the democratization of the Argentine body politic. The multiplication of societal activism after the civil outbreak of 2001 brought the cooperative movement into a public forum predisposed to entertaining and promoting the needs of worker autonomy and control. Charles Tilly reminds us of the impact of social movements on democracy and democracy on social movements: Can social movements that are formed to pursue particular interests actually promote expansion of democratic relations and practices? (Tilly, 2004: 140–3).<sup>9</sup> Given the democratic nature of the cooperative workplace organization and the accumulation of multiple support bases among many societal reference groups, our answer is a measured yes.

Once the worker-occupied factories and enterprises accumulate strength and resources, their egalitarian organization in the work place can have an impact on the democratization of the body politic. The multiplication of societal activism after the civil outbreak of 2001 brought the cooperative movement into a public forum predisposed to entertaining and promoting the needs of worker autonomy and control. With the passage of individual

expropriation laws in various Argentine provinces and in the Municipality of Buenos Aires, the legitimacy of the cooperative movement in the eyes of the public points in the direction of an accumulation of resources and support. Certainly, international moral support for the cooperative movement in Argentina has been forthcoming. Some of this advocacy can be laid at the doorstep of the promotion and international success of the 2003 documentary film *The Take (La Toma)*, directed and written by Avi Lewis and Naomi Klein. The movie made the rounds of European and North American theaters and at world social forums, university, and union hall screenings. It depicted the struggles of three factories as they achieved either municipal (Brokman) or provincial (Forja San Martín and Zanón) expropriation. Moreover, in December 2004, in just several days an online petition, sponsored by Lewis and Klein, directed to President Néstor Kirchner and Neuquén Governor Jorge Sobisch, called for the removal of threats of eviction and for the recognition of Zanón as a workers' cooperative. In just 3 days, 2,500 signatures were garnered from people all over the world. Again in November 2005, another petition directed to President Kirchner was circulated on the internet, calling for definitive expropriation of the Hotel Bauen Cooperative in the Municipality of Buenos Aires. Again within 3 days, 2,700 people had signed. In addition, a number of Argentine film collectives are making video presentations both in Argentina and abroad as fund-raising and consciousness-raising mechanisms on behalf of the Argentine recuperated enterprises (Interview with Argentine film maker, Cecilia Sainz, July 21, 2005). In April 2009, 2 Argentine cinematic producers, Virna Molina and Ernesto Ardito presented a film in New York City and elsewhere depicting the conflictual history of the Zanón cooperative, titled *El Corazón de la Fábrica*.

## Problems and prospects

There is no guarantee that the meaningful and realistic goals of these associations of workers will reach optimal fulfillment. Argentina, though it qualifies as a substantially vibrant civil society in most respects, has not shown much aptitude or willingness to confront the multiple obstacles to equity and fairness toward those most in need. Civil society strength does not assure a level playing field as is clear even in such a hyperassociational democracy as the United States. In some sense the proliferation of Argentine civil society works against the recuperating factories and enterprises and worker cooperatives. It allows the political and legal institutions with the power to promote their interests to treat these organizations with benign neglect. Rather than subsidizing a major national cooperative enterprise initiative to take its place alongside the large-scale and multinational corporations in Argentina, they have subscribed to a policy that forces the

worker cooperatives to survive in a competitive climate in which they are thrown almost entirely on their own resources.

The obstacles to the long-term viability of the Argentine cooperative movement are serious. The cooperative associations and their engagement with economic development draw attention to an important debate concerning the structural and decisional power of the state to effect dramatic changes in reorienting a country's resources on behalf of those in need. Argentine cooperatives, as part of civil society, act in areas that have not directly competed with or challenged state political and economic power. At the same time, the poor and the unemployed workers are given the space to rely upon their own entrepreneurial skills to survive in the neoliberal economy.

The Argentine worker cooperatives have drawn attention to a major lacunae in the political economy of neoliberalism. Without significant and substantial support from the major institutions of government they have managed to etch out an area of economic survival that attests to alternative means of worker initiative, collective engagement, and reconfiguration of the work place. This has been no mean achievement. In striving to defend their families' livelihood, they have found themselves in ever-increasing confrontational relationships with capital, the state, and the judicial establishment. As the workers proceed in the occupation and recuperation of their workplaces, they will be touching on fundamental questions concerning the direction of the neoliberal economy. As long as the workers' cooperative movement accounts for a relatively small percentage of national production the confrontations will remain provincial and local. Thus, far capital interests have prevented the use of essential national subsidies or consistent credit opportunities for worker enterprises. Should the recuperation of factories and enterprises continue unabated, should it reach large-scale economic entities, capitalist interests may begin to feel threatened and the potential for class confrontation will increase. This will require a reexamination of the role of the Argentine state rooted in self-limiting vision of its responsibility for national economic development that affords work and social welfare for the whole population. Should a crisis of capitalism emerge, the workers' cooperative movement surely offers a systematic labor alternative. What's more, it may provide a model for a new cultural and ideological sea-change in working-class culture and consciousness.

The workers have convincingly argued that unemployment and poverty are likely to be continual companions of neoliberal capitalism unless worker-led enterprises are evaluated as formidable as well as alternative production models that deserve material and moral support. These examples of worker autonomy have demonstrated significant departures in terms of social formations. By their capacity to form alliances with

progressive legal, community, political, and labor forces available to them, they symbolize an alternative path to economic development that is predicated on worker solidarity and democracy in the workplace. The collective ownership of the workplace acts as a catalyst for worker sacrifice, ingenuity, and creativity. In this the Argentine cooperative movement represents an intelligent, resourceful, pragmatic, micromanaged alternative to continued unemployment and poverty among the working class in Argentina.

## Notes

- 1 Since 2005, Argentina has seen the proliferation of other recuperated enterprise worker associations, formed from splits from the MNER and the MNFRT. José Abelli, in association of Fábio Resino of the Bauen Hotel cooperative joined to form *FACTA (Federación Argentina de Cooperativas de Trabajadores Autogestionados)*, metal worker union locals, led by Barba Gutiérrez, formed *Merba (Movimiento de Empresas Recuperadas de la Provincia de Buenos Aires)* and, under the auspices of the CTA labor confederation, *ANTA (Asociación Nacional de Trabajadores Autogestionados)* was formed.
- 2 Within the Ministry of Labor, the Secretary of Employment's *Programa de Trabajo Autogestionado* has two minimal subsidy programs for workers involved in enterprise cooperatives: (1) to help them in the early stages of forming a cooperative, during which they provide grants of US\$50 per worker; and (2) once the cooperative is legally recognized and has come up with a complex document and ministry-approved production plan, another US\$170 is provided for each cooperative worker. To say the least, these parsimonious subsidies provide precious little substantive support (Interviews with Silvia Mercedes Rebón and Cristina Teijeiro at the Secretary of Employment, Ministry of Labor, July 1 and 15, 2005). In December 2003, President Néstor Kirchner promised to create a special fund for recuperated enterprises. This never occurred.
- 3 The Zanón family since the 1990s contracted debts of approximately \$120 million with the World Bank and several Argentine banks before declaring insolvency in 2002.
- 4 One of the union leaders, Raúl Godoy, recounted that the former union leadership all had a price in their collaboration with the former Zanón owners. A shop steward delegate's price was \$30,000, the president of the local \$60,000. "The more activist you were, the workers thought, the higher the price for his collaboration." In this climate of co-optation and fear, the oppositional union group began conversing via noontime soccer games with future delegates that were transmission belts of information, support, and solidarity. Once the previous union leaders were defeated in union elections in 2000, they called on the provincial legislature to auction off the Zanón factory so they could get the indemnization owed them. The new Ceramic Union leaders led by Godoy were continuously "red baited," creating a perilous adversary relationship within the Neuquén provincial legislature. As recounted to me by Godoy, after winning



union control, the Zanón management, accustomed to buying off the former union leadership, offered them the union dues collected over three months as a bribe. “We gave them two minutes to leave or we would kick their ass” (Interview, July 14, 2006).

- 5 According to Pedrero, of the 475 workers in Zanón approximately 15 are *PTS* members while another 150 ceramic workers are consistent activists in the planning of the factory mobilizations and outreach. The remainder of the workers are supportive.
- 6 According to Jaramillo, “Abortion is still illegal in Argentina. But women ignore it. There is still no free distribution of contraceptives or sexual education. Machismo attitudes remain. Many of the women in the factory are still opposed to abortion. It’s a debate that people are still very hesitant to talk about. Both the Catholic and Evangelical churches maintain lots of influence, even if Neuquén is relatively progressive because of the existence of many social movements. For example, many *piqueteros* are women (70%) so that we ally with them in the various struggles to find employment—this brings them out of their very individual characteristics into a more collective behavior” (Interview, July 15, 2006).
- 7 Besides the recuperated enterprises and cooperatives presented here, I visited six metallurgical factories, a food processing factory, a food snacks factory, a meat-packing plant, a clothing factory, a furniture factory, a shoe factory, a shipyard building plant, a hospital, a children’s publishing house, and a primary school in Greater Buenos Aires, between 2004 and 2007): I visited Cooperativa Forja San Martín, Cooperativa de Trabajo San Justo, Cooperativa Los Constituyentes, Industria Metalúrgica y Plástica Argentina (IMPA), Cooperativa MVH/ex-Metalúrgica Vicente Hermanos, Polimec, Cooperativa Vieytes/ex-Ghelco, Cooperativa de Trabajo Malvinas/ex-Don Matias, Cooperativa Yaguané, Cooperativa 18 de Diciembre/ex-Brukman, Cooperativa de Trabajo Maderera Córdoba, Cooperativa de Calzado Puporé, Astillería Naval Unidos, Hospital Israelita, Cefomar and Instituto Comunicaciones.
- 8 Some microlending with long-term low interest rates and generous grace periods have recently emerged from internationally based financial institutions that focus on lending to cooperatives and small enterprises attempting to find niches in domestic markets in third-world countries inclusive of Argentina. For example, there is Oiko Credit of the Netherlands, Consorzio Etimos of Italy and ECLOF of Switzerland (Interview with Ramiro Martínez, July 23, 2007). Though these international lenders have substantial resources and committed aspirations to eliminate poverty, their funds are spread evenly in over 50 countries of the world (see their websites for 2007–9).
- 9 On the ground, Tilly sees most of the movements pushing very particularistic goals, “Blocking construction of a highway, supporting abortion, forwarding the rights of indigenous people, and demanding better schools by social movement performances certainly take advantage of democratic liberties, but they do not necessarily advance democracy” (2004: 142). This is a very jaundiced and restrictive view of the viability of social movement activism that seems predicated on arguing for democratic outcomes only in retrospect rather than during the process of struggle.

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## CHAPTER TWELVE

# Challenging the Globalized Agro-Food Complex: Farming Cooperatives and the Emerging Solidarity Economy Alternative in South Africa

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In the global South 850 million people remain food insecure, that is, unable to meet daily food requirements. Meanwhile global food value chains are increasingly controlled by a few transnational corporations. The food production and consumption pattern engendered by the globalized agro-food complex is worsening food insecurity and ultimately increasing hunger among millions of people. Postapartheid South Africa has not escaped this pattern of development. Actually, the neoliberalization of the postapartheid political economy has deepened the externalization of South African agriculture from an internationalized agro-food complex to a globalized model, exacerbating food insecurity. This chapter highlights how the apartheid era agro-food complex was restructured and globalized. It points to the neoliberal reforms that have shaped the pattern of development of the agro-food complex, which historically was mainly structured around “white controlled cooperatives,” but has been locked into the search for “competitive advantage” as opposed to meeting people’s needs.

This chapter also highlights how the globalized agro-food complex has increased food insecurity in South Africa. It shows this with regard to import-export patterns, GMO production, food inequality engendered through the wheat-to-bread value chain, and the nutritional deficiency facing poor households. While there is clear evidence demonstrating increasing food insecurity among growing numbers of households, there are also important forms of resistance from these very same households. This chapter provides a mere glimpse of some of the solidarity economy practices emerging to challenge the globalized agro-food complex from below, in poor rural and urban communities. The solidarity economy is introduced as a new transformative activist current emerging within the rural Kadishi Agricultural Cooperative and the urban Mathomo Mayo Organic Agricultural Cooperative. Finally, in lieu of a conclusion this chapter points to the challenges facing solidarity economy food sovereignty cooperative alternatives.

## **From apartheid to Afro-neoliberalism in South African agriculture**

Afrikaner nationalism positioned the apartheid state as a vehicle of racial exclusion and exploitation of the majority in order to secure resources, social mobility, and development for a minority. Land dispossession as one of many means of forced proletarianization of the black majority began before the 1948 rise of the National Party, the main proponent of Afrikanerdom and apartheid state development. A process of dispossession took root since the 1870s and in the twentieth century the 1913 and 1936 Land Acts reduced the African majority to ownership of only 13 percent of the land. This process limited African ownership of land and had a two-fold consequence. First, it destroyed successful African farming. Second, it forced the African majority into a process of proletarianization, such that income earned from wage labor on the mines, farms, and factories became a necessity to support a subsistence way of existence in what were called “reserves” and later homelands under National Party rule. In turn, subsistence farming in homelands was also considered necessary to subsidize the cost of labor.<sup>2</sup>

As observed by Feinstein (2005: 60–2), the capitalist agro-food complex in South Africa did not develop rapidly or in a straight line. He points out that as dispossession occurred, different forms of labor relations emerged underpinning white controlled agriculture. This varied in different regions of the country and included rent tenancy, labor tenancy, share cropping, and cheap wage labor. The latter became the main form of labor to buttress the modern and commercial agro-food complex built under National

Party rule. In 1948 and despite the lackluster performance of white commercial agriculture, the victorious National Party, “raised the maize price, increased agricultural subsidies and protections, and tightened controls over farm workers” (Lipton, 2007: 66).

Through the 1960s and 1970s, the National Party supported a big push to modernize the agro-food complex (Feinstein, 2005: 193–200). It maintained import-substitution protections, provided cheap loans, flood and drought relief, rebates on fuel, subsidies for fertilizers, reduced railway rates, strengthened the system of agricultural marketing boards which provided a subsidy to white farms, while controlling market supply and artificially maintaining high prices for even basic food items. Agricultural production processes, transport, and marketing were also mechanized. Capital investments increased and labor intensity declined during the 1970s.

Total factory productivity increased mainly for export products like wine, fresh fruit, and vegetables. Pesticides for weed and pest control, chemical fertilizers, high yielding seed technologies, improved irrigation, greater state supported research all came to be used. South Africa was having its own “green revolution” during apartheid. The sum effect of this was to widen the gap between the capitalist and white controlled agro-food complex, on the one side, and subsistence black farming on the other. The latter was not given infrastructure, financial, technical, and other necessary supports. Black farming degenerated and became low yield, part-time, and unproductive. At the same time, black particularly African consumers where carrying the burden of high priced food items, while earning relatively low incomes.

The white cooperative movement was a key pillar of this racist nation building project and the increasingly monopolized agro-food complex. It received a great deal of policy, regulatory, and financial support. The role of accessible development finance through the land bank, tax exemptions, and agricultural training support were all crucial to buttress this white agricultural cooperative movement (Roberts, 2009: 1–4). With this wide ambit of policy and regulatory support white agriculture developed large primary and secondary cooperatives with high turnover volumes and asset bases.

Indeed, white cooperatives were a big part of the foundation of agricultural production in South Africa. The numbers illustrate the story. By the early 1990s, 250 white agricultural cooperatives had approximately 142,000 members, total assets of R12.7 billion, turnover of R22.5 billion, and annual pretax profits of more than R500 million (Amin and Bernstein, 1995). In addition, agricultural cooperatives handled all exports of citrus and deciduous fruit, processed the entire wool clip, and marketed 90 percent of dried fruit. On the input side, they provided and/or financed 90 percent of fertilizer, 85 percent of fuel, 65 percent of chemicals, and a significant proportion of the machinery and implements used by white farmers. They also provided 25 percent of credit used by white farmers

(Amin and Bernstein, 1995: 5). At the heart of this white owned agro-food complex were 11 summer grain cooperatives. The 2 largest summer grain cooperatives, OTK and SWK, had annual turnovers of R2.374 billion and R2.22 billion respectively, which compares favorably with South Africa's largest food corporations such as Imperial Cold Storage with an annual turnover of R2.4 billion and Rainbow Chickens with a turnover of R1.5 billion in 1993.

While these agricultural enterprises were identified as cooperatives, in a strict sense they were not. Actually these agricultural cooperatives were for whites only which in itself was contrary to internationally recognized principles and values of cooperatives.<sup>3</sup> In addition, these cooperatives have over the past few decades taken on managerial centered practices and have been operating like typical capitalist businesses, while member control has been diminishing. This has been further exacerbated with the shift in the postapartheid context from an internationalized agro-food complex to a globalized one was facilitated by the neoliberalization of South Africa's political economy. While the neoliberalization of South Africa has its origins in the apartheid era, the ANC led government deepened this process and gave neoliberalization an African voice. In many ways, neoliberalization took on African characteristics, as "Afro-neoliberalism," as it was articulated in South Africa's first democratic budget in 1994 and later in the infamous Growth, Employment and Redistribution (GEAR) macroeconomic strategy in 1996 (Satgar, 2008).

The Afro-neoliberal shift engineered by the ANC government adjusted and globalized the entire South African economy, including the white controlled agro-food complex. While it might have been assumed that exposing white agriculture to the winds of global competition would loosen monopoly ownership and create the conditions for deracializing the agro-food complex, this did not occur. South Africa's ruling ANC government very early on embraced a market centered approach to agriculture informed by the World Bank, which primarily ensured export revenues were maintained through the white controlled agro-food complex.<sup>4</sup> South Africa's Afro-neoliberal framework reshaped the accumulation dynamics of the agro-food complex through liberalization, deregulation, and competitiveness.<sup>5</sup> The agro-food complex and its value chains were restructured according to the imperatives of transnationalizing a competitive domestic capitalism.

First, the 1996 Marketing of Agricultural Products Act, No. 47 unleashed a process of liberalization and deregulation. Through this Act the producer controlled agriculture marketing boards were all dismantled. The state's role in agriculture was completely rolled back and pricing of agricultural products has been left to the market mechanism. However, the Act also provides for the National Agricultural Marketing Council which advises the Minister on agricultural marketing. Second, trade liberalization has also been a crucial driver of change. A trade liberalization program in

which quantitative trade restrictions on agricultural products were converted to tariffs were simultaneously reduced. In other words, import protections were circuitously removed. Finally, the Competition Commission has played a major role in trying to prevent collusive behavior and abuse of market power in the agro-food complex value chains (Roberts, 2009). However, the Competition Commission's efficacy is severely limited because it has minimal power of enforcement.

For white agricultural cooperatives the neoliberalization of the agricultural sector under the ANC government has exacerbated the tendency toward degeneration and away from the cooperative model. Two trends have come to the fore as the government has adjusted the national agro-food complex through liberalization, deregulation, and the pursuit of competitive advantage.

The first important trend emerging from these shifts in government policy is that fewer so-called white agricultural cooperatives have consolidated control of key parts of South Africa's globalized agro-food complex. By 2005 just 78 (rather than 250 in the early 1990s) white farming and agricultural processing cooperatives (i.e. fruit and vegetables, livestock, grain and oil seeds, meat, timber, tobacco, and wine) were responsible for producing a turnover of R6.7 billion, had assets valued at R5.4 billion and membership of 203,207.<sup>6</sup> The structural power of these "white agricultural cooperatives" (or perhaps more aptly monopoly businesses) has been increased due to neoliberalization. Table 12.1 also illustrates that the structural power of these cooperatives has not changed in 2010. In terms of the value of cooperative production, agriculture is still at the top in South Africa and a closer look confirms that it is the white monopoly businesses in agriculture, merely legally referred to as cooperatives, that dominate.<sup>7</sup>

The second important trend resulting from neoliberalization is the conversion of many of these "white agricultural cooperatives" into private or public companies.<sup>8</sup> A very recent and iconic example of this is one of South Africa's oldest white farming cooperatives, the National Cooperative Dairies (NCD), formed in 1898.<sup>9</sup> The NCD evolved from its first initiative of running a butter making factory at the beginning of the twentieth century to now being poised to be either the first or second largest milk producer and supplier in the country. This growth in NCD is driven by its globalization strategy. Initially this required abandoning its cooperative identity and becoming a private company in 2003. This was linked to joint ventures with Danone (in which it purchased a 45% share) and Fonterra a New Zealand based agricultural cooperative primarily to ensure the marketing of bulk dairy ingredients and the supply of food service products to various quick service restaurants throughout the Southern African region. Currently, the NCD is poised to be listed as a public company on the Johannesburg Stock Exchange (JSE), Africa's most globalized stock exchange. It is about



**TABLE 12.1** The value of cooperative output

	Value of output (in Rands)	Percentage of output
<b>Agriculture</b>		
Farming Requisites	2,057,771,102	16.9
Fruits and Vegetables	512,962,480	4.2
General Products	217,899,729	1.9
Grain and Oil Seeds	4,266,267,328	35.1
Insurance	6,459,575	0.05
Meat	179,994,646	2
Timber	1,598,653,351	13.1
Wine	749,655,635	6.1
<b>Trading Co-ops</b>		
Buying Aids	2,274,191,190	19
Home Industries	12,476,540	0.1
Mutual Benefits	27,854,695	0.55
Financial Services	10,098,208	1
Total	12,164,976,479	100

Source: Department of Trade and Industry, 2009

to globalize its share and ownership structure as it seeks to secure R500 million in capital on the JSE. This move is meant to capitalize the company so that it can reposition itself in the globalized agro-food complex and increase its market share in the Fast Food Consumer Market (FFCM) by linking with Mass Mart and Shoprite. These are leading South African retail chains that have a broad economic footprint on the African continent. In short, NCD the public company is about to further globalize its operations on the African continent through these relationships. This is not unique for the globalized agro-food complex in South Africa. Actually, exports of the finest wines, fruits, and vegetables from South Africa, as far a field as Europe, is a well-established international trade practice but has become even more important for South Africa's competitive advantage and export orientation due to Afro-neoliberalism.

## Consequences of South Africa's globalized agro-food complex

With the loss of food sovereignty South Africa's globalized and fossil based agro-processing food industry has had devastating consequences. On the production side South Africa has regressed from being a net exporter of food to being a net importer. In 2008, South Africa imported food to the value of R34 billion while it exported farm products worth R33.7 billion. At the same time, maize production, which provides maize meal an important staple in the South Africa diet, has also become implicated in genetically modified organism (GMO) experiments. Currently, 70 percent of South African maize is GMO. It is argued that this technology will increase yields and quality. However, the human and biodiversity consequences are completely ignored. Another crucial aspect of South Africa's agro-food complex is its fossil fuel dependence. South Africa's entire production and exchange food infrastructure has added to carbon emissions and global warming. Through input production and sourcing, farming, processing, and transportation (domestic and for exports), agriculture's carbon foot print stands at 9 percent of total green house gas emissions in South Africa. This adds to South Africa's already high green house gas emissions, which are the highest in Africa and fourteenth in the world. The negative feedback effect of this is reflected in current climate change scenarios which predict changing weather patterns that could make agriculture completely unviable in many parts of the country, particularly on the Western region of the country.

Linked to the fossil based, GMO and globalized production side is increasing food prices. South Africa imports 1.4 million tons of wheat per year. This input has had price increasing effects on the wheat-to-bread value chain in South Africa. As wheat prices have escalated due to supply-side factors in globalized markets, this has been transmitted as higher prices to local consumers. Moreover, as Jacklyn Cock argues "bread has material and symbolic value in the South African context because it is the staple food of working class communities."<sup>10</sup> Cock (2009) further points out that the political economy of the wheat-to-bread value chain has led to the concentration of ownership and control in both local wheat production and in milling/bread production. On the milling/bread production, she points to the control of five monopolies: Pioneer Foods, Tiger Brands, Premier Foods, Genfoods, and Foodcorp. These bread producing monopolies have colluded to push up prices and have been fined by the Competition Commission on numerous occasions, but this has not stemmed profiteering from bread.

The profiteering from bread has placed a major stress on working-class families. In a survey conducted of 40 households in the working-class community of Pimville, Soweto, it was found that 60 percent of monthly income

was spent on food and 31 percent of this was spent on bread alone (Joynt, 2010: 34). In a qualitative study of the same community it was found that the general increase in food prices has led to widespread hunger (Joynt, 2010). This is directly linked to a new practice of “shoplifting” in which people enter supermarkets and consume food. This practice has been covered in leading South African newspapers and has also informed tactics by the Unemployed Peoples Movement (UPM). While this has led to arrests of UPM leaders, the tactic has exposed the desperate struggles by South Africans to meet their staple needs and fight hunger.

At the same time food inequality engendered by the globalized fossil based agro-food complex has led to another challenge for the politics of food sovereignty. On the consumption side, both nutritional deficiency and obesity are crucial challenges among all population sectors, but most worryingly among children in South Africa (Chopra et al., 2009). According to Chopra et al. (2009: 6–9) stunting and underweight are the most common nutritional disorders among children in South Africa, with stunting at 18 percent for children from 1 to 9 years old and underweight national prevalence at 9.3 percent. In terms of obesity, “the highest prevalence of overweight and obese children was in the age group one to three years old (19.3%) and those living in urban formal areas (15%)” (Chopra et al., 2009: 8–9).

## **Mapping solidarity economy food cooperatives**

Due to the high levels of unemployment and deepening food insecurity in poor communities, food production initiatives are proliferating.<sup>11</sup> Food gardens, food projects, food associations, and various other efforts have come to the fore. Moreover, within agriculture and food production the state has made a conscious effort to promote the cooperative form among emergent black farmers. The general experience of state-led cooperative development has been dismal. Top-down state-led cooperative development has undermined cooperative development both at a movement level and at the grassroots level. At the movement level, South Africa has been through two phases of top-down cooperative movement building since 1996. Both have failed dramatically. In the second phase, between 2000 and 2003 the national Department of Trade and Industry locked the National Cooperative Association of South Africa (NCASA) into a partnership agreement to set up Cooperative Development Centres (CDCs). After five years, not a single CDC was developed, NCASA was declared insolvent and millions of Rands went unaccounted for. With the benefit of hindsight and research it is clear that bureaucratic state control of finance tried to define a role for NCASA beyond its capacities (Satgar and Williams, forthcoming). This of course does not take away from the serious internal weaknesses within NCASA

which contributed to its failure. A third phase of cooperative movement building has begun with the state still in the driving seat.

In the case of individual cooperatives, including agricultural cooperatives, the state has not done sufficient education on cooperative values and principles. Rather the state has preferred to finance cooperatives in the name of Black Economic Empowerment, which has led to rent-seeking and patronage based corruption. Organizationally these cooperatives lack basic skills and technically have not been capacitated with viable cooperative strategies. Many of these observations on cooperative weaknesses have been made by the government itself through the first ever government baseline study of cooperatives in South Africa. The 2009 study found that while the Registrar's office officially had 22,030 active cooperatives on its list in 2009, only 2,644 were operational, confirming a survival rate of 12 percent for the country (DTI, 2009: 37).

An emerging alternative to the state-led cooperative movement in South Africa is a grassroots solidarity economy movement. Such an alternative is grounded in the recognition that the crisis of capitalism is a systemic crisis expressing itself as a complete civilizational crisis (COPAC, 2010b). This crisis is multifaceted with economic, ecological, political, and social dimensions. According to the Cooperative and Policy Alternative Centre (COPAC) such a solidarity economy alternative can be defined as, "a collective humanist response and democratic alternative from below to the crisis we face. It draws on our common humanity as the basis for solidarity action. More concretely the solidarity economy is a voluntary process organised through collective struggle and conscious choice to establish a new pattern of democratic production, consumption, and living that promotes the realisation of human needs and environmental justice" (COPAC, 2010a: 18). This is a working definition for the solidarity economy alternative emerging in the South African context. As a working definition it is tentative and will be elaborated from below through collective transformative activist practice.

Currently such a transformative practice is emerging as an activist trend and is beginning to inform research agenda's around cooperative development. This is the case with the food cooperative case studies profiled in this chapter. These cooperatives are engaged with a solidarity economy lens in which the internal ownership and member control characteristics are highlighted. Thus Kadishi Agricultural Cooperative is classified as a *worker-producer cooperative* and Mathomo Mayo Organic Agricultural Cooperative is classified as a *worker-owned cooperative*.<sup>12</sup> In a worker-producer cooperative, worker owners control all decision making and own crucial means of production, like land, necessary for the core operations of the cooperative. Other property of the cooperative is also collectively owned. Such cooperatives can employ workers but this cannot exceed more than 25 percent of the worker owners and these workers

have to be provided with decent working conditions.<sup>13</sup> On the other hand, in a worker-owned cooperative, worker owners control all operational, strategic, and policy decisions and the property of the cooperative is either individually and collectively owned or just collectively owned.<sup>14</sup> These cooperatives also institutionalize solidarity economy values and principles within the internal rules and operations of the cooperatives in different degrees and ways.<sup>15</sup> This also requires a context specific and case by case understanding of cooperatives as solidarity economy enterprises. The second important characteristic of cooperatives in the solidarity economy is that they are not controlled by the state. They are independent food production cooperatives that engage the state when necessary on their terms and are not trapped in a state centered logic of development. In the following sections, we explore two cases of food cooperatives pursuing a solidarity economy focus.

## **Kadishi Agricultural Cooperative**

Kadishi Agricultural Cooperative is 20 years old. In 1980 it began as the Lowveld Agricultural Cooperative, but in 1982 it officially registered as the Kadishi Agricultural Cooperative. The cooperative is located in the northern part of rural South Africa in the province of Mpumalanga,<sup>16</sup> nestled in the beautiful rolling hills of Mpumalanga province approximately 40 kilometers north of the town of Graskop. The cooperative is located in the middle of the Matabidi village with its 65 members coming from the 3 villages surrounding the area. Defying the slow rhythm of the picturesque landscape, the cooperative bustles with activity and is a central institution in the village. While Kadishi Agricultural Cooperative's core activity is agriculture, and it has registered a great deal of success in its agricultural activities, it also has diversified its activities to meet various needs of the village such as a grocery shop, petrol station, tire repair center, and fresh poultry shop. The cooperative is a solidarity economy enterprise meeting a host of basic needs of the community. However, the core operations of Kadishi cooperative relates to farming support and maize processing. Initially the cooperative started assisting local small-scale farmers (160 farmers each owning a farm about 1 hectare in size) with the procurement of inputs for farming like seeds and fertilizers. The farmers mainly farmed beans, corn, and sorghum for subsistence and they realized that they could save transport costs and secure better prices if they bought inputs in bulk. Later, and with some government assistance, the cooperative has been able to buy important farming equipment (such as ten tractors and build a hangar to store the farming equipment). By 2008 it had expanded its agricultural activities to include plowing, preparing, and planting fields for farmers at a subsidized cost, churning the soil and pest control, purchasing the products

from the harvest and selling to local markets, grinding corn into maize meal, and storing maize meal in a secure pest-free storage silo.

Kadishi is a member driven worker-producer cooperative. Worker owners join the cooperative and become members after paying an annual membership fee. The assets of the cooperative are collectively owned and are indivisible. Worker owners own their own land but utilize support and other means of production collectively owned by the cooperative. Worker owners have rights to share in profits and losses, rights to information and rights to participate in decision making based on the one member one vote principle. Kadishi cooperative holds meetings with its membership at least three times a year according to the harvest cycle. A first meeting is called after planting begins in October to discuss the planting process and encourage farmers to plant their crops. In February the cooperative organizes a meeting with the community to discuss the issue of selling the crops to the cooperative. A final meeting is called in July after harvesting. The cooperative determines the price for the maize based on the industry's standards. In addition, the cooperative hosts quarterly worker-owner meetings to discuss all issues relevant to the cooperative.

Kadishi Cooperative has impacted on the community in a variety of ways. In the late 1990s many farmers in the area had stopped planting on their land. With the revival of the cooperative's activities over the past ten years, however, the number of farmers planting on farms has dramatically increased. By 2007 all 160 farms in the area had planted some crops on their farms. One of the ways the cooperative has helped farmers begin planting is by subsidizing the planting process. Normally it costs between R800 and R1,000 to plant on 1 hectare of land (e.g. plow, prepare, plant seeds). The cooperative raised funds from government and through its own savings provided planting services (including the seeds) for R300 per farm. As a result, many farmers have started farming again.

Moreover, Kadishi pays farmers cash on delivery for maize. Paying farmers cash for their maize has encouraged farmers to sell their maize directly to the cooperative. Thus, the cooperative has directly impacted on household livelihoods and has introduced some financial stability into households. For example, farmers know that they can sell their maize directly to the cooperative for a set price as soon as they have harvested the maize and do not have to wait to sell it in the market. For many farmers the money they make from their maize has assisted in school fees for their children as well as other family needs. The fact that Kadishi has managed to pay cash for the maize before it sells it, is a further indicator of its success. It has managed its cash flow in such a way that has allowed it to pay for the maize months before it sells it.

With more farmers planting and selling their harvest to Kadishi, the cooperative has also increased its activities and surplus. Through storage, processing, and sales of maize meal at reasonable prices to the local

community the cooperative has impacted directly on household food security in many local villages. Kadishi is in the process of developing marketing strategies and developing a Kadishi brand, which it hopes will further increase its presence in the local market and contribute to food security.

## **Mathomo Mayo Organic Agricultural Cooperative**

Mathomo Mayo Organic Agricultural Cooperative was established five years ago in Ivory Park township. It is part of the second wave of cooperatives that have blossomed within a township community at the heart of South Africa. Ivory Park is a township community approximately 30 kilometers northeast of Johannesburg. According to the 2001 National Census the total population of Ivory Park is estimated at 110,000,<sup>17</sup> with approximately 36,464 households, and a significant number living in shacks and informal dwellings. Within this community at least 12,603 households do not have any income and it has an unemployment rate close to 40 percent. In many ways Ivory Park displays the typical characteristics of a South African township community. In this context, hunger is a serious household and community challenge. It is also an expression of the crisis of social reproduction afflicting various working-class and poor communities in contemporary South Africa.

However, since 1999 through the initiative of environmental justice activists involved with the EcoCity Trust, an attempt was made to address the social crisis of this community by building an ecovillage and a local cooperative movement to meet local community needs. The local ecovillage has been the seedbed for cooperatives engaged in organic farming, clothes making, waste collection, paper making, bicycle refurbishment, youth awareness raising, construction, and ecovillage management. Many of these cooperatives are self-developing with strong subsistence orientations. Some of these cooperatives have also developed commercial strategies and are income generating. However, this history has not been without its failures. From the initial 12 organic farming cooperatives established in 2000 all failed due to a lack of access to water resources and inadequate capital. However, this did not deter local cooperative movement building, but instead the experience of utilizing the cooperative solution to address local needs inspired the local community to continue experimenting with the local cooperative option. A tradition was engendered premised on an understanding that the utilization of cooperative values and principles were central to bring about social transformation.

Thus five years later Mathomo Mayo Organic Agricultural was born as part of a second wave of cooperative movement building linked to

the Ecovillage.<sup>18</sup> Five unemployed women approached the EcoCity Trust requesting use of a large piece of land to start an organic garden to feed their families. Learning from the past, they felt that by neighboring the Ecovillage they could source water directly from it. The EcoCity Trust agreed to give them access to the adjacent land and water. The women then formally registered their cooperative and started working on the land with resources they pooled among themselves.

The cooperative requires a once-off joining fee, which implies that ownership of assets is collective and indivisible. At the same time, worker owners have rights to share in profits and losses, rights to information, and rights to participate in decision making through an equal distribution of power through the one person one vote principle. Due to the small size of the cooperative it works horizontally and meets collectively mainly to deal with operational decision making. From a solidarity economy perspective, Mathomo Mayo is a worker-owned cooperative.

Today, Mathomo Mayo cooperative is a highly successful urban organic agricultural food producer.<sup>19</sup> It has mastered organic farming and has a year-round crop of spinach, lettuce, cabbage, beetroot, and herbs and grows seasonal vegetables such as tomatoes. It has set up a nursery where it nurtures its seedlings for year-round production. The cooperative has won numerous awards. It has also received grants from various institutions, which have enabled it to build a fence around its garden site, buy a tank for rain harvesting, and sink their own borehole. The cooperative has a stable community market through sales directly off its garden site. It averages about 26 customers per day. The cooperative sells nutritious food cheaply, which has had a direct impact on the fight against hunger in households and the community. Moreover, the cooperative provides free food to its worker owners and their families.

## **Challenges facing solidarity economy food alternatives**

For solidarity economy food alternatives to prevail over the established agro-food complex various challenges have to be overcome. Overcoming these challenges will provide the necessary conditions for food cooperatives to emerge as part of a food sovereignty alternative within the solidarity economy and beyond. The first challenge that looms large in the South African context is building a bottom-up solidarity economy movement. Currently many of these alternative food initiatives are localized and isolated. A serious movement has to emerge to link these solidarity economy enterprises and facilitate the sharing of their experiences. This process has to be guided by a transformative activism that links the urban and rural,



different kinds of worker farming cooperatives and engenders important networking capacities.

This brings to the fore the second important challenge around food alternatives to the agro-food complex. The role of knowledge is crucial in this struggle. Knowledge about this alternative and its importance for households and communities but also knowledge about how to develop these alternatives are crucial. Put differently, every solidarity economy enterprise in the alternative food economy has to become an agent to share this knowledge. Currently in Ivory Park township, the Mathomo Mayo Organic farming cooperative is emerging as a crucial alternative food economy facilitator. It is training others in the community who are interested in setting up their own organic farming cooperatives. Moreover, the Ecovillage Solidarity Economy Education and Communication Cooperative has established a food sovereignty subcommittee which is bringing together all cooperatives involved in organic farming in Ivory Park township. It has also linked with organic farming projects outside the community. The next step envisaged by this cooperative is the development of a food sovereignty strategy for the entire community in order to eradicate hunger and ensure environmental justice. This will be guided by solidarity economy research mapping.

Finally, the emergence of a solidarity economy movement and successful solidarity economy food sovereignty alternatives have to be able to provide an effective counterhegemonic challenge to the state and agro-food complex it supports. This would require a political project to ensure the socialization and ecological restructuring of the existing agro-food complex. Such a political project can only emerge from below through grass-roots struggles.

## Notes

- 1 Dr Vishwas Satgar is a senior lecturer in the International Relations Department at the University of Witwatersrand. He was a founder and Executive Director of the Cooperative and Policy Alternative Center (COPAC) for 11 years. He is currently a board member. This chapter draws on COPAC's research work and cooperative development practice in post-apartheid South Africa.
- 2 This perspective has been argued by Harold Wolpe, a famous South African sociologist, through his thesis on the articulation of urban and rural modes of production.
- 3 The existence of "whites only" cooperatives contradicted the universally accepted and nondiscriminatory principles and values of the international cooperative movement. These values and principles evolved over 150 years since the Rochdale experience in Great Britain. Also see ICA (1996) *Cooperative Principles for the 21st Century*, ICA Communications Department: Geneva: 1; International Labour Organisation Recommendation 193 (adopted in 2002); United Nations, *Guidelines on Cooperatives* (2001).

- 4 Jara (2010/2011) in his Masters thesis documents this evolution in ANC agricultural policy thinking by tracking the policy shifts within its think tank the Land and Agricultural Policy Center (LAPC) in the early 1990s. He shows how it became a mouthpiece for the World Bank and managed a World Bank financed research agenda.
- 5 There is an important literature that documents the restructuring and globalization of South Africa's agro-food complex. This chapter draws on Roberts (2009), Jara (2010/2011), and Greenburg (2010).
- 6 Registrar of Cooperatives and Statistics of Cooperatives in South Africa, 2002–2005 Volume No. XVI.
- 7 Interview Rector Rapoo, Registrar of Co-operatives, Department of Trade and Industry, Pretoria, October 21, 2010.
- 8 Interview Rector Rapoo, Registrar of Co-operatives, Department of Trade and Industry, Pretoria, October 21, 2010. Interview Jeff Ndumo, Chief Director Cooperatives Unit, Department of Trade and Industry, Pretoria, October 21, 2010.
- 9 The story of NCD's expansion and conversion to listed public company is contained in a full-page article in South Africa's leading weekend newspaper the *Sunday Times*, in its Business Times section, November 28, 2010, p. 7.
- 10 This statement was made by Jacklyn Cock, an environmental justice activist, on various public platforms.
- 11 South Africa had a 40 percent unemployment rate before the recession hit. During the global recession 1 million jobs have been lost.
- 12 COPAC in South Africa recognizes a typology of different types of worker cooperatives with different ownership, worker owner control permutations and internal rules. COPAC recognizes four types of worker cooperatives: (1) worker-owned cooperatives; (2) worker-producer cooperatives; (3) worker-managed cooperatives; and (4) worker-supported cooperatives.
- 13 This 25 percent derives from the South African Cooperative Act of 2005 and provisions relating to worker cooperatives. These provisions are inadequate to capture different permutations on the worker cooperative model.
- 14 In the Mondragon Cooperative Complex, in the Basque country of Spain, worker ownership exists at two levels, individually and collectively. Individually through the value of capital in a member capital account and collectively through the cooperative of all the assets of the cooperative. Collective ownership of property exists when there are no individual member capital accounts. Worker owners normally just pay a joining fee.
- 15 In South Africa, COPAC is innovating on solidarity economy values and principles as developed by the international cooperative movement. In its understanding the following values are important: caring, sharing, self-reliance, honesty, democracy, equality, learning, ecological consciousness, social justice, and openness. Moreover, COPAC works with the following principles of the solidarity economy: solidarity, collective ownership, self-management, control of capital, eco-centric, community benefit, and participatory democracy.
- 16 COPAC has mapped and tracked the emergence of new, mainly, black farming cooperatives in rural post-apartheid South Africa. The Kadishi Cooperative case study draws from COPAC's 2008 study on successful cooperatives. In 2010, COPAC concluded a study on rural cooperatives in the Eastern Cape

- province in South Africa, many of which are worker-producer agricultural cooperatives.
- 17 All quantitative data related to Ivory Park in this section of the chapter is drawn from the 2001 national government census. This data is very dated and the unemployment trends, for instance, have probably increased given the increased job shedding in the South African economy.
  - 18 As part of this second wave of cooperative development a chicken cooperative, old-age feeding cooperative for pensioners, a bakery cooperative, a sewing cooperative, and another organic farming cooperative have developed.
  - 19 All empirical data about Mathomo Mayo cooperative has been obtained from a recent COPAC solidarity economy mapping enterprise survey. This is the first solidarity economy mapping survey conducted in South Africa. The survey will be published in 2011. The study of urban food cooperatives and projects is developing a rich literature. See Kalima (2005) and Wills et al. (2009), for example.

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