

# Cooperatives and Capitalism: Selected International Comparisons

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## ABSTRACT

Much has changed since the 1998 publication of *Democracy at Work: The Story of Kerala Dinesh Beedi*. Recent international economic and financial crises have revealed anew capitalism's inability to provide satisfying material and emotional lives for the world's people. Globalized capitalism is now pushing against environmental limits and threatening to degrade the earth's life support system. Many on the left no longer view state socialism as a viable alternative. In these dangerous times, can cooperatives offer a way forward?

New cooperatives have grown up in many countries and new academic studies have appeared that offer evidence of the potential of cooperative forms of economy and society. At the same time some of the most successful cooperatives such as Mondragon in Spain and the Emilian coops in Italy may be facing challenges of degeneration in the face of globalization. In this paper we shall summarize a few of the most significant developments in cooperative history and illustrate possibilities for a better life and more sustainable production and distribution system with examples from worker coops, consumer coops, housing coops, and social care coops from Mondragón, Spain, from Emilia-Romagna, Italy, from the U.S., and from Venezuela. We also consider the limitations of cooperatives as vehicles for large scale social change.

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## 1. Introduction

Organizers of this conference have chosen an apt title. We are in an era of globalization that has led cooperatives into a period of transition. These transitions include growing experimentation with a wide variety of ownership forms and questions about the possibility of linking cooperatives in the work place with banking, consumer and housing coops. Possibilities have also emerged for using cooperatives as basic units of socialist planning. In the 19th century much thinking about cooperatives had focused on European and North American production workers – a natural reflection of that century’s concentration of masses of workers in large capitalist industrial work places. During the early and middle 20th century this trend continued, but more recent decades have seen a decentralization of work places, high mobility of capital across national boundaries and a re-concentration of wealth and power in the hands of business owners after a mid-20th century brief moment of redistribution. One fact has remained constant across time:

cooperatives began as and remain tools of workers and communities to potentially liberate themselves from the oppression and exploitation of capitalism.

In this paper we propose to briefly summarize the current state of globalized capitalism and its effects on workers and communities. We will then examine a few selected cooperatives that illustrate some of the main achievements, potentials and challenges for the cooperative movement today.

## 2. The Current World Situation

The current economic and social landscape is full of diverse tendencies. Some positive elements are interacting with a number of harmful trends that are already producing massive suffering and threaten to bring about a large scale collapse of the modern economy.

The most dramatic recent economic event was the “Great Recession,” a near financial meltdown in the U.S. and Europe. Between 2007 and 2011 10.9 million American homes went into foreclosure. Home ownership is one of the few sources of wealth for ordinary working people in a capitalist society, so the foreclosures meant a loss of much of what many had worked all their lives to acquire. The cost of this real estate collapse in this one country alone may reach \$7 trillion to home owners and another \$1.95 trillion in “spillover” costs such as declining value of homes in the neighborhoods of foreclosures. This amount equals – incredibly – about 10% of total world GDP which was about \$83.1 trillion in 2012.<sup>1</sup> As typically happens in the U.S. during a crisis, racial inequality increased as African Americans bore a greater proportional share of the losses.<sup>2</sup> Official unemployment surged to

10% by October of 2010 and by February of 2013 had dropped only to 7.7%.<sup>3</sup> Much of the new job creation has been in low-wage employment with no benefits. Meanwhile the economic downturn in Europe may be worse and more prolonged than in the U.S.<sup>4</sup>

Worldwide the ILO estimates that 197 million persons were without a job in 2012. Current trends suggest a further increase in unemployment by 5.1 million in 2013 and another 3 million in 2014.<sup>5</sup> On average, not counting China, real wages grew less than 2% annually from 2008 and 2011. Some areas in some years saw wage declines, although Asian economies sustained increases of around 6%.<sup>6</sup> The World Bank Report for 2013 (IBRD 2012) focuses on jobs as the central problem facing the world economy.

On the positive side, the *World Bank Annual Report* for 2012 listed on its cover page massive accomplishments by the numbers: 496.8 million children immunized, 1.96 million households connected to piped water, 9.9 million received improved sanitation, 266 million covered by social safety net programs, and so on. Yet the Bank's 2013 Development Report notes (page 58) that "Short-term crises may wipe out years of progress. They may start in a single country and through globalization spread over entire regions or, as in the recent one, to the whole world." A system this vulnerable may vaccinate a lot of children one year but slip into vast misery the next. Something deeper is likely wrong. In the U.S. case, workers who had gained from the exceptional period of 1945–1970 struggled to keep up as wages slipped after 1973. First, more wives went to work. Then households got credit cards and

began living in debt with its associated high interest rates. In the 1990s ordinary people were drawn into mortgage speculation and finally the accumulated debt tipped the system over. Recent news reports suggest that nearly half of Americans are now in poverty or close to it.<sup>7</sup> The short term Great Recession was an outcome of longer term structural elements of the system. It has yet to turn into a recovery.

### 3. A Systemic Crisis

Marxists and other progressive observers have long claimed that capitalism is fundamentally flawed, despite the great wealth it has generated. In assessing U.S. middle class affluence in the mid and late 20th century, for example, the American historian and political scientist Gar Alperovitz points out that the gains occurred during a particular period – 1945 to 1970 – in what he calls (2013:11) “this unusual moment in history,” created by “a massive, global, industrial-scale war and its aftermath, a war that was not fought on American soil.” Alperovitz goes on to note that U.S. federal government spending reached 37% of the economy in several of the war years. In post-war America, government spending provided college educations or training programs for 7.8 million persons, expanded Social Security, created Medicare and Medicaid programs, built a huge interstate highway system, and supported labor unions which gave many workers a previously unachievable influence on policy. Further economic stimulus was provided by the huge government spending on the Cold War, the Korean War and the Vietnam War (Alperovitz 2013:12–13).

Around 1973 a shift began. The “aberration” (Alperovitz 2013:15) of the war and reconstruction periods ended and the system began to move back to its default state. After 40 years we now see in the U.S. a weakening of the labor movement almost to the point of collapse, share of income taken by the top 1% of Americans rising from 10% to 20% of the total, an increase in power of the rich to push down their tax rates, no improvement in the poverty rate and no change in the over representation of African Americans and Latinos among the poor, a massive increase in the prison population and numerous other signs of stagnation and decay (Alperovitz 2013:3–5). Looking back over the 20th century in the United States, Alperovitz (2013:1–5) concludes we are looking at a “system problem.” Viewed from this angle, we would have to say the system has been broken since at least 1929 (when the stock market crash brought down the U.S. economy) but has been covered over by exceptional historical circumstances and government largesse that facilitated the belief that the system worked well.

Worldwide something parallel occurred. According to establishment economic historian Angus Maddison (2007:71), “The years 1950 to 1973 were a golden age of unparalleled prosperity.” Although significant international inequality remained, economic growth as measured by increases in the per capita domestic product (GDP) – rose in all regions of the world faster than had been the case in those regions in previous periods. In the West per capita GDP rose from \$6,297 in 1950 to \$13,379 in 1973 – a 112% increase in just 23 years. In the rest of the world per capita GDP went up from \$1,126 to \$2,379 in the same period – an increase of

111% (Maddison 2007:70). These figures represent annual average compound growth rates of 3.33 and 3.31 percent respectively and for each region they are the fastest growth rates ever recorded for that region – including the more recent period since 1973 (Maddison 2007:71).

Since about 1973, however, industrial growth in many areas slowed. It is still increasing but the rate of increase has declined. Growth from 1973 to 2003 was only half of what it had been in the “golden age” of 1950 to 1973. Declining rates of energy production and in extraction of raw materials seem to bear out predictions made in the 1972 classic study *Limits to Growth* (Meadows, Meadows, Randers and Behrens 1972). In their 30 year update to the study (2004:8) the authors found that during the period 1950 to 1975, oil consumption increased 540%, while between 1975 and 2000 it increased 130%; for rice production the increase went from 240% to 170%; for steel 350% to 120%; electricity generation 1040% to 200% and so on.<sup>8</sup>

At a more abstract theoretical level, the “structural crisis of capital” has been analyzed by Hungarian-British Marxist philosopher Istvan Mészáros. Although he does not cite specific declining rates of increase or other empirical data of that kind, Mészáros (2001:41) argues that capitalism’s need for unending expansion began to hit limits in the 1970s. The continuing demand from the system to expand – despite limits – sets up dangerous threats to humanity. Among the features of the structural crisis: inability to adapt to the limits of nature (e.g. 2010:64–65), the emergence of chronic unemployment (2010:83–86;1995:149–50 and 224–253),

rising inequality (1995:212) and growing challenges to U.S. hegemony leading to dangers of frequent wars (e.g. 2001:39–41).

A longer term and non Marxist perspective on the same general issues was developed by the American anthropologist Marvin Harris. In his 1977 book *Cannibals and Kings: The Origins of Cultures*, Harris argued that human history unfolds as a series of stages that each follow a sequence from an initial steady state to an intensification to depletion followed by either technical innovation or collapse.

Harris (1977:182) sees the period starting around 1820 as unique. An unusual – perhaps unique – conjuncture of three elements made possible the development of modern industrial capitalism leading to Maddison’s 1950–1973 “golden age.” The condom – possible after 1843 when vulcanization was invented – allowed humans to safely and affordably control the number of children. The expansion of industrial production created conditions where workers needed to be more educated than had been the case under traditional agriculture. This made children more expensive creating incentives to parents to limit the numbers of offspring. With the safe and fairly inexpensive condom around, the “demographic transition” could take place in the industrial nations, allowing increases in the per capita incomes that facilitated the consumption that drove further industrial development.

But Harris (1977:4) argued that “...intensification is always counterproductive.” And – the main intensification of the industrial revolution was the “fuel revolution:”



...the hundred-, thousand-, even millionfold increase in labor productivity brought about by the application of steam, diesel, gasoline, electric, and jet engines to agriculture, industry, mining, and transport (Harris 1977:188).

Harris argued that the advances in comfort and possessions made possible by these three exceptional factors ultimately still fall within an intensification-depletion sequence: “The farther and deeper we search for coal and oil, the more costly all industrial operations become (Harris 1977:188).” The only way out is to create a new technological revolution – one that starts a new sequence at a higher level. Otherwise the industrial bubble will burst and “The possibility of deep impoverishment should not be dismissed” (Harris 1977:188).

#### 4. *A Cooperative Alternative to System Failure?*

In the study of Kerala Dinesh Beedi, Thomas Isaac, Richard W. Franke and Pyaralal Raghavan (1998:55) noted that cooperatives tend to arise during economic downturns or when workers or communities are under economic attack from outside forces. If these conditions are occasional we should consider coops as incidental to the current crisis of capitalism. However, if – as the evidence seems to show – the conditions that lead to coop development are endemic to the system, then the logical conclusion is that coops are possibly essential alternatives to capitalist businesses and need to be promoted as key elements of a new type of economy that will be capable of solving the problems described in Section 3 of chronic unemployment, inequality, community collapse and environmental destruction.

## 5. A Range of Cooperative Experiences

### 5.01 Kerala Dinesh Beedi

KDB arose as a response to a lockout. Forming the coop became a desperate act of resistance that succeeded owing to the solidarity and commitment of the workers, a friendly state government (Thomas Isaac, Franke and Raghavan 1998: 68-69), a substantial mass movement and other factors. The coop was able to maintain a high quality product, vastly improve wages, benefits and working conditions among the members, and institute democratic participation in the workplace. A key feature of KDB's success was its creation of a Central Society that federated the smaller Primary Societies that themselves were decentralized into work centers. This federal structure helped KDB overcome one of the principle obstacles to coop survival: small size and limited resources. KDB also benefited from skilled and dedicated non worker staff such as Board Chair G. K. Panikkar who led the company from its founding until his death in 1996 and other committed supporters. Political sympathizers purchased the beedis rolled at KDB at least in part as acts of solidarity (Thomas Isaac, Franke and Raghavan 1998:73-75), giving the coop a form of economic support outside the normal capitalist parameters of market and price.

### 5.02 The Rochdale Pioneers and The Cooperative Principles

KDB's story is similar in general to that of most modern cooperatives, including the first. Historically, the founding of the cooperative store of the now iconic

Rochdale Society of Equitable Pioneers in Britain in 1844 – often considered the origin of the modern cooperative movement in the West – coincided with “the crumbling of the town’s industrial heart,” because “...the cotton factories had to compete with imported cloth produced at a fraction of the cost with slave labor in the United States” (Restakis 2010:39). Globalization was thus a factor in the origin of the modern cooperative movement in Great Britain. The Rochdale movement and the slightly earlier New Lanark experiment of Robert Owen were both ultimately unsuccessful, but they nonetheless established the idea of community owned stores and worker owned production businesses. The Rochdale pioneers left behind a legacy of seven principles:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Cooperation among cooperatives
7. Concern for the community<sup>9</sup>

These principles clearly differ from the capitalism’s drive for maximum profit and its need for private ownership. The Rochdale Principles continue to inspire modern cooperatives. Two of the most successful are Mondragon and the Emilian network.

## 5.03 Mondragón

### 5.03.1 Background and Development

The cooperative complex of Mondragón is currently the most influential and best studied in the world. It has been the main subject of at least six books and various specialized studies of particular units or aspects have appeared in more than ten English language journal articles. In 2009 the *International Journal of Technology Management and Sustainable Development* devoted its entire Volume 8, Number 1 to articles on Mondragón.<sup>10</sup> A large literature exists in Spanish and Basque (the local language), much of it based on the coop's own research teams. Originating with the founding of a small cooperative technical school in 1943 in the northern Spanish town of Mondragón (dragon-of-the-mountain," or Arrasate in the local Basque language) by a progressive priest named José Maria Arizmendiarieta, the Mondragón Cooperative Corporation (officially just "Mondragon") now comprises 260 cooperative units worldwide with more than 100,000 workers (Freundlich et al 2009:4; Whyte and Whyte 1988:27–31). Along the way they set up production of stoves, automotive parts, electrical equipment, machine tools, lifts (elevators), bus coach bodies, air conditioning and other home appliances, wooden office furniture, packaging, a network of 1,800 supermarkets and more (Errasti *et al* 2003:557).

Mondragón was partly inspired by the experiences of Robert Owen and the Rochdale Pioneers about whom Arizmendiarieta had studied. It also bears many similarities to Kerala Dinesh Beedi:

- A general assembly of the workers makes the major decisions;
- A director board is elected by the workers and other staff are hired;
- Workers must own at least one share and voting is by person, not amount of ownership;
- Only workers can own shares;
- Profits are distributed as bonuses at the end of the year;
- A portion of workers' incomes is held in an internal capital account (like the KDB thrift fund) to provide operating capital;
- Smaller cooperatives are effectively federated into a larger unit with its own financial capacities – in the Mondragón case a coop bank functions like the KDB Central Society;
- Healthcare and insurance plans benefit workers (Lizarralde 2009:32);
- Many other similarities

#### 5.03.2 Education and Training

Mondragón, however, has introduced innovations not found in many cooperatives. Perhaps the most important is the cluster of educational institutions and services. These include Mondragón University where research is conducted on worker attitudes and satisfaction and on many other aspects of the cooperative network. Several vocational training centers, a language teaching center and childrens' primary and secondary schools are also present. At the Otalara Management Training Center newly hired workers who express a wish to become permanent cooperators receive classes on cooperative history and values as well as

specific job training. The initial class is called “Welcome to the Cooperative;” in 2008 418 trainees took the course (Basterretxea and Albizu 2010: 206 and 218). Members who wish to join various worker boards within the cooperatives receive additional training. Coop managers receive more advanced training, including the possibility of an MBA in Cooperative Business Management. In 2008, 738 people participated in management development courses at Otalara (Basterretxea and Albizu 2010:207).

Like KDB and most other cooperatives worldwide, Mondragón managers and CEOs receive limited pay compared to regular capitalist firms. At Mondragón, most higher level manager salaries were limited to 3.5 times shop floor workers. In some, the disparity rises to 8 to 1 (Basterretxea and Albizu 2010:207). This is similar to KDB’s salary differentials of up to 5.8 times beedi rollers in 1992. We noted that salary differentials and issues of control and authority were sources of tension within KDB (Thomas Isaac, Franke and Raghavan 1998:128–29). The comparatively lower pay of managers at Mondragón limits the ability to recruit managers from outside. The cooperative has worked to solve this problem by training and appointing managers from within the ranks of the workers. In recent years more than half of Mondragón’s managers have come from within (Basterretxea and Albizu 2010:208). The coop’s continuing business success has been cited in a number of reports as resulting from the high quality of its management (Basterretxea and Albizu 2010:210). One coop-related feature of the management training is that Mondragón recruited and trained managers display “collective skills

and emphasize the collective decision-making principle, whereas ‘traveller’ managers [recruited from outside] consider that the [local workers’ committees lessen] their decision-making power and regard it as a disciplinary body (Basterretxea and Albizu 2010:203).

The degree of workplace democracy at Mondragón has been challenged by some researchers (e.g. Kasmir 1996), but the literature seems to indicate that, despite some worker criticism, most would not want to work anywhere else. As one worker put it after making criticisms of the company and worker passivity: “Here I have job security and I can vote” (Davidson 2012:230).

#### 5.03.3 Globalization and Degeneration: Mondragón as Multinational Corporation

Unlike KDB, Mondragón has transformed itself in recent years into a multinational corporation. In 1992 the company founded the Mondragón Group, a conglomerate with industrial, distribution and financial sectors (Lisarralde 2009:33). In 2001 the group began a globalization process (Lopez *et al* 2009:42). By 2006, Mondragón had 65 industrial subsidiaries in 18 countries and “sold 57 percent of its industrial output in foreign countries, particularly in India and China” (Lopez *et al* 2009:50).

“How can a cooperative operate in a global economy,” is the question raised by Errasti *et al* (2003). They find that – with regard to Mondragón – the process is investment and acquisition rather than international cooperation (2003:555). Mondragón multinational holdings in 2003 made up 18 of the 119 industrial cooperatives but represented 65% of total turnover of the group (Errasti *et al*

2003:557). This included nine subsidiaries in China. Looking at the overall pattern the authors found (2003:559) that “neither the objectives of external expansion nor the target countries differ significantly from those by other, more conventional multinationals with similar characteristics.” In contrast to a typical capitalist enterprise, home base cooperative members have not experienced unemployment as a result of the acquisitions nor have the home coops lost autonomy (2003:560).

One result of the expansion, however, is that a decreasing percentage of workers are coop members. In 2003, fewer than 4 of 10 were members. The authors consider this to be a verification of the degeneration thesis (Errasti *et al* 2003:560) by which cooperatives decay into traditional capitalist firms. Thomas Isaac, Franke and Raghavan (1998:150–55; 200–203) argued in detail that KDB could avoid degeneration through a combination of mobilization, efficiency and justice. Errasti *et al* note that Mondragón has developed a set of Guidelines for foreign expansion. These range from converting acquired companies into cooperatives – which had not happened yet in a single case (2003:576) to “applying co-operative principles and values in an overall manner within the reality of the multinational corporation...[and]...contributing to the achievement for both company and employees, of a certain capacity of autonomy and development” (Errasti *et al* 2003:571). This selected quote from the guidelines seems to indicate the vague approach taken so far and seems to support the degeneration hypothesis for multinational Mondragón. The authors characterize the situation as “in search of a Democratic Multinational Enterprise”, a search “clearly at an embryonic stage”



(Errasti *et al* 2003:579). Mondragón University's LANKI Institute of Cooperative Studies researchers (Gabilondo *et al* 2012:186) put the issue more optimistically as "The Mondragón cooperatives need their own model of internationalization, suited to their values" (*cf.* Dow 2003:62–66).

On the other hand, Mondragón has become so well known in labor activist circles in the U.S. that the United Steelworkers union recently signed an agreement for consultation and assistance in setting up worker owned cooperatives in the state of Ohio where thousands have lost their jobs to foreign outsourcing.<sup>11</sup>

#### 5.03.4 Reflection and Renewal – The Self-Study

In response to various outside academic and political critiques and to internal studies suggesting a decline in some of the most valued democratic practices at Mondragón, in 2005 the Cooperative Congress – the highest decision making body in the coop – initiated the *Reflection on the Meaning and Future Directions of the Cooperative Experience*. A series of meetings with all the democratically elected member coop presidents included discussions of various LANKI (Mondragón University Institute of Cooperative Research) studies and reports (Etxagibel *et al* 2012.<sup>12</sup> Following the presidents' reports, worker-members of all the coops (but thus not workers who are not members) were invited to participate. This led to 134 meetings at which 1,373 worker-members participated. Sessions were facilitated by LANKI staff and others. Various subject areas were organized around a basic set of two questions: Where are we and in what direction could we and would we like to go? The LANKI Institute made a detailed analysis of the minutes of these meetings

(Etxagibel *et al* 2012:84–85). One result of the study has been an increased emphasis on education at the work site, not just in classes at Otalara or LANKI. Formal courses at the educational facilities have also been updated and expanded to include all levels of the coops. More focus is being placed on relations between the cooperative and the surrounding communities. In part to facilitate this a foundation was created (Etxagibel *et al* 2012:97–98). Greater awareness of the conflict between market demands – for economic survival of the businesses – and the broader needs of workers and the community for participation and dignity is a hoped-for outcome of the process (2012:99). It is not clear, however, if the reflection process identified the company’s globalization policies and practices as problems to be confronted directly.

#### 5.04. The Emilian Model: Mondragón Writ Large

##### 5.04.1 Background and Development

The North Italian administrative region of Emilia-Romagna includes Bologna, one of the historically most progressive cities in Europe. The area of 4.4 million persons is also home to a remarkable assemblage of 8,000 worker-owned cooperatives that account for 40% of the region’s gross domestic product. Many of these coops are federated into a left-organized “League” that facilitates inter-cooperative economic relations and provides for shifting jobs in certain difficult economic conditions. A smaller conservative oriented “Confederation of Cooperatives” plays a similar role. In the 1980s the individual coops varied in size from 9 members to 1,800 (Holmström 1985:8). Coops predominate in construction, agriculture, food

processing, wine making, transport, retail machine production, housing and social services. “Sixty percent of the region’s inhabitants are members of at least one co-op and fully ten percent of Bologna’s residents work for a co-operative” (Restakis 2010:57). As it has evolved, the “Emilian Model” employs “the collaboration of many small firms in the manufacture of a finished product” (Restakis 2010:79). High fashion clothing and artisan products are part of the model. Coops are active in food, knitwear, tiles, farm machinery, leather, wood products, paper, printing, petroleum refining, metalworking and numerous other areas (Mosconi and Mantovi 2010:16; Rinaldi 2002:3).

The Emilia-Romagna coops developed beginning in the late 19th century and blossomed forth especially after World War 2. Coops benefited greatly from the general strength of socialist, anarchist and communist movements in Italy in the 20th century: laws facilitating coop development were passed in the early part of the century while the post war constitution of 1945 expanded support for them.<sup>13</sup> One key element was laws allowing the coops to form consortia (Restakis 2010:74). The League facilitates administrative and financial services, helps coordinate purchasing and credit negotiations and thus helps to establish “minimum economic scales of operation” for numerous small firms in a basically decentralized production set up (Brusco 1982:171 and 173). Starting in the 1970s a further renaissance took place with co-operatives of more than 500 workers going from 2.3% in 1971 to 8.1% of all Italian companies of comparable size by 2001 (Restakis 2010:69). In the same year of 2001, the number of persons working in social care

coops had reached more than 149 thousand. Consumer and retail coops accounted for 38% of retail sales in Italy (Restakis 2010:70).

As with KDB's thrift fund and Mondragón's internal capital fund, the Emilian coops have built up cumulative "indivisible reserves." These are maintained as investment pools for the coops and help them overcome the traditional barrier of lack of access to private capital. As a disincentive to the dissolution of any particular coop, Italian law requires that the indivisible reserves be utilized in the "public interest" (Hancock 2007:55). One sign of the commitment and sophistication of the Emilian cooperators is that worker members routinely vote to hold back much of their own profit sharing, investing it instead into the reserves. At the Imola coop nexus (near Bologna), for example, in recent years workers have given up more than 50% of their bonus payments to invest in the fund. This keeps the businesses sound and reflects a serious understanding of and commitment to intergenerational solidarity in the region (Hancock 2007:57 and 59).

#### 5.04.2 Social Care Coops and the Emilian Research and Education Scene

Since the 1970s social coops have arisen and spread rapidly in Emilia-Romagna. These include old age homes, half way houses and institutions for persons with disabilities. In the city of Bologna, 87% of social services are provided by coops contracting with the municipality (Restakis 2010:100). Providing public services and being able to count on a progressive elected government has helped the coop movement in Emilia Romagna to flourish. Like Mondragón, the Emilia-Romagna coops have made extensive use of the region's four universities and several training

and technology transfer institutes, allowing them to compete successfully in high tech areas (Mosconi and Mantovi 2010; Rinaldi 2002:23–24). Larger coops have set up their own research and development centers (Hancock 2007:91).

#### 5.04.3 Democracy, Participation and Management

A great deal has been written about the economic success of the Lega cooperatives, which have raised the standard of living of the workers and farmers in the region to one of the highest in Europe. Unemployment in the region was kept a few points below the Italian average at least into the 1980s (Brusco 1982:168). Apparently fewer details have been published – at least in English – about the internal structure of the coops, but we can say that nearly egalitarian wage structures predominated in the past and have only been partially dismantled in recent years as a consequence of globalization. As at Mondragón, Emilian coop managers get less than in the regular private sector while the lowest skilled production workers tend to do better (Holmström 1985:8). Recent wage differentials ran from 1.5 to 1 for middle managers hired from within company ranks to as much as 10 to 1 for top management hired from outside (Hancock 2007:83).

Each Lega coop is governed through an assembly of all the worker members who elect a council that manages the day-to-day business. Elections are one person one vote. Larger coops attempt to elect council members from across the main subdivisions of the company (Hancock 2007:73). Managers are subordinate to the council. If the council cannot reach a decision on a major issue, it can send it over to

the assembly for a participatory vote; otherwise the system is essentially representative democracy, not participatory (Holmström 1985:9). Most coops favor promotion from within (Hancock 2007:71). Like KDB but unlike Mondragón, the Emilian coops with more than a few workers have maintained unions.

One of the densest coop areas is the town of Imola, with 69,509 population in 2012, on the outskirts of Bologna. Fifty percent of Imola residents are members of at least one of the town's 132 cooperatives (Hancock 2007:17). Among the individual coops, membership ranges from 15% to 90% of the total workforce. Here the worker assemblies often meet 10–12 times a year in some coops and make decisions about general directions for the companies. "In these meetings debate is often heated, with members actively participating. These meetings frequently exceed 5 hours in length" (Hancock 2007:63). Following this, management is given substantial reign to implement the decisions. The day-to-day actions of management must be in harmony with what the assembly had decided. Managers must be prepared to defend their practices in front of the assemblies (Hancock 2007:77).

#### 5.04.4 Globalization and Degeneration

As with Mondragón, in recent years the question of degeneration has been raised about the Emilian coops. This comes up particularly in the context of globalization and the cooperatives' attempts to survive in it. SACMI, for example, an Imola based manufacturer of machines and complete plants for the ceramic tile, beverage, packaging, quality control process and plastics industries recently got

85% of its revenues through exports. The entire Imola area coop network averaged 30% of sales outside Italy (Hancock 2007:51). Coops are generally pursuing globalization by acquisition of private companies and setting up sales and services offices. SACMI now owns 80 subsidiaries in 24 countries (Hancock 2007:91). Private subsidiaries of Lega coops do not permit workers to become coop members. A few have experimented with U.S. style Employee Stock Option Plans (ESOPs) which do not give the workers any say in running the companies (Hancock 2007:65).

#### 5.04.5 The Proximity and Spillover Hypotheses: Coops, Strong Democracy and Government Efficiency in Emilia Romagna

The authors of the study of Kerala Dinesh Beedi (1998:198–200), noted the literature on the proximity or spillover effects of workplace democracy. Do workers in coops participate more rigorously and more effectively in promoting democracy in the larger society? In the KDB case, a clear connection was found between the success of the cooperative and the political activism and participation of the beedi workers in both the independence struggle and socialist and communist movements. Based on the materials available concerning the history of KDB it was possible to hypothesize that the cooperative experience was spilling over into the broader political sphere. But the experiences in the broader political sphere may also have contributed to the ability of the workers to hold together and create and sustain the cooperative. We might go further and hypothesize that the general activist and participatory movements that generated the Kerala Model overall are reflected in and reflected back from the experience of KDB.

Emilia-Romagna and its leftist Lega coop federation illustrate a similar connection. When the Italian government decentralized many public functions to regional and local administrations in 1970, it created a natural experiment in local democracy. Political scientist Robert Putnam and colleagues Robert Leonardi and Raffaella Y. Nanetti were able to follow and contrast the various regional governments, measuring twelve indicators of “institutional performance,” including development of statistical services, passing appropriate regulatory measures, setting up day care centers and family clinics, housing development, general bureaucratic responsiveness and other indicators (Putnam *et al* 1993: 67–73). They also looked at voter turnout, sports clubs and other indicators of what many are now calling “social capital.” On essentially all the indicators and over two decades, Emilia-Romagna topped the list, in a way similar to Kerala’s contrasts with other Indian states during the same time period. Although their analysis includes historical backgrounds reaching into the Medieval period, the authors (1993:160; see also page 89) note the importance of the cooperatives in explaining the success of Emilia-Romagna’s government institutions:

The importance of cooperative horizontal networks among small firms and worker-owners contrasts with the salience of vertical authority and communication in large, conventional firms elsewhere in Italy.<sup>14</sup>

Can cooperatives contribute to the development of high functioning communities with high social capital? Political scientists Benjamin Barber (1984) suggested the term “strong democracy,” meaning



...a self-governing community of citizens who are united less by homogenous interests than by civic education and who are made capable of common purpose and mutual action by virtue of their civic attitudes and participatory institutions...

(quoted in Putnam *et al* 1993:118–119).

Barber elaborates the concept of strong democracy as a means to find mutual ground even in situations where a community has conflicting interest groups, and where urgent and important decisions need to be made (Prugh, Costanza and Daly 2000:103–107). Rather than rely on higher authority, the community finds ways to use participation and the seeking of common ground to approach reasonable solutions. Strong democracy strongly resembles the empowered deliberative democracy of sociologists Erik Olin Wright and Archon Fung (e.g.2003:17). KDB supports this hypothesis. A special connection may be noted here: it is likely that KDB both inspired and helped facilitate the Kerala People’s Campaign for Decentralized Development that began in 1996 and has continued to various degrees and in various forms since the initial mobilization phase. While Emilia-Romagna did not develop a mass movement for decentralization, it seems reasonable to posit that the existing mobilizations in that region made it possible to generate more positive outcomes when the Italian state transferred power and resources. And those mobilizations were heavily concentrated in the workers coops.

## 5.05 Cooperatives in the United States

### *5.05.1 Overview and History*

Cooperatives in the United States display a range of types and possibilities. At one time the U.S. was home to the largest number of cooperatives in the world but this is no longer the case. Radical movements offering powerful critiques of capitalism at various times attracted people looking for alternatives. Cooperatives grew out of socialist, communist, anarchist, populist and labor movements. German and other European refugees from the failed revolutions of 1848 were one source. In the 19th century a number of cooperatives were closely linked to unions such as the National Labor Union founded in 1866 which, unusual for its time, admitted women. The 1880s, a highpoint of progressive organizing in U.S. history, saw 334 worker coops organized. Two hundred of these were industrial coops organized by the Knights of Labor (KOL).

The KOL was the major labor organization in the 1880s, with nearly a million members, the most union members of any country in the world at that time (Curl 2009:4). The KOL provided guidance on how to form and run cooperatives. The workers who joined the Knights' cooperatives saw membership as an alternative to what was considered wage-slavery. While most of the coops were small they existed in a variety of areas, including the manufacture of soap, shoes, barrels, clothes, brooms and furniture (Curl 2009:91-92). The KOL also created stores where goods made by the production cooperatives were sold (Curl 2009:91-92).

But a hostile capitalism proved stronger than the cooperative movements. As historian of cooperatives John Curl explains “Worker solidarity and the embryonic network of cooperatives were great threats to the employers, to their labor market and to the whole capitalist system.” Employers created their own organizations whose goal was the weakening of the burgeoning labor movement and its associated cooperatives (Curl 2009:93).<sup>15</sup> Corporate hostility made it difficult to secure financing. Without access to capital the cooperatives were unable to compete in the marketplace with large well-funded businesses.

The Knights of Labor and their coops, along with other unions in the late 19th century were further decimated by government repression. The labor movement in the U.S. agitated for the 8 hour day inspiring their European counterparts.<sup>16</sup> The press depicted labor organizers as foreigners, as un-American communists. With increasing numbers of immigrant workers this racism was a powerful weapon turning many native born Americans against labor militants (Boyer and Morais 1955:69-70). Curl (2009:108) notes that following the rise in worker militancy in the late 19th century and the ruling classes’ successful repression of the labor movement “never again would the business elite permit worker cooperatives to get a broad foothold in industry, the stronghold of American capitalism.”

Painting cooperatives as communistic became especially virulent in the aftermath of World Wars I and II. Not only cooperatives were weakened but the whole progressive movement in the United States faced corporate supported,

government implemented attacks. This repression helped assure that there is no significant left party in the United States – not even a social-democratic one.

Another important force weakening the cooperative movement in the U.S. was the ideology of individualism, the belief that everyone is personally responsible for their own-well being. In times of crisis collective action does occur and these have been times when coops were formed, but when times improved membership dropped. As John Curl (2009:347) explains

Cooperative movements in America have always risen and fallen with the turns of the economic cycle. When money is scarce in hardening [sic] economic times, cooperatives have experienced a surge in membership, but the hardest of times has killed them. Worker cooperatives have also often been formed during economic upturns when workers can gather enough resources to try to make a go of it. Yet, during periods of general prosperity, people have also tended to explore more individualistic options, and have abandoned cooperation and social movements.

Worker cooperatives do exist in the United States as wage-earners seek to have more control over their work-lives, a less alienating work place.

Production cooperatives in the U.S. were historically created where minimal capital is needed. Today bicycle coops and coops in the IT sector are sprouting up, the latter providing support services, web design, and so on (Curl 2009:243). One in the southern state of Mississippi, established in 1998, claims to be the world's first computer coop.<sup>17</sup>

In fact 40% of the U.S. population belongs to 48,000 cooperatives but as of 2008 only 300, were worker cooperatives, less than 1% of the total. Workers in the United States have been hard hit by corporate dominated globalization. A major

aspect of this is the movement since the 1950s, of what were relatively good unionized manufacturing jobs off shore, to wherever cheap labor can be found and exploited. Over 5 million manufacturing jobs disappeared from the U.S. between 2000 and 2010, over one-third of all jobs in this sector.<sup>18</sup> To this should be added on the millions of jobs lost in previous decades (Bluestone and Harrison 1982:29, 36, 42). A result has been decaying cities with little ability to provide jobs and services to the urban working class, much of which is African American. Cleveland, Ohio, one of the major industrial cities in the U.S., lost about 150,000 manufacturing jobs since the 1980s.<sup>19</sup>

In 1981 as one of his first acts in office President Ronald Reagan fired striking air controllers making clear his administration's hostility to unions. Twenty-two out of fifty states have passed what are misleadingly called right to work laws which allow workers in a unionized enterprise to receive the benefits of collective bargaining without having to pay union dues.<sup>20</sup> Union organizers face retaliation when they try to organize a workplace. There are firms that specialize in advising employers on how to prevent unionization. In 1975, the billionaire Koch brothers founded the American Legislative Exchange (ALEC) to promote right-wing agendas.<sup>21</sup> This includes but is not limited to weakening unions. The unions themselves, it can be argued, have also made mistakes for example by not aggressively organizing in newer economic sectors. In 2012 only 11.3 % of American workers were in unions, down from 11.8 % the previous year. This is the lowest rate in 97 years.<sup>22</sup> Only 7% of private sector workers are unionized

compared to 36% of public sector employees.<sup>23</sup> This is one reason for the push to privatization of what were previously government provided services.

Union decline can impact the formation of cooperatives. According to John Curl, cooperative strength often depends on union strength. However, this was not always the case, sometimes when unions were not successful coops were formed as a substitute, sometimes there has been animosity between them.

The weakening of unions is relevant to cooperatives in two ways. In the past some unions encouraged cooperatives of numerous types. Looked at another way it would seem that with so many unemployed or underemployed and with little protection from unions, creating production cooperatives would seem to make sense. So to what extent are production cooperatives forming in the U.S. and why isn't it happening on a larger scale?

There is no longer a large industrially based working class within the United States; the service sector is a far larger employer (Alperovitz 2005:125). The service sector according to Alperovitz is a hospitable area for the creation of worker cooperatives. Few service enterprises can move off-shore. By their nature these businesses are locally based thus workers have community ties that in themselves lessen individualism (Alperovitz 2005:135).

#### 5.05.2 A New Strategy: Anchor Institutions, Green Jobs and Worker

##### *Cooperatives in a Decaying City*

Sufficient investment capital and a guaranteed market are two of the most difficult prerequisites for worker cooperatives to identify and mobilize. In the

decaying industrial city of Cleveland, Ohio, an unusual confluence of actors and circumstances have led to the development of what is now called “The Cleveland Model” (Alperovitz, Howard and Williamson 2010). Beginning in 2006, universities, foundations and activists began setting up a series of worker owned businesses in one of the poorest and blackest neighborhoods of Cleveland. Part of the inspiration came from one of the principle actors’ study of Mondragón (Shuman 2012:65). The Evergreen Cooperative Laundry now provides employment to more than 50 residents of this neighborhood. Workers are temporary for the first six months, then – as is the case at Mondragón and many other coops – they are invited to join the coop. If they accept, they receive a pay increase of about \$2.00 over their initial \$8.00 per hour wages. This puts them slightly above the median wage for the neighborhood. They also agree to contribute \$3,000 into the coop fund – similar to KDB’s thrift fund – which is accomplished over three years by a \$0.50 hourly deduction from their paychecks. On paying off their membership contribution they become eligible for profit sharing and membership in the coop’s pension fund. Substantial education and training are offered as part of the process.

The Evergreen Cooperative Laundry provides services to major hospitals and universities in the area. It offers environmentally advanced cleaning services, thus bringing the dimension of sustainability into its work.

Following the success of the laundry, planners and activists set up a solar panel installation company and most recently an urban indoor hydroponic lettuce and

greens production facility.<sup>24</sup> It is hoped that up to ten enterprises can be created that will generate 500 jobs (Alperovitz, Howard and Williamson 2010:22).

The first key to the success so far of the Cleveland Model has been the willingness of local foundations to provide start-up capital. The second key has been the choice of “anchor institutions” as buyers of the coops’ services. Like the social coops that contract with the city of Bologna that we mentioned earlier in section 5.04.2, the Evergreen coops are making use of established large scale public facilities that are not likely to move away and that can provide a stable market for the coops’ services. The obvious potential replicability of this approach has led to many inquiries from around the U.S. for additional information on the Evergreen Coops that now offer a “toolkit” on their website for incipient coops in other locations. In addition, the coops pledge to give back to a larger integrative organization 10% of their before tax profits to aid in the establishment of additional coops. As noted in section 5.03.3 above, the 1.2 million member United Steelworkers union has signed an agreement with the Mondragón cooperative to assist in spreading the Cleveland model to other cities in Ohio and to Pittsburgh in the U.S. state of Pennsylvania.<sup>25</sup>

Little independent research has been carried out about the Evergreen coops. The newness of the Evergreen coops leaves important questions. What kind of workplace democracy do they practice? What role, if any, do they play in the local community other than to provide jobs? How will they guarantee employment, pensions and other benefits if a large private corporation sees the potential for



expansion by offering similar services at lower rates by offering lower wages? This brings us back to the history of U.S. cooperatives in the hostile environment of an aggressive and expansionist capitalism.

At this time when there are no large-scale anti-capitalist movements that can transform American society, worker owned cooperatives such as those in Cleveland may be limited to helping wage earners and their families construct a decent quality of life while developing their political skills and nurturing values counter to the individualism which has been so destructive of solidarity in our country. Alperovitz (2005:38–41; 47–48 and 207) argues that conditions for democracy include adequate leisure, economic stability, and a reasonable income, all of which can be attained through production cooperatives. Cooperatives continue to show that workers can be owners and at this point in American history this is an important lesson.

### *5.05.3 Food Cooperatives, Cohousing and Sustainability*

An outcome of the tumultuous history of cooperatives in the U.S. is their current concentration in food and housing. The National Cooperative Grocers Association includes 165 cooperative stores owned by over 1.3 million members. These stores are in a way a modern version of the original Rochdale store, mentioned in section 5.02 of this paper. They are also influenced by the Italian based “slow food” movement. Food coops have emerged in response to growing disillusionment with the U.S. corporate dominated, long distance, chemically saturated food industry. Middle and upper middle class customers have formed food coops to create islands

of GMO free, pesticide and herbicide free and local organic produce and other foods. These coops are connected to the sustainability movement that is growing rapidly in the U.S. A survey conducted in 2012 found that member owned food coops pay 7% higher wages and offer health benefits to 12% more of their workers on average than do conventional grocery stores. They purchase more from farmers local to their area, generating a local multiplier of \$1.60 per dollar spent versus \$1.36 for a conventional grocery. Coops sell 82% local organic produce versus 12%, and compost or recycle much more of their waste. The coops maintain equipment better, averaging an 8% refrigerant leak rate contrasted with 25% among private grocers.<sup>26</sup>

Cohousing cooperatives and ecovillages represent another, though smaller trend. The Cohousing Directory lists 205 such communities in the U.S. recently.<sup>27</sup> The Fellowship of Intentional Communities lists many more with international links included.<sup>28</sup> Cohousing began in Denmark in the 1960s<sup>29</sup> and spread into the U.S. in the 1990s when architects and sustainability advocates began searching for alternatives to the energy and matter wasting U.S. suburban lifestyle. Cohousing communities and ecovillages share many features and differences are difficult at present to identify clearly. Only a handful are income sharing communes. The mainstream communities practice self management, attempt to broaden sharing to a maximum and often include community gardens and/or organic farms on site. Ecovillages are perhaps more formally built around the idea of saving resources but both groups have achieved significant efficiencies through cooperation. The first

neighborhood of the Ecovillage at Ithaca, for example, saves 40% on heating energy, 71% on water use and 41% on electricity – much of this through cooperative practices such as community dinners and sharing of tools, rides and living space (Franke 2011a). In addition, as community members experience trust and engage in mutual work parties, they develop a tendency to create spontaneous, everyday cooperatives of short or long duration to facilitate expensive technology, food sharing, electrical generation and other activities (Franke 2011b). Much research remains to be done on the advantages and challenges of neighborhoods and communities that extend the concept of cooperatives to residential living (Franke 2012).

#### 5.06 Cooperatives as a Key Element in 21st Century Socialism? Venezuela's Experiment

As our cases above illustrate, cooperatives – despite their many desirable qualities – are compelled to exist within capitalist economic structures. What if a government supported by a mass movement were to launch an attempt at revolutionary transformation of capitalism, largely built on the expansion of cooperatives? The hostile environment for cooperatives in the U.S. does not exist everywhere. Yet other factors such as decades without democratic experiences can also hobble a nascent cooperative experiment. In Venezuela the experiment is vast and the challenges are daunting. But much has changed as well.

In his closing speech to the World Social Forum in Porto Alegre, Brazil on 30 January, 2005, the late Venezuelan President Hugo Chavez announced that “We

have to reinvent socialism” (Lebowitz 2006:109). Chavez called this “a socialism for the twenty-first century”<sup>30</sup> A few days later, he announced on his weekly television program “Hello President” that Venezuelans should attempt to “construct a new socialism of the 21st century” (Burbach and Piñeiro 2007:183). It is based in part on the theoretical ideas of Istvan Meszaros, who was mentioned earlier in section 3 and whose writings Chavez assiduously studied. A full theoretical exposition of 21st century socialism does not yet appear to exist – at least under that name – but a strong role for cooperatives is mentioned in several of the sources that discuss it.<sup>31</sup> As summarized by Marxist economist Michael Lebowitz (2006:64), “Without democracy in production...we can build neither a new society nor new people.”

In the Venezuelan case, the national revolutionary movement led by Chavez and their effective control over much of the state apparatus led to the creation of the “Bolivarian Constitution” of 1999, named after Simón Bolívar, 19th century leader of South American independence struggles. This constitution includes what Lebowitz (2006:72) calls “the elements of a socialism of the twenty-first century...in ideal form.” Such elements are Article 62 which announces that participation is “the necessary way of achieving the involvement to ensure their complete development, both individual and collective.” Article 70 focuses on “self-management, co-management, cooperatives in all forms.” Article 135 speaks of “solidarity, social responsibility and humanitarian assistance...”<sup>32</sup>

With a series of enabling acts to supplement the constitutional support, cooperatives blossomed in revolutionary Venezuela. From fewer than 1,000 in

1998, there were as many as 180,000 only five years later. This rapid expansion was largely an outcome of the September 2001 “Special Law of Cooperative Associations” that facilitated their development with incentives (Piñeiro Harnecker 2007:29). Among the incentives, cooperatives are tax free and can borrow at 4% versus 8% for private businesses (Piñeiro-Harnecker 2009:316–317). It was also partly a consequence of public enthusiasm – and both factors helped bring many coops into being that could not function. Official estimates were that 35% were active, but independent observers put the figure at about 15%. This means still up to 30,000 cooperatives surviving (Müller 2007:1). In 2006 these coops may have involved more than 2.5 million Venezuelans, or 14% of the labor force and generated up to 8% of GDP in 2006 (Piñeiro-Harnacker 2009:309–310). The early burst of enthusiasm, however, left many cooperatives with inadequate human and financial resources. It is also thought that many who joined the new cooperatives had little understanding of the expectations of self management, joining, voting and participating. Some phantom coops may also have been created simply to attract government funding (Müller2007:1; Piñeiro 2009:842). Others may have been capitalist firms masquerading as coops (Piñeiro 2009:847). Fashioning such cooperatives into successful businesses required a large scale education program which the Venezuelan state undertook with mixed results. One massive program called *Vuelvan Caras* (“about face” – turn around) offered technical training and exposure to the values of solidarity to thousands of Venezuelans (Lebowitz 2006:99–101).<sup>33</sup> The program took persons from the poorest and most marginalized

segments of society, offered them employment and encouraged them to create cooperatives while providing financial and technical assistance (Piñeiro 2009:858). This program generated many of the new cooperatives that sprang up in the period after 2004.

Probably the largest question facing the Venezuelan cooperative movement is what we earlier referred to in section 5.04.5 as the proximity or spillover hypothesis. In an empirical study of 229 members of 15 production cooperatives, Camila Piñeiro (2009:842) found that more than 85% were women of whom 72% had no prior paid labor experience. Their administrative and participatory experiences were thus limited. Training programs in such a situation would need to be expanded and cooperatives linked more effectively to each other. On the other hand, she also found that factionalism and conflict seemed associated with some *Vuelvan Caras* trainees (Piñeiro-Harnecker 2007:38).

Venezuela has also had a parallel process of decentralization of government administration with the passage in 2006 of the Law of communal Councils (Burbach and Piñeiro 2007:186). Within two months of the law's passage, up to one fourth of the population had joined in one of the 14,655 councils that were created. These councils are supposed to coordinate the organizations in the community including cooperatives (Piñeiro-Harnecker 2007:331). However, it seems that most of the councils were created by Chavez supporters while opposition activists stood aside. This leaves open the possibility that the councils could polarize the population at local levels (Burbach and Piñeiro 2007:187–88). This might hobble their

effectiveness. On the other hand the establishment of communal councils opens the possibility for a people's planning process similar to that carried out in Kerala after 1996.<sup>34</sup> In the People's Planning Campaign, activists worked hard to pull together opposed political activists and their followers in an attempt to create what E. M. S. Namboodiripad had called a "culture of development." Activists in Venezuela have shown great interest in learning about the Kerala experience. It would also be an ideal moment to link the communal councils to the expanding cooperative sector. National administrative policy calls for transferring 200 state socialist enterprises to the communities where they are located which would enhance this process (Piñeiro 2009:856). Data on how well this process is faring do not appear available at this time. Camila Piñeiro-Harnecker (2009:323) found that the level of local community solidarity of workers she studied was tied to the level of workplace democracy in their cooperative – thus validating the spillover hypothesis on a small scale. Another significant factor was the level of experience in community participation itself (Piñeiro-Harnecker 2009:330).

The Venezuelan cooperative experience so far leaves open the big theoretical question raised by economist Michael Lebowitz (2006:80): "In a system of work self-management, who looks after the interests of the working class as a whole?" And a related question (Lebowitz 2006:83): "How can solidarity between worker-managed enterprises and society as a whole be incorporated directly into those enterprises?"

## 6. Conclusions. Cooperatives in Transition under Capitalist Dominated

### Globalization - What do the Selected Experiences Tell Us?

The globalized capitalist system may be reaching limits. Despite some improvements in human welfare, continuing capitalist expansion is likely pushing against limits from the environment, the slowing of population growth, lack of investment sources, rising social and economic inequalities and recurrent problems in the system that result in recessions and other disturbances. In this chaotic situation the field should be open for alternative economic forms to arise.

Cooperatives have emerged as worker defense mechanisms since the beginnings of industrial capitalism in the 19th century. They have not always been seen as the forerunners of a new society that would better distribute wealth and would free humanity from the chaotic nature of privately-owned production combined with ruthless competition and exploitation. The 19th century socialist, Robert Owen, according to Engels, saw consumer and production cooperatives as a step toward “the complete communistic organization of society” and such cooperatives, Engels continues, have “given practical proof that the merchant and the manufacturer are socially quite unnecessary” (Engels 1989 [1880]:43). In spite of this praise, traditionally Marx and Engels did not see cooperatives as the way to achieve a classless society. The debate about the role of cooperatives in transforming American capitalism into a more humane system continues today. Some modern critics of U.S. capitalism such as Gar Alperovitz see cooperatives as a way to transform the U.S. – and by extension the globalized capitalist system. Traditional Marxists argue that current class relationships must be abolished if the working class is to be truly liberated. In that view, cooperatives should be seen more as loci



for training in solidarity and cooperation that will be needed to build a more humane society in the future.

Our brief survey of four types of cooperative experiences suggests a few tentative conclusions that could generate questions and issues for further research. The data from the economically successful Mondragón and Emilian cooperatives indicate that unusual historical circumstances can catapult worker owned cooperatives into becoming significant employers with superior wages and benefits along with psychologically satisfying roles in democratic workplace management. In that sense, these cases support the findings from the study of Kerala Dinesh Beedi (Thomas Isaac, Franke and Raghavan 1998). The Mondragón and Emilian experiences, however, also suggest that a “too successful” workers cooperative that expands into the globalized capitalist world market will tend to degenerate into a typical capitalist firm in its far flung subsidiaries while maintaining workplace democracy and participation in its home units. The lesson seems to be that staying local is a means to stay democratic but this might not always be an option depending on the coop’s products. Both Mondragón and the SACMI company in Emilia-Romagna, for example, manufacture products that must remain competitive in the era of globalization. This may have forced the cooperatives into taking on subsidiaries in a manner that conflicts with the basic values that underlay the coops in the first place.

One new local strategy that emerges from the U.S. data is the attempt to anchor worker cooperatives in local institutions that cannot easily be moved and to supply

services on a contract basis. This limits somewhat the effects of market forces. It has been achieved by many of the Emilian social care cooperatives in Bologna as noted in section 5.04.2. The anchor strategy may be limited, however, in that there are only so many hospitals and universities and social care establishments to serve. Holding onto the contracts may also require maintaining active social movements that can deliver votes and other political support for local administrations sympathetic to alignment with coops. It is not impossible to imagine traditional capitalist firms getting into the service sector and competing for such contracts. Like the commitment of cooperatives to emphasize employment and benefits over profits as such, the local society would have to build up a culture of expectation that services will be paid for at fixed rates and that private competition will be blocked or limited.

The local food, farming and housing cooperatives springing up in the U.S. and Europe offer promise in limiting and perhaps reversing the environmental damage capitalism inflicts and thus providing hope for genuine sustainability. By contrast, globalized capitalist production moves products including food over long distances automatically insuring excess CO<sub>2</sub> emissions. It is unlikely that traditional capitalist firms – competing with each other for the highest short term rewards to their shareholders – will become sustainable despite their advertising slogans – now known as “greenwashing.” Cooperatives, however, owned by their workers or their communities, need only make enough profit to stay in business. Creating such

cooperatives, however, consumes great amounts of time and dedication and their development has been slow.

Perhaps the greatest challenge that emerges from the case material is the problem of maintaining or expanding the spillover connections between cooperatives and the larger society and social movements. The study of KDB (Thomas Isaac, Franke and Raghavan 1998:200–203) found that survival and growth as well as resistance to degeneration depended on maintaining active relations with the forces constructing the original Kerala Model and the more recent projects such as the New Democratic Initiatives and later the People’s Planning Campaign. Similar issues appear to be cropping up in Venezuela which is probably the world’s first attempt to join a massive cooperative expansion with local democratic planning and a larger national socialist project. The positive associations Camila Piñeiro found between the level of workplace democracy and the level of community solidarity and participation in Venezuela point towards a way for joining the cooperative movement with larger scale social and economic change. The unfolding of this fascinating historic experiment should be studied by activists around the world for the lessons we can learn.

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## Notes and Sources

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- <sup>2</sup> <http://www.responsiblelending.org/mortgage-lending/research-analysis/collateral-damage.html>
- <sup>3</sup> <http://data.bls.gov/timeseries/LNS14000000>
- <sup>4</sup> <http://www.bbc.co.uk/news/business-21544328>
- <sup>5</sup> [http://www.ilo.org/global/research/global-reports/global-employment-trends/2013/WCMS\\_202215/lang--en/index.htm](http://www.ilo.org/global/research/global-reports/global-employment-trends/2013/WCMS_202215/lang--en/index.htm)
- <sup>6</sup> [http://www.ilo.org/global/research/global-reports/global-wage-report/2012/WCMS\\_194843/lang--en/index.htm](http://www.ilo.org/global/research/global-reports/global-wage-report/2012/WCMS_194843/lang--en/index.htm)
- <sup>7</sup> <http://truth-out.org/buzzflash/commentary/item/17990-half-of-america-is-in-or-near-poverty-and-it-s-getting-worse>
- <sup>8</sup> To access a scan of their complete table online, go to <http://msuweb.montclair.edu/~franker/LimitstoGrowth30yrupdatepage08.jpg>. To read Richard W. Franke's discussion of this table in the context of other recent reports on declining resource and energy availability, go to <http://sustainabletompkins.org/sustainability-blog/are-we-nearing-the-peak/#more-3789>
- <sup>9</sup> [http://en.wikipedia.org/wiki/Rochdale\\_Principles](http://en.wikipedia.org/wiki/Rochdale_Principles). The modern International Cooperative Alliance has slightly modified the original Rochdale principles: <http://ica.coop/en/what-co-op/co-operative-identity-values-principles>
- <sup>10</sup> The book by William F. Whyte and Kathline K. Whyte (1988) was part of the inspiration for the Kerala Dinesh Beedi study by Thomas Isaac, Richard W. Franke and Pyaralal Raghavan (1998).
- <sup>11</sup> <http://www.yesmagazine.org/issues/how-cooperatives-are-driving-the-new-economy/union-co-ops>
- <sup>12</sup> A few LANKI publications are available on their website: <http://www.lanki.coop/argitalpenak>. It does not appear that the results of the self study described in the next several sentences is available in English.
- <sup>13</sup> Additional historical material on the Emilian cooperatives appears in Dow 2003:67–76.
- <sup>14</sup> Putnam *et al* give a brief note of acceptance of the possible role of the Italian Communist Party and its active role in local horizontal institution building including a significant trade union movement (1993:119) but do not pursue this in detail.

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<sup>15</sup> Curl is also a long-time member of a woodworking cooperative in California, the Heartwood Cooperative Workshop

<sup>16</sup> Out of this we should note came the designation of May 1, as a day of international worker solidarity (Boyer and Morais 1955:94). Following an incident in Chicago on May 1 in 1886 in which a bomb was thrown during a rally for the 8 hour day what some labor historians have described as “a reign of terror” occurred with the police beating and arresting trade union leaders in many cities (97). At other times also state militias and federal troops used violence against strikers and their supporters. The courts issued injunctions against strikers often forbidding them to use one of the most important tools that unions have (Goldstein 1978:14-19).

<sup>17</sup> <http://www.computercoop.com/services.php>

<sup>18</sup> [http://www.brookings.edu/~media/research/files/papers/2011/6/manufacturing%20job%20loss/06\\_manufacturing\\_job\\_loss.pdf](http://www.brookings.edu/~media/research/files/papers/2011/6/manufacturing%20job%20loss/06_manufacturing_job_loss.pdf)

<sup>19</sup> <http://planning.city.cleveland.oh.us/cwp/SummaryPersp.php>;

[http://www.brookings.edu/~media/research/files/papers/2011/6/manufacturing%20job%20loss/06\\_manufacturing\\_job\\_loss.pdf](http://www.brookings.edu/~media/research/files/papers/2011/6/manufacturing%20job%20loss/06_manufacturing_job_loss.pdf)

<sup>20</sup> (Robert Pollin, <https://www.commondreams.org/view/2013/01/30-6>)

<sup>21</sup> <http://voices.kansascity.com/entries/pointless-attacks-unions-kansas-missouri/>

<sup>22</sup> Robert Pollin, <https://www.commondreams.org/view/2013/01/30-6>

<sup>23</sup> <http://www.bls.gov/news.release/union2.nr0.htm>

<sup>24</sup> <http://www.kent.edu/news/announcements/success/evergreen.cfm>

<sup>25</sup> For a sympathetic news account see

<http://www.solidarityeconomy.net/2009/11/03/steelworkers-aim-at-job-creation-with-worker-owned-factories/>. This link was provided in Wright 2010:127 who gives additional discussion of the pros and cons of unions becoming involved in setting up worker owned businesses. In The South Bronx in New York City, activists have established the Green Worker Coop Academy that offers training in establishing worker coops that produce green products or offer environmentally sustainable services:

[http://www.youtube.com/watch?v=7vPJmxJWg84&feature=player\\_embedded#t=2](http://www.youtube.com/watch?v=7vPJmxJWg84&feature=player_embedded#t=2)

<sup>26</sup> All these stats come from the independent consultants’ report NCGA 2012.

[http://strongertogether.coop/wp-content/uploads/2013/07/Healthy\\_Foods\\_Healthy\\_Communities.pdf](http://strongertogether.coop/wp-content/uploads/2013/07/Healthy_Foods_Healthy_Communities.pdf)

<sup>27</sup> <http://www.cohousing.org/directory>

<sup>28</sup> <http://directory.ic.org/iclist/geo.php>

<sup>29</sup> [http://www.cohousing.org/cm/article/related\\_denmark](http://www.cohousing.org/cm/article/related_denmark)

<sup>30</sup> <http://venezuelanalysis.com/analysis/1834>

<sup>31</sup> However the accomplished Marxist economist Michael Lebowitz (2006) has given it a readable introduction in the context of the failures of state socialism and the Venezuelan experience up to 2006. Lebowitz (2006:10) takes his title from a slogan of the South African Communist Party: “Socialism is the future, build it now.” An earlier version of the idea of a worker managed economy appears in Vanek 1971. In Brazil and some other countries people speak of a “solidarity economy.” How this precisely relates to socialism is unclear at this point.

<sup>32</sup> All the constitution quotes here are from Lebowitz 2006:72.

<sup>33</sup> See also <http://venezuelanalysis.com/analysis/2176>

<sup>34</sup> A brief overview of Venezuela’s communal councils can be found at <http://venezuelanalysis.com/analysis/788> and <http://venezuelanalysis.com/analysis/818> and <http://venezuelanalysis.com/analysis/825>