

**Meandering Reflections from the pathways to a cooperative market economy workshop
held in Barcelona, March 26-27, 2015**

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This memo will comment on some of the most interesting and productive ideas and themes explored in the two-day workshop held in Barcelona, March 26-7, 2015. Since this memo will be read by people who were not at the workshop, I will begin by reproducing the short description of the workshop and its objectives which I circulated before the meeting.

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Description of the workshop

The current era is characterized by two widely-held feelings among people living in the developed capitalist world: On the one hand capitalism seems exhausted, incapable of generating widespread prosperity and security; stagnation, crisis and deepening inequality are the new norms. On the other hand, in spite of this, capitalism seems triumphant, an implacable force of nature; there is no alternative. This dismal diagnosis of the world as it is underwrites a dismal political mood of despair rather than hope.

This is the context in which the exploration of alternatives to capitalism becomes ever more urgent. This workshop, as part of the *Real Utopias* Project, will focus on one of the oldest examples within capitalist economies of a non-capitalist alternative: worker-owned cooperatives. While worker cooperatives generally produce for the market, they are organized around values very different from capitalist firms: solidarity, equality, democratic governance, dignity of work, community development. At times in the 19th century, there were significant currents within anti-capitalist movements that saw cooperatives as potentially replacing capitalism altogether. This was at the heart of the famous debate between Proudhon and Marx. At a minimum, cooperativists hoped that even if worker cooperatives did not displace capitalist firms entirely, they could nevertheless eventually constitute a significant sector within market economies, offering workers an alternative to capitalist employment. But even this, with very rare exceptions, has not happened.

The relative marginality of worker-owned firms in developed capitalist economies poses a serious puzzle: If worker cooperatives in fact offer a desirable alternative to capitalist employment, why are they largely confined to niches on the margins of contemporary economies? This workshop will approach this question by exploring the diverse processes through which worker-owned cooperatives have been *incubated*, *developed* and *sustained*. These can be referred to as alternative pathways to building a more cooperative market economy. Examples of these pathways include:

- Conversions of privately-owned firms into worker cooperatives, particularly in the context of worker-buyouts when the owners retire (ownership succession conversions).
- Worker-cooperative startups in which a group of workers come together to form a cooperative from scratch, getting loans from banks or through social networks.
- An existing cooperative or group of cooperatives incubate a new cooperative
- An existing cooperative splits into two distinct cooperatives
- Cooperatives are incubated (and perhaps subsidized) by government or NGOs
- Labor union incubation of cooperatives: the “union-CO-OP model” in the United States

- The seizure of bankrupt firms by workers – *recuperadas* – and running them as de facto cooperatives
- The gradual increase in employee ownership through an ESOP (Employee Stock Ownership Plan) and then, eventually, the introduction of democratic governance and conversion to a more cooperative form.

The objective of this workshop is to explore both empirically and theoretically these and other pathways in the formation of cooperatives. More specifically we hope to accomplish the following:

1. Develop a fairly comprehensive list of alternative pathways and give this list some theoretical order.
2. Understand the advantages and disadvantages of alternative pathways and the contexts in which one or another seem to work best.
3. Specify the bottlenecks in different pathways: where are the impediments and contradictions specific to each pathway?
4. Begin to elaborate an agenda of transformational strategies that can help to overcome these bottlenecks and open up more space for the development and consolidation of cooperatives. This includes state policies at the local and national level as well as strategies directed at building new institutions and practices in civil society.

This workshop is intended to be the first of a series in the next two years that will culminate in a book in the Real Utopia Project series (published by Verso publishers).

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Over the day and a half of the workshop various people presented case studies exploring these issues. Some of the researchers connected to CREA (Iñaki Santa Cruz, Ana Burgués, Ramon Flecha and Marta Soler) presented their research on Mondragon; Tere Sordé and Ana Vidu, also from CREA, presented research on the use of the Mondragon model to deal with marginalization and unemployment in an extremely poor community in southern Spain; Rodolfo Ebert presented an overview of research on *empresas recuperadas* in Argentina; Laura Hanson Schlachter presented her research on the union coop model; and Anne Reynolds, from the Wisconsin Center for Cooperatives, presented material on the new municipal initiatives for cooperatives in NYC and Madison.

The discussions explored a very wide range of issues, both about the specific cases and about the more abstract theoretical themes of the project. I will organize my reflections on the discussions under four headings:

- I. The emerging menu of alternative pathways to a cooperative market economy.
- II. Varieties of *forms* of cooperatives (not just pathways).
- III. Cooperatives and their environments contexts.
- IV. Pathways and destinations

I. The emerging menu of pathways

The case studies discussed during the workshop can be thought of descriptively as instances of five different pathways through which worker cooperatives are formed and developed.

1. *Cooperatives creating cooperatives*: The case study of the relationship of Mondragon's Maier cooperative to a capitalist firm which was turned into a subsidiary and then a mixed cooperative can be thought of as a pathway in which an established cooperative creates a new cooperative. In this case there was a long-established connection between a cooperative and a capitalist firm. When appropriate conditions occurred, the cooperative bought out the capitalist owners, turned the firm into a subsidiary, and then turned the subsidiary over time into a hybrid form, a mixed cooperative. (I will discuss the idea of a "mixed" cooperative in section II more below). Eroski would be another case. Here the worker-owned cooperative Eroski supermarket chain bought a Spanish chain with which it did not have prior subcontracting connections, and then eventually allowed employees in the Spanish firm to become cooperative owners. Other examples, not discussed, could be cooperatives which reach a certain size and then decide to split into two, or cooperatives which provide advice or other forms of assistance to new cooperative start-ups.
2. *Factory takeovers by workers followed by expropriation*. The *empresas recuperadas* in Argentina illustrated this pathway. What was striking in Rodolfo's presentation of the experience of the *recuperadas* was how varied were the outcomes. A significant number are thriving, a significant number disappeared, and around half a muddling through. Given that part of this variability is connected to the varying role of the local state and the varying extent to which a given *recuperada* became embedded in local community struggles and organizations, the idea of "factory takeovers" is probably a cluster of different pathways, not just one. This is one of the things we want to explore in the meeting in Argentina in October.
3. *Municipal incubation of cooperatives*. Municipal governments played a role in enabling some of the Argentine *recuperadas* to survive, but it does not seem that the local state was directly involved in fostering the initial takeovers of capitalist firms. There are cases – some discussed by Anne Reynolds at the meeting – of direct municipal involvement in incubating cooperatives. The local state also plays a significant role (as I understand it) in the dense cooperative clusters in parts of Italy. The local state can thus play a role in each aspect of a pathway – incubation, development, reproduction.
4. *Union incubation of cooperatives*. This is getting a fair amount of attention in the U.S. today, even if the practical results remain quite embryonic. Unions also played an important role in the New Era windows case in the United States, where a worker occupation of the factory ultimately led to a worker cooperative. One of the things to think about for a viable union coop model is whether it is more likely to gain traction in contexts where existing small to medium capitalist firms could be converted to cooperatives – perhaps via an ESOP stage – or whether this can really play a dynamic role in a start-up cooperative pathway. Of course, the legal rules through which unions

can play a role will vary enormously across contexts, so one issue to think about for the idea of a union-coop pathway is what kinds of legal rules would best facilitate this.

5. *Educational/training initiatives fostering cooperatives* (This may not be the right characterization of the case). I am not quite sure how to characterize the case study presented by Tere and Ana about the initiatives in the community with the extremely poor, marginalized population. But at least one dimension of the pathway is that the initiatives were initially anchored in a job creation training process based in civil society (not the state). This loosely follows the historical case of Mondragon, but with obvious differences because of the role of outside experts in bringing the ideas and model to bear on the local efforts.

At this point I am mainly interested in developing what could be called a comprehensive menu or inventory of pathways through which cooperatives are incubated, formed, developed and stabilized. This kind of descriptive inventory, however, is just a first step. We also want to give this list theoretical coherence. This is always a difficult task. As we know from the history of science, formulating adequate conceptual maps of types depends on theoretical advances: think of the formation of the periodic table of elements in chemistry or the classifications of species in evolutionary theory, or the typology of economic structures in Marxist theory: in each case the descriptive categories become a coherent conceptual typology once the underlying logic of the corresponding theory is discovered. Lists are thus much easier than conceptual typologies.

Among other things generating a more coherent conceptual space of pathways will involve the following:

- Distinguishing between a type of pathway and various subtypes. We encountered this in the case of the *recuperadas* where some of the *recuperadas* occurred in a context where the local government stepped in to facilitate solutions to the legal status of the recuperada and others did not get such assistance. Should these be viewed as distinct pathways? Subtypes?
- Are there underlying theoretical dimensions of the menu? Or is the inventory more just a list of empirical types? Should, for example, the distinction between conversion of a capitalist firm vs starting from scratch be viewed as a major theoretical distinction between types of pathways. If so, should a worker takeover of a firm and a cooperative buying a firm and converting into a cooperative be viewed as two types of conversion? Or is the more fundamental distinction in this contrast between worker take-overs on the one hand, and existing cooperatives forming new cooperatives?
- Can the theoretical dimensions of pathways be treated in any kind of theoretical hierarchy? Is there any principal of ordering of these dimensions that aids in our understanding? Are some distinctions “more important” than others?

I am sure that there are many other issues involved in the mapping of pathways. Refining this list and giving it more coherence is one of the central tasks in order to set the stage for the real utopias project book.

II. Varieties of *forms* of worker cooperatives (rather than of pathways)

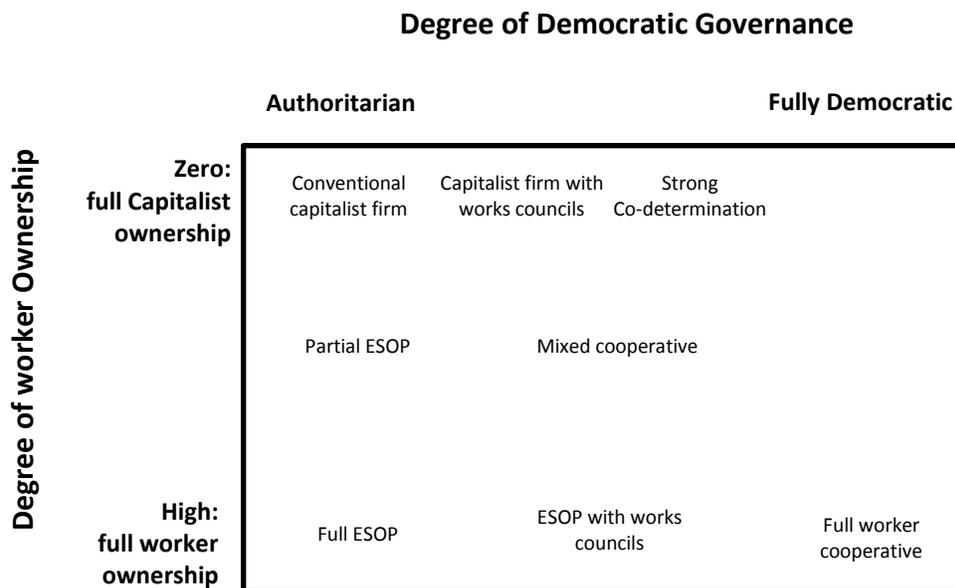
1. The “mixed cooperative.” Ramon discussed the experience of an industrial cooperative in Mondragon, Maier, which had for many years had contracts with a firm in Galicia which Maier eventually bought. The issue was then what to do with the employees. Initially they were simply employees of the subsidiary owned by parent cooperative. In effect in that form, the subsidiary is organizationally much like the subsidiary of a capitalist firm. Now they are a mixed cooperative in which they elect some of the board of directors and the parent Mondragon cooperative chooses others. They also have a workers assembly that has at least some control over a range of issues concerning internal operations of the firm. This opened up a more general discussion of mixed forms, hybrids. Ramon reported that some people have criticized Maier cooperative for not fully cooperativizing the subsidiaries, seeing this as a retreat from full cooperative values. He argued, in contrast, that this kind of hybrid should be viewed as an advance of cooperative values compared to the status quo ante in which the Galician firm was an ordinary capitalist firm. In that sense this is not “selling out” cooperative values, but the partial realization of those values. Eroski is another kind of example where workers in the various supermarket stores were eventually given the option of becoming full cooperative members (although most choose not to do so). It is thus a worker cooperative in which the majority of workers (at least outside of the Basque country itself) are employees, not members. A question then becomes whether these hybrids should mainly be thought of as a *transitional form*, or could such hybrids be a stable feature of a cooperative market economy? A good case can be made that in an optimally functioning, robust cooperative market economy (or cooperative market sector) there would be many varieties of hybrids, not just as incomplete cooperatives but as a desirable form. The ecosystem of such an economy would be healthier with diverse species in this sense.

2. Worker investments and risk reduction: In order to deal with the risky investment problem – worker-owners having “all of their eggs in one basket” – cross-cooperative capital stakes could sometimes (maybe often?) be a good device, with some sort of minority voting rights associated with this. There clearly is no set formula for this, but the integration of a cooperative market economy might be enhanced, not undermined, by cooperative members having a diversified portfolio of cooperative shares rather than so exclusively putting savings in a single firm. This, of course, raises other problems of fiduciary responsibility and the like, but this might still be an attractive hybrid form, not just a transitional form.

3. A typology of hybrid forms. Taking some of these ideas together we can generate a 2x2 table of cooperatives and hybrid forms:

		GOVERNANCE	
		Authoritarian	Democratic
OWNERSHIP	Capitalist	<i>Conventional capitalist firms</i>	<i>Co-determination</i>
	WORKER	<i>ESOPS</i>	<i>Full cooperatives</i>

This typology could also be treated as a dimensional space rather than dichotomies, where each dimension was continuous and thus also sorts of intermediate and more complexly mixed forms would be possible. Here is a rough sketch:



4. Cooperatives as profit-making firms and as social economy service organizations: Just as in the ordinary private sector, cooperative firms can be organized as market organizations producing goods and services for sale on a market and as a social economy organization directly producing for needs. One of the cooperatives we discussed, which functioned in part as a kind of employment broker for the private sector and provided certain kinds of services, training, coordination for marginalized workers, seems to be an example of a social/solidarity economy cooperative. This is another context for thinking about hybrid organizations: not hybrid in terms of ownership and governance, but hybrid in terms of producing for the market or for needs. The origins of the Mondragon cooperative can be traced back to a vocational school started by Arizmendiarieta which trained impoverished youth in the Mondragon valley and then started a tiny cooperative to make kerosene stoves using their skills. One of the cooperatives discussed at the meeting by Tere Sordé and Ana Vidu had this character: it provided various kinds of training for an impoverished community – one of the poorest in all of Spain – and then organized work teams for various things (eg painting the town hall) or acted more like a labor broker for private employment. When I commented that some of this could be done by a public vocational program, the response was that embedding this in a cooperative project of training could better facilitate the formation of cooperatives as was the case in Mondragon. This is a case where it would be useful to think about the boundary between direct state provision of a service to meet needs and the provision embedded within a cooperative market sector (whether we call that the cooperative market economy, the social economy, or the solidarity economy – these different terms do not have stable meanings yet).

III. Cooperatives and their environments, contexts

5. Embeddedness in civil society: Cooperatives vary in the extent to which they are connected to the communities in which they exist. This was very clear in the discussion of the experience of the *empresas recuperadas* in Argentina: some of these were extremely active in building connections to civil society, fostering civil society organizations like adult education centers and the like and nurturing ties to social movements, and others were not. There are a variety of possible dimensions of such community embeddedness that we can think of, from allocating financial resources to social projects to providing time for their members to engage in civil society activities. This embeddedness can be thought of both as part of the design of the destination and as a pivotal aspect of a pathway: one of the things that might make the formation of a cooperative market enterprise resilient to challenges is the extent to which it is embedded. In the case of the *recuperadas* in Argentina, serious involvement with community issues also was important for legitimation. Exactly how the strategic-instrumental aspects of embeddedness interact with the vision for social change is something to investigate.

6. Universities, technical support. One of the themes that came up in a variety of the discussions was the role of universities and intellectuals in providing technical support for cooperatives. This was an important issue in some of the *recuperadas* that Rodolfo discussed, where universities provided crucial technical assistance, but it is obviously also important in the

case of that Tere and Ana discussed, since CREA was heavily involved in the implementation of the project.

7. Legal issues. The recuperadas generally lacked a legal framework for taking over the factories and turning them into cooperatives. Workers occupied the factories de facto and then tried to legalize the occupation. The most successful cases occurred when the state proposed an expropriation act for a specific company. Some would-be cooperatives got assistance, but there was no general assistance or framework. Local governments approved laws for particular cases. Around 20% got final ownership – like Zanon (the largest, most successful, in Patagonia; the largest ceramics company in Argentina) – because of actions of municipal governments. Even in these cases workers are not 100% certain because previous owners have initiated reverse expropriation suits in the courts. Until this official expropriation occurred, the recuperadas were not called “workers cooperatives” – in fact there was a fair amount of skepticism from traditional cooperatives about these takeovers.

8. The general problem of the relationship to the state. This is a critical issue which intersected many of the discussions. In the *recuperadas* case, there was an initial proposal by the workers occupying the factories for a formula of “state ownership + workers control”, but this was not pursued and has disappeared from the public discussion. Municipal governments have played a more important role than the national government. In the U.S. now there are new initiatives – which Anne Reynolds discussed – of municipal incubation and encouragement for cooperative formation. Cities could also provide land and buildings on the model of research parks and the like. Ramon explained that many people involved in cooperatives want them to be independent of the state because they fear the state having a different kind of agenda and the cooperatives do not want to be vulnerable to manipulation. This raises interesting questions about ways to get significant, sustained transfers from the social surplus generated by capitalist production to cooperative accumulation without creating such vulnerability. One idea for this is a kind of citizen voucher idea where citizens allocate tax funds to cooperatives, but this would obviously be fraught with corruption possibilities. Various kinds of automatic credits for cooperative forms might also be possible.

9. Cooperatives and unions. Historically cooperatives and unions have been alternative ways of asserting working class interests, but often they have been rather hostile to each other. There are lots of potential points of tension, especially when cooperatives hire nonmembers who might want to be unionized. More recently there are efforts to bridge this divide, most notably as Laura Hanson Schlachter discussed, in the idea of unions helping to incubate and support cooperatives. This is still in embryonic form, but it might have significant potential.

IV. Pathways & destinations

10. Cooperative market economy: It is important to think of the issue we are exploring as pathways to a *cooperative market economy*, not just to worker cooperatives. There will be many different forms of economic activity in a cooperative market sector or a dominant

cooperative market economy. One issue, then, is the array of types of enterprises that populate the ecosystem of a cooperative market economy, and a second question is the dynamic process of developing such firms. The whole sector will contain hybrids of various sorts, not just the kind of mixed cooperative described by Ramon and Marta. ESOPs would be another kind of hybrid. Solidarity cooperatives have elected boards of directors in which all stakeholders are involved. Indeed, the idea of a stakeholder governance model might even be the more general idea, most fully realizing democratic ideals, with worker councils within a stakeholder cooperative having responsibility for most internal issues. If we think about all of this more speculatively, then some mixes of types of firms may be especially important for building a cooperative market *sector* within a capitalist economy, whereas if eventually the cooperative market became the dominant form of economic interaction, there might be a different optimal mix of types of firms. This is undoubtedly too complex and contingent to make any strong claims or develop credible intuitions.

11. The problem of real utopian dynamics. When I first developed the idea of real utopias I thought of it basically as a question of alternative institutional designs. This encouraged a kind of comparative statics view of the problem. This was captured in my triplet for evaluating alternatives: desirability, viability and achievability. The “viability” problem concerned assessing the properties of proposed designs and subjecting in terms of various criteria: resilience, unintended consequences, the likely stability of coalitions supporting the alternative, and so on. Achievability was concerned with how to get from here to there, where the “there” was specified by the viability of desirable alternatives. I now think that it is also important to think of real utopias as a strategy, not just a way of exploring alternatives. The strategic idea is captured by the expression “eroding capitalism” (in contrast to smashing or taming or escaping capitalism). Here is point is building, in the world as it is, alternatives that embody emancipatory values that we want to see realized in a world as it could be, *and which also move us in the direction of that world*. The latter implies that the alternatives help set in motion some kind of dynamic process that erodes the dominance of capitalist relations, encroaching on them in various ways so that the space for alternatives increases. Real utopias are thus seeds for growing alternatives, not just an instance of an alternative. Cooperatives that breed cooperatives would be an example.

This also brings into some alignment that problem of “taming capitalism” (symbiotic strategies) and eroding capitalism (interstitial strategies). There are rules that we can imagine that facilitate worker conversions of capitalist firms into cooperatives or hybrids under conditions of crisis (à la legal recognition and regularization of the *recuperadas*). Such rules might help solve problems of economic stabilization in conditions of crisis (taming capitalism through a symbiotic strategy), but also facilitate the dynamic expansion of the cooperative sector in response to crisis (eroding capitalism through an interstitial strategy).

12. Competition, especially with capitalist firms: In the discussion of Mondragon, Ramon said that the Mondragon cooperatives take some pride in the fact that they effectively compete with ordinary capitalist firms, and often out-compete them without any special subsidies. The Mondragon cooperatives seem to feel that this is as it should be: cooperatives should not make

excuses for not producing at a competitive quality and price. I always feel some uneasiness with this kind of argument and with the fairly uncritical endorsement of “competition”. Of course some kind of competition is a good thing, certainly on practical grounds. But the fetishism of competition that is part of the ideology of capitalism and the “free market” is also a problem. There are at least three issues here. First, capitalist competition inherently involves ignoring as much as possible negative externalities – displacing costs, especially environmental costs, onto others is one way of keeping prices low. Second, if cooperatives contribute to a more human and just society, with more stable communities, then in effect there are public goods positive externalities that are being generated by cooperatives. This positive value is not registered in the prices of the goods and services they produce, and so a transfer to resources to cooperatives – what is generally called a “subsidy” – is justified. In real economic terms, this is not a subsidy, but simply a societal payment for the public good produced by cooperatives, but it definitely has the effect of also making it easier for cooperatives to “compete” on the market. Third, too much weight on competition distorts other values and makes it harder for a cooperative to organize its efforts in a balanced way. This is difficult, but it is important to think of ways of reducing the intensity of competition so that other values can play a bigger role in setting priorities. Capitalist firms do not face the need for doing this.

13. Anti-capitalism? Transcending Capitalism? One final thing we talked about at the end was the rhetoric of the real utopias approach to transformation. I had identified at the outset four modes of *anti*-capitalism. Some people liked the antagonistic stance this suggested; others were more hesitant. Everyone like “transcending” – going beyond capitalism – but the anti-capitalism formulation seemed to some people unnecessarily antagonistic, polarizing, suggesting the binary possibility of one totalizing system versus another.