



SCALING UP THE COOPERATIVE MOVEMENT

*Edited by Josh Davis, Thomas Hanna,
Len Krimerman and Andrew Mcleod*

**A Project of Grassroots Economic Organizing with
The Democracy Collaborative**

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Foreword

by Thomas Hanna

In the years since the financial crisis and Great Recession of the late 2000s, growing numbers of people in the United States have come to the realization that the current economic and political system is profoundly dysfunctional. Public concern continues to grow over increasing disparities of wealth and income, deteriorating social and environmental outcomes, and the dangers of vesting power in large hierarchical organizations – whether private corporations or government agencies. Moreover, with stalemate in the political process continuing unabated and traditional solutions seemingly blocked at every turn, new approaches are becoming increasingly attractive.



Occupy Wall Street protest, 2011. Photo by David Shankbone

But while public sentiment may be more amenable to contemplating fundamental political economic changes than in the recent past, the fact remains that the opportunity has yet to be fully seized. Specifically, the cooperative sector, which forms a basis for many visions of a more just, egalitarian, and sustainable society, remains quite small – vanishingly so when considered in relation to the corporate-dominated economy as a whole. Despite the boost that

economic inequality issues received as a result of the Occupy movement and its offspring, that energy has seemingly not, as of yet, been translated into the widespread creation or strengthening of co-operative enterprises.

Moreover, recent events elsewhere in the world have demonstrated that even when cooperatives and cooperative networks reach a larger scale, significant challenges remain. For example, Fagor Electrodomésticos was, until recently, one of the largest appliance manufacturers in Europe: part of Spain's Mondragon Corporation, a group of 289 worker-cooperatives and businesses employing over 80,000 people. Because of its high profile, Fagor's recent bankruptcy has been the occasion for a good deal of self-analysis, criticism and soul-searching on the part of the cooperative community. Meanwhile, the UK's Co-operative Group continues to struggle through a series of crises that has already cost it control of its bank and forced it to sell off numerous assets. It faces a debt load that may threaten the existence of the massive co-op that is the direct descendent of the original Rochdale Pioneers.

There has, therefore, never been a better time in recent history for activists, organizers, practitioners, and scholars to present and discuss alternatives to the current system as well as the challenges facing the cooperative movement as it considers its role in such potential alternatives. This book *Scaling Up the Cooperative Movement* is a contribution to the ongoing discussion. The included articles are part of an online theme that was originally compiled by Grassroots Economic Organizing (GEO). The whole series can be found on the [GEO website](#). Several of the articles were published elsewhere prior to their appearance in the GEO series and this book.

PART I: The Planning Question and Framing the Discussion

Part I of the book contains the original debate between Andrew McLeod and myself—laid out in four articles—which was the impetus for the GEO series and was catalyzed by the collapse of Fagor in late 2013. For many people, especially those interested in systemic change and those within the cooperative movement, the failure of one of the most prestigious cooperatives in the world's most successful worker cooperative network raised a litany of important questions. In [Mondragón and the System Problem](#), Gar Alperovitz and I ask whether Fagor's failure specifically, and various other criticisms of Mondragón more generally, indicate that there are limits to what cooperatives and democratized economic institutions can accomplish within a competitive, open market systemic design. We suggest that going forward some form or forms of participatory planning, alongside the institutional structure of democratized ownership (including cooperatives), will likely be needed as part of any viable alternative systemic design.

In many ways the issue of systemic design, and the identification and discussion of structural components such as planning and markets, offers more questions than it does answers. This is particularly true for the cooperative movement which, to certain degrees historically, has seen its fortunes shift with various changes in the overarching political economic system. Veteran

cooperative consultant and author Andrew McLeod responds in [Cooperative Movement Should Engage Government Cautiously](#) that while there is undoubtedly a need for some degree of planning in conjunction with existential crises (such as climate change), the cooperative movement should carefully consider the implications and potential unintended consequences of such an approach on their autonomy, identity, neutrality, and independence. Becoming too heavily involved with and reliant on government planning, he suggests, may in fact end up harming the cooperative movement's ability to address systemic issues. This is a concern that many other proponents of cooperative enterprise also share, and is in some ways supported by various real-world and historical developments—including, for instance, the contemporary struggles of newly formed cooperatives in Argentina and Venezuela.

Often in discussions about systems—and specifically about possible designs of future systems—there is a danger of veering too far into the abstract and theoretical. In [Cooperative Movement Should Embrace Discussion of Systemic Issues](#), I inquire why it is that in real-world experience cooperative sectors remain relatively small in most advanced economies, and contend that in order for the cooperative movement to begin to move towards a more systemically important scale, a reconceptualization and reorientation of the actual planning that is already conventional in the current capitalist political economic system will be necessary. This point is taken up by some of the authors in part II with reference to realigning existing governmental programs and processes to support cooperative development. While the concerns about dependency on the state and a resulting loss of autonomy and vitality are unquestioningly legitimate, I argue that if cooperatives are to become the basis or integral part of a new, more humane, just, equitable, and cooperative future, some risks with regards to economic planning will likely be required.

A key issue this discussion raises is that of power—and more specifically how the cooperative movement might interact with wider systemic structures and institutions that presently have considerably greater political economic power and influence. In the final chapter of Part I, [Planning Must Be Centered in the Cooperative Movement](#), McLeod concludes the initial debate by suggesting that, at least in the short term, the cooperative movement and cooperative networks should strengthen their own internal planning capabilities and be cautious about participating in wider economic planning efforts promulgated by state bodies that have different, and often contending, values and motives. Only when the cooperative sector has reached the scale and strength to participate as an equal partner, McLeod argues, should it engage in wider efforts at economic planning and systemic design.

PART II: Alliances, Culture and Scaling-Up

To an extent the lively debate about systemic issues in this book reflects a wider discussion occurring in both the cooperative movement and across the spectrum of alternative political economic institutions, experiments, and movements. From climate change to labor issues to civil rights, activists, organizers, practitioners, and theorists are confronting similar systemic limitations and searching for a way past them in both theory and practice. In Part II, many of

the questions and challenges posed in the preceding section are addressed from a diverse array of perspectives—and important new issues and considerations are raised. A major focus of Part II is the role cooperatives and the cooperative movement should play in any future, more democratized political economic system, and, importantly, how the cooperative/democratized sector could be scaled up over time.

Joe Guinan, Executive Director of the Next System Project at the Democracy Collaborative, opens Part II with [Cooperative Enterprise and System Change](#) in which he expands on some of the systemic and structural impediments to cooperatives discussed in Part I. Guinan contends that a focus on cooperatives alone may not be sufficient, and suggests that the cooperative movement develop an education and alliance building strategy that embraces multiple forms of economic democratization. This strategy picks up on two themes that emerge repeatedly in this section—namely internal cultural development through education on the one hand and a broadening of the cooperative movement’s external reach and capability through closer relationships with other organizations, institutions, and movements on the other.

Another motif that runs through this section is the need to build from the ground up—from the vital experiences, strategies, and ideas of everyday workers, cooperative members, and movement participants, through their organizations and movements as a whole, towards new groupings and collaborations. In [Confronting the “System Problem” Cooperatively](#) GEO member Len Krimerman presents three case studies, each highlighting important real-world lessons and offering pointed questions on the topic of planning from a participatory and collaborative perspective. Further, he offers the prospect of linking the cooperative sector with allied groups and movements in order to grow an alternative economy that would, ultimately, be able to confront and overcome many of the systemic limitations currently being experienced.

This approach is echoed by Hilary Abell, co-founder of Project Equity and former Executive Director of Women’s Action to Gain Economic Security (a San Francisco-based organization that launched a network of worker cooperatives, now Prospera), in [Seizing the Moment: Catalyzing Big Growth for Worker Cooperatives](#). Abell contends that scaling up the cooperative movement is a matter of immediate strategic importance so that both the system changing and life improving potential of cooperatives can be reached in the future. One important component of such an effort, she suggests, is building coalitions and partnerships at the local and regional levels to serve as the foundation for national action. Additionally, Abell provides definition to some of the planning and policy suggestions offered throughout the book, arguing in favor of utilizing existing economic development efforts (invariably involving government on all levels) to grow and promote worker cooperatives.

Of particular interest to many of the contributors are the cultural conditions necessary for the growth of the cooperatives and the democratized sector. Abell suggests that a “friendlier ecosystem” will be required. In addition to the greater availability of capital and supportive public policy, this includes incorporating cooperatives and cooperative values into all aspects of the educational system and developing the internal educational and training components of

the cooperative movement. This approach is expanded upon by GEO member Michael Johnson in [Scaling-up Democracy Through Empowerment](#). Johnson maintains democratic movements, including cooperatives, require adopting a “culture-building strategy” that will empower people to realize and actualize their potential for cooperation and change. Such an orientation will involve a focus on deeper questions beyond the purely political or economic, including, among others, the nature of human interaction, exploitation, and alienation. This is important not only for scaling up cooperative efforts, but also for preserving and enhancing their internal culture and governance as they grow.

In the final chapter of Part II, [Creating a Cooperative Culture](#), Caitlin Quigley of the Philadelphia Area Cooperative Alliance addresses these cultural questions within the context of the real-world practices of the Mondragón cooperatives therefore bringing the discussion around full circle. Quigley reports on Mondragón’s efforts to build an internal culture of cooperation and self-management through education as well as participation in the economic decision-making of the network and suggests that the next step for the cooperative movement in the United States is to bring organizations together and develop a “regional cooperative culture and identity.” She identifies the cooperative model as both a skeleton and an invitation; a structure that is open to high degrees of participation, but is also reliant upon that participation to create the cultural conditions necessary for success, viability, and growth.

This book is also both a skeleton and an invitation. The contributions included are not intended to provide definitive answers; rather they seek to put important issues and perspectives on the table for further discussion. As the cooperative movement, those interested in systemic change, and the general public continues to encounter and confront the limitations, declining trends, and growing threats posed by the existing political-economic system, the need for continued dialogue and discussion of actionable ideas is only likely to increase. Moreover, this book is not the end of this specific exchange of thoughts. We urge any and all interested people to contribute to and continue this discussion on the [GEO website](#).

Thomas M. Hanna, Fall 2014

Mondragón and the System Problem

by Gar Alperovitz and Thomas Hanna

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As America moves more deeply into its growing systemic crisis, it is becoming increasingly important for activists and theorists to distinguish clearly between important projects and "institutional elements," on the one hand, and systemic change and systemic design, on the other. The recent economic failure of one of the most important units of the Mondragón cooperatives offers an opportunity to clarify the issue and begin to think more clearly about our own strategy in the United States.

Mondragón Corporation is an extraordinary 80,000-person grouping of worker-owned cooperatives based in Spain's Basque region that is teaching the world how to move the ideas of worker-ownership and cooperation into high gear and large scale. The first Mondragón cooperatives date from the mid-1950s, and the overall effort has evolved over the years into a federation of 110 cooperatives, 147 subsidiary companies, eight foundations and a benefit society with total assets of 35.8 billion euros and total revenues of 14 billion euros.



Each year, it also teaches some 10,000 students in its education centers and has roughly 2,000 researchers working at 15 research centers, the University of Mondragón, and within its industrial cooperatives. It also actively educates its workers about cooperatives' principles, with around 3,000 people a year participating in its Cooperative Training program and 400 in its Leadership and Team Work program.

Mondragón has been justly cited as a leading example of what can be done through cooperative organization. It has evolved a highly participatory decision-making structure, and a top-to-bottom compensation structure in a highly advanced economic institution that

challenges economic practices throughout the corporate capitalist world: In the vast majority of its cooperatives, the ratio of compensation between top executives and the lowest-paid members is between three to one and six to one; in a few of the larger cooperatives it can be as high as around nine to one. Comparable private corporations often operate with top-to-median compensation ratios of 250 to one or 300 to one or higher.

Although it has been criticized for violating its cooperative principles through somewhat "imperial" control of some of its foreign operations, for its use of non-cooperative labor, and for a less-than-active concern with environmental problems, in recent years Mondragón has begun to address deficiencies in these areas.

Bankruptcy for Fagor Electrodomésticos

Mondragón Corporation's historically most important unit is Fagor Electrodomésticos Group, which makes consumer appliances - "white goods" such as dishwashers, cookers and other related household items. It is the fifth-largest manufacturer of such products in Europe. It employs roughly 2,000 people in five factories in the Basque region and has an additional 3,500 in eight factories in France, China, Poland and Morocco. Its direct predecessor (ULGOR) was the first-ever Mondragón cooperative - established in 1956 by five young students of José María Arizmendiarieta, the spiritual founder of Mondragón cooperative network.

Mondragón recently announced that Fagor was failing and that the company would be filing for bankruptcy protection. Ultimately, Fagor was unable to find financing to pay off debts of around \$1.5 billion related to a 37 percent slump in sales since 2007 that resulted from Spain's economic crisis and housing market collapse. Under Spanish law, the company now has four months to negotiate with its creditors - which include the Basque government, banks and others - and formulate a restructuring plan.

As part of any restructuring or liquidation, Mondragón will provide jobs and income security for a certain period for some its workers in Spain. This is one of the cooperative network's great advantages. It has announced that its internal insurance company Lagun Aro will pay 80 percent of the cooperative member's salaries for two years and the corporation will strive to relocate as many employees as possible to other cooperatives in the network.

The fate of the roughly 3,500 non-Spanish wage laborers (i.e. not cooperative members) in other countries, however, is unclear.

Some Specific Problems

Given its importance, we are certain to see any number of economic reports on the specific problems that created the failure of Fagor. The larger questions posed by the failure, however, are the relationship of large-scale economic institutions to the market in any system, and the

lessons for long-term systemic design for people concerned with moving beyond the failings of corporate capitalism and traditional socialism.

Mondragón itself, and proposals for systemic change based on larger-scale cooperatives in general, have only occasionally directly confronted some of the larger challenges that the market poses to cooperative institutional forms. Mondragón's primary emphasis has been on effective and efficient competition. But what do you do when you are up against a global economic recession, on the one hand, or radical cost challenges from Chinese and other low-cost producers, on the other?

The same challenges face anyone who hopes to project a new system based on cooperative ownership in any country. There is nothing inherently wrong with such a system; far from it, the principle is one to be advanced and supported. The question of interest, however - and especially to the degree we begin to face the question of what to do about larger industry - is whether trusting in open market competition is a sufficient answer to the problem of longer-term systemic design.

The Fagor failure is a strong reminder that ignoring the question can have consequences.

The specific problems are obvious: The first has to do with whether any system allows the global market to set the terms of reference for the economy in general and specific (larger scale) firms structured along cooperative lines in particular. A serious "next stage" systemic design almost certainly will have to adopt one or another form of "planned trade" rather than "free market trade" - else the fate of specific firms, and specific groups of workers, and also the communities in which both exist, become subject to the ever-intensifying challenges as corporations play one low-wage country off against another, with the destruction of wage standards and firms (cooperative or otherwise) the inevitable result.

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Graphic by Christopher Dombres

The second challenge takes us beyond the question of planning in connection with trade to planning in connection with the domestic market: It was never the goal of the Mondragón Corporation to seek a planning solution to the problems of the Spanish economy. Nor was "changing the system" part and parcel of its primary mission. It always sought to compete successfully in the existing system, at the same time demonstrating a superior form of internal organization. Americans concerned about fundamental, longer-term change need to ponder this particular point carefully. The challenge any system-changing vision presents is at least twofold: First, how to include new models of cooperative organization in a larger strategy that includes managing (and restructuring) the wider economy in its goals; second, how to begin to think through much more carefully issues of sectoral planning within larger democratic or

participatory planning goals.

Almost certainly many smaller-scale cooperatives can succeed, if carefully managed, in small markets. But moving to scale - as Fagor did in entering the global market for appliances - means that the fate of the institution also rests on the fate of the larger market, and on competition within that market, whether global, as in the case of Fagor, or domestic, as in the case of many other industries.

Space does not permit a full discussion of how participatory planning might be achieved to deal with large-scale unemployment, and economic management in general - two of the severe challenges that have crippled economic development in Spain and contributed to Fagor's problems. However, some of the key questions and possibilities for beginning to think through sectoral planning as part of a larger approach are suggested by considering how one significant scale industrial sector might be dealt with.

A good reference point is the auto industry in the United States. Assume, for the moment that the auto industry were to adopt new forms of worker or worker-community ownership structures. (One somewhat limited form of this, by the way, actually occurred during the recent Great Recession in 2009, when the government and autoworkers' employee health care benefit fund assumed ownership shares in Chrysler and General Motors.) The question in the future is how might we utilize worker and community ownership more effectively and move beyond seeing the companies narrowly (like Fagor) operating in a capitalist sea and market system?

One important point: A viable alternative systemic/planning solution likely would extend the reach of these companies far beyond selling cars. Such a solution might, for instance, involve developing a long-term national investment plan to invest in worker and community-owned transportation companies in order to shift spending from cars to more efficient high-speed rail and mass transit.

Work published by the Democracy Collaborative in 2010 helps clarify how this might be done: Three alternative scenarios for how population growth to 2050 might be distributed between cities and suburbs were analyzed. The data showed that even the smallest shift in population patterns requires dramatic changes in intra-city and inter-city transportation, both to absorb the anticipated increase in population and to achieve necessary reductions in carbon emissions. All three options would require major expansion of local public transportation, at an annual cost of at least \$240 billion - \$140 billion for increased operating costs and \$100 billion for capital spending.

Additionally, the number of long-distance trips traveled by airplanes (the worst form of transportation from a carbon emissions standpoint) and cars would have to be reduced and replaced with high-speed rail. A good benchmark for costs on this - \$2 trillion over 15 years for 25,000 kilometers of high-speed track - was put forward by Canadian analysts Richard

Gilbert and Anthony Perl.

In turn, expenditures under this "plan" would be targeted to place-based economic development strategies around economic institutions structured either as worker-cooperatives or, following new models emerging in Cleveland and other cities, around joint community-worker cooperative structures.

Time to Get Serious

The details of any serious democratic "planning system" inevitably would change as greater sophistication and knowledge are developed - and as noted, in the above example, we looked only at one sector, rather than the larger system as a whole. Also, any larger-scale, system-changing planning effort likely would utilize direct planning as well as carefully managed markets in defined areas. The critical point from the perspective of our immediate concern is that it is time for activists and analysts who hope to build upon principles of cooperative worker ownership or joint cooperative-community ownership for larger-scale firms to get serious about the larger systemic planning issues involved.

The fate of Fagor - and the future of many other cooperatives now attempting to compete at higher levels - suggests that if "the system question" is not addressed in theory and in practice, and in sophisticated longer-term design, many of the hopes generated by even so brilliant an experiment as Mondragón may be thwarted by forces more powerful than any one element in a system can handle alone.

Cooperative Movement Should Engage the Government Cautiously

by Andrew Mcleod

Cooperatives have much to learn from this autumn's collapse of Fagor Electrodomésticos – the original co-op of Mondragon, the Basque model of worker ownership that encompasses more than 110 cooperative enterprises, 80,000 workers and \$35 billion in assets. And a key question is whether models such as Mondragon are adequate to address the world's interwoven economic, ecological and social crisis.



Gar Alperovitz and Thomas Hanna of the Democracy Collaborative [recently asked](#) “whether trusting in open market competition is a sufficient answer to the problem of longer-term systemic design.” They concluded that the demise of Fagor shows the limits of cooperative “projects” or “elements” within an economy designed for global capitalism. And although they don't explicitly say so in this piece, the authors' choice of an illustration that addresses population density (citing [earlier work](#)) strongly suggests a need for economic planning done with and by governments; this would be consistent with Alperovitz's recent book *What Then Must We Do?*

However, such an approach raises serious issues around cooperative identity, particularly as a movement based on autonomous and independent entities. Co-ops lose something of their essence when embedded in efforts to plan markets into submission. It is important for those engaged in cooperative organizing to be very clear what we are talking about with regard to economic planning; this will help us avoid potential pitfalls.

Mondragon – or Fagor – may be merely a project or element at a global level, but it is also a system in its own right. Efforts to wind up Fagor also show the strength of Mondragon's

internal systems, which ([as I wrote previously](#)) are [adjusting well](#) to a major shock by transferring many idled workers to other co-ops and providing early retirement for others. The Basque regional government stood ready to assist with a three €3 million credit line, Mondragon ultimately declined the offer.

I don't assume that the authors are calling for socialist-style economic planning, as Alperovitz generally distances himself from that label along with "free-market" capitalism. And the [Democracy Collaborative](#) has been a leader in the efforts to create important models in which local anchor institutions (e.g. hospitals and schools) provide support for development of worker and community ownership. The Democracy Collaborative's work supporting the creation of the Evergreen Co-ops with the Cleveland Foundation is an extremely important example.

Certainly systemic planning is needed to address crises, like climate change, through proactive efforts to change population density. Governments will inevitably be involved in such planning and it would be foolish to exclude co-ops. We must also recall that truly free markets are a myth designed to obfuscate the fact that orderly markets only function with a certain level of government infrastructure and enforcement.

However, the conclusion that we need systemic planning will have serious implications for the cooperative movement's political neutrality in the United States.

Current events illustrate the potential unintended consequences of subordinating market-based cooperative organizing into economic planning: A mostly-ignored element of President Obama's healthcare reform threatens huge political costs that seem likely to make cooperatives less viable as an implement of public planning while causing substantial internal damage to the movement.

The so-called "CO-OPs" are not cooperatives, but rather "[Consumer Operated and Oriented Plans](#)." They were launched as a compromise intended to address Republican opposition to a government-run "public plan." Like the public plan, cooperatives were seen as market-based solutions, providing a white-hat competitor to improve prices and choices available to consumers.

The "co-op plan" seemed like a useful attempt to repeat a hugely-successful government planning effort from the last century: In the 1930's, investor-owned utilities were avoiding less-profitable rural areas, leaving them literally in the dark as city-dwellers enjoyed the benefits of light and power. The creation of hundreds of co-ops through the federal Rural Electrification Administration transformed the countryside and built a [powerful and inspiring model](#) that includes its own systems of development and finance.

Unfortunately healthcare CO-OPs now seem to provide the worst of both worlds: [Changes were made](#) to the statutes defining the CO-OPs and many are now in crisis as a [result of the](#)

[disastrous launch](#) of Healthcare.gov – on which they are unusually dependent due to a statutory ban on using federal funds for advertising. They are tiny fish struggling in a large and turbulent pond, operational in fewer than half of the states. And although they are associating the co-op brand with a massive and controversial reform that is under attack from [the right](#) and [the left](#), they are not even cooperatives!

The CO-OPs are also being [excluded from and even harmed](#) by Obama’s attempts to salvage the reform. The executive order allowing for extension of existing plans worsened an already challenging situation during the CO-OPs’ key start-up period. Such an extension of existing policies represents a significant reduction in their potential field of membership since everyone who keeps their old plan is also someone no longer interested in a new CO-OP plan.

The CO-OPs’ loans are still coming due despite these obstacles, while the media in some states are already discussing [costs to taxpayers if they fail](#). The CO-OPs are also coming under indirect attack from Republicans, who [raise valid concerns](#) even as they attempt to score political points, worrying that these quasi-cooperatives might be “another Solyndra,” referring to the infamous solar company that failed despite government loan guarantees aimed at supporting alternative energy production.

Cooperatives are frequently made to answer collectively for a specific co-op’s shortcomings. As an “alternative” business form, co-ops are subject to an unreasonably high standard, so that a single failure like that of Fagor allegedly shows the shortcoming of the entire model. So if these “CO-OPs” go belly-up, we can expect it to be portrayed as more evidence that co-ops don’t work.

Co-ops have tended to succeed in market environments, and it is worth continuing to pursue market-based solutions wherever possible while finding ways to encourage business forms. One such example is the tax benefits already provided for business owners who sell at least 30% of their companies employees through [ESOPs](#).

Governments are an unavoidable part of economic planning, but it is important for co-ops to maintain our collective identity as autonomous entities relatively free of political entanglement, representing people of all viewpoints.

And co-ops should beware of the impact of planning on long-term goals: For example, what would be the political narratives if the US were to launch into a wholesale remaking of land-use to achieve more sustainable development in ways that benefit worker/community-owned enterprises making transit equipment? It is not hard to see how our polarized political environment would yield attacks on this as “socialism.”

Such narratives can – and should – be countered, but we should also be proactive in thinking how planning efforts involving co-ops will be seen by the public, while limiting the conflict of interest that might come if (specific) co-ops stand to benefit. Working with government is

important and can have good results – as with electrification – but it also risks political disasters that may ultimately make it more difficult to address the systemic problems at hand.

Cooperative Movement Should Embrace Discussion of Systemic Issues

by Thomas Hanna

Andrew McLeod recently wrote an excellent and thoughtful [response](#) to my [article](#) (with Gar Alperovitz) on Mondragón and issues of systemic design. In an effort to continue the constructive dialogue around this important topic, I offer this rejoinder.

Modern cooperative forms have a long history dating back hundreds of years. They are both a critical component of present day economies around the globe as well as a form of economic organization that offers great hope and promise for a future of greater equality, democracy, and community. I share McLeod's heartfelt desire to see cooperatives succeed and proliferate. Increasingly, cooperatives—and worker-ownership and/or self-management more generally—are being considered as the fundamental building blocks of a larger systemic alternative to both the failed state socialist and failing corporate capitalist political-economic models.

For those who envision a much larger role for cooperatives in the economy, as well as for anyone interested in systemic change, a key question is why worker cooperative sectors have remained relatively small and insignificant (both politically and economically) in advanced capitalist economies? For example, despite a long history, the U.S Federation of Worker Cooperatives [estimates](#) that there are just 350 such cooperatives in the United States employing around 5,000 people. Because of its size (around 80,000 workers), the Mondragón network has long been held up as proof that production cooperatives can, in fact, reach scales of economic significance. However, even including Mondragón, estimates are that Spain only has worker cooperative employment of around 300,000—amounting to a little over 1.3 percent of the active labor force. Similarly, in the Emilia Romagna region of Italy—another area where worker cooperative networks have reached some degree of scale and sophistication—worker cooperative employment is only around 6 percent of the labor force. Moreover, even taking into account the employment generated from other cooperative forms (such as consumer or social coops) these percentages remain very low in most advanced countries.

One possible explanation, suggested in the original article, is that by operating within a globalized corporate capitalist-dominated market system, worker cooperatives are exposed to a number of pressures that limit their ability to increase their scale and systemic influence. This can be seen not only with the circumstances concerning the failure of Fagor Electrodomésticos (and the more general problems Mondragón has experienced in recent years, including the steady reduction of jobs from over 100,000 in 2007 to 80,000 in 2012), but also with other events in worker cooperative sectors over the years. One classic example is that of the failure of many of the plywood cooperatives in the Pacific Northwest which, at one point in the

1970s, accounted for more than 10 percent of the nation's total plywood production. But, by the mid-1980s, many had collapsed. According to one [study](#): “Some were apparently casualties of the market...” A somewhat related problem, the report reveals, is that when worker cooperatives operating in market systems are successful, their members can often be tempted to de-mutualize and sell to private capitalist competitors.

McLeod maintains that “[c]o-ops have tended to succeed in market environments...” While this is undoubtedly true in many cases, I would suggest that history demonstrates that there are limits to that success. In order for cooperatives and cooperative networks to truly transform from small individual projects to system-wide outcome-changing institutional structures, reliance on markets alone may not be sufficient. McLeod, I believe, would agree with this statement as he identifies a clear need for certain degrees of economic planning—both in conjunction with areas of large-scale “crises,” such as climate change, and also with regards to government incentives for conversions of businesses to worker-ownership. Moreover, the Cleveland project, which he lauds as “an extremely important example,” is in reality a semi-planned model. It is consciously designed to use the purchasing power of large non-profit “anchor” institutions that receive millions in local, state, and federal government funds to create a sheltered market for the establishment and expansion of a network of community-based worker cooperatives.

Despite often being associated with the discredited “central planning” mechanism of the former Soviet Union, economic planning is actually relatively conventional and uncontroversial in contemporary economies—both within traditional capitalist firms and at various levels of governance. In the words of University of Cambridge economist Ha-Joon Chang: “Capitalist economies are in large part planned. Governments in capitalist economies practice planning too... More importantly, modern capitalist economies are made up of large, hierarchical corporations that plan their activities in great detail, even across national borders.” (Chang, *23 Things They Don't Tell You About Capitalism*, pp. 199-200) Moreover, in recent years experiments with highly democratic forms of planning (often called [participatory budgeting](#)) have been gathering momentum in communities around the world. All of this is to simply say that economic planning as a concept is well-within the traditional economic paradigm that cooperatives currently also occupy. As mentioned in the original article, how a democratic “planning system” could be developed, and what forms it may take (including its relationship to markets and the state), is still a wide-open question. But a question that proponents of cooperatives should, I believe, embrace rather than fear.

McLeod uses the example of the plight of healthcare “CO-OPs” during the recent trials of the Affordable Care Act to demonstrate why cooperatives should be wary of engaging with “government planning.” However, he acknowledges both that healthcare CO-OPs “are not even cooperatives,” and that they were envisioned as “market-based solutions.” I would therefore contend that many of the tribulations he describes as being suffered by these entities are actually a result of an attempt to apply a market approach to a problem (healthcare) that is arguably best addressed through some form of planned single payer system, as is the case in

most other advanced industrial economies, rather than any consequence of the actual cooperative movement becoming too involved with a failed state planning effort.

McLeod's primary concern is that by explicitly supporting the concept of economic planning, the cooperative movement is opening itself to both cooptation by the state and political attack from ideologically opposed factions. "[I]t is important," McLeod concludes, "for co-ops to maintain our collective identity as autonomous entities relatively free of political entanglement, representing people of all viewpoints." These are undoubtedly valid concerns, but I believe that they reflect a narrower concept of the role of cooperatives than many people, including co-op practitioners, envision. The question thus becomes, are we content with a political-economic system dominated by large corporate institutions and marked by increasingly negative social, environmental, and political outcomes that also retains an ethical, but ultimately marginal cooperative sector? Or do we ultimately envision an entire political-economy based on cooperative values and cooperative institutions? If it is the latter, this will undoubtedly require a discussion of how cooperatives interact with and fit into a larger system of markets, planning, and the state. Ultimately, it will also require taking certain "political" risks in furtherance of a more just, equitable, and cooperative world.

Planning Must Be Centered in the Cooperative Movement

by Andrew McLeod

As part of an ongoing dialogue prompted by the bankruptcy of a key Mondragon cooperative Thomas Hanna [has argued](#) that, “In order for cooperatives and cooperative networks to truly transform from small individual projects to system-wide outcome-changing institutional structures, reliance on markets alone may not be sufficient.”

Hanna suggested that my cautious approach to collaborating with government in planning entails a “narrower concept of the role of cooperatives than many people, including co-op practitioners, envision.” He goes on to ask “are we content with a political-economic system dominated by large corporate institutions and marked by increasingly negative social, environmental, and political outcomes that also retains an ethical, but ultimately marginal cooperative sector?”

I agree that co-ops are hindered by an economic system that throws many obstacles before our worthwhile economic models. Our success is likely to be painfully slow in the face of great urgency presented by the global crisis wrought by capitalism. However, I believe we must move carefully lest we find ourselves at a dead end.

A cooperative movement focused on public policy-driven planning may ultimately be less transformative and less effective than one that steps back and does some deep planning of its own before joining forces with a system of government in which legislators and administrations obey wealthy corporate donors and regulators are captive to the industries they are meant to police. Certainly co-ops should meanwhile engage with government on some essential tactical projects (e.g. tax issues); however, we must avoid strategic entanglement – being unable to part ways with processes that no longer meet the needs of co-ops and their members.

We should look for lessons where co-ops have either worked closely with government or broken out of the margins without waiting for it – the Basque Country is one of these places, along with the United Kingdom and Italy. We ought to study these regional histories to see if we can discern any patterns, while remaining aware that each is a different context than our own. A quick survey shows little correlation between state-based planning and economic transformation.

We should recall that Mondragon’s internal social security system, Lagun-Aro EPSV – which has played a huge role in efforts to mitigate the economic devastation felt by the former employees of Fagor Electrodomesticos – [was created](#) after the Spanish government declared that Mondragon workers were not employees and therefore ineligible for public social security. Lagun Aro’s success, although modest, comes because the co-ops were unwilling to

let the national or Basque regional governments' priorities take precedence.

And Britain's experience actually suggests an inverse relationship between political processes and economic transformation: The birthplace of modern cooperation has evolved a robust movement with complex relationships to various entities within the political world. This has led to some dramatic unintended consequences.

The Co-operative Group [lost control of its subsidiary bank](#) this fall after the collapse of an ambitious acquisition of 632 retail branches of Lloyds Banking Group. This was the direct result of government planning to address the systemic problem of banking industry concentration by forcing the breakup of Lloyds as a condition of its bailout. This attempted merger followed another – with a troubled mutual called Britannia – that was more organic in its origins but seems nonetheless to have involved some degree of regulatory breakdown related to political parties seeing co-ops as a useful tool to meet their ends. The government favored a co-op solution to a dysfunctional banking system, which sounded like a good thing but ended disastrously with the bank snatched by US private equity vultures.

And as the Co-operative Group struggles with the economic aftermath of this catastrophic adventure in economic planning, it has become a [political football](#) kicked between the government and opposition. Regulators are obviously facing questions, but scrutiny is also directed at a [Co-operative Party](#) that exists within Labour. British cooperators in general are forced into a defensive posture by the ongoing banking scandal.

On the other hand, a positive story can be found in education. Although privatization has its drawbacks, UK cooperators have developed a good model despite having an unreliable partner in government. As Co-operative College principal Mervyn Wilson [recently wrote](#),

...the astonishing growth in co-operative schools has been achieved without funding or other support from the government. Growth happened despite a challenging policy environment and the pressure placed on those schools needing support to be taken over by sponsor academy chains, with no recognition of the power of co-operative models in transforming achievement.

So we have better results (so far!) in the case where the state's role is minimized, despite being in a field of work where most progressives would argue against market-based solutions. And deep soul-searching is prompted by the case where they joined government's tinkering with the market.

Nevertheless, co-ops are not the solution to every problem. As Hanna rightly points out, US healthcare reform is a case where market-based solutions are no match for deep systemic problems. In such cases, co-ops should steer clear. ([I suspected as much](#) way back in July of 2009, when a cooperative solution was first considered as a part of the reform.)

None of this means that planning with governments is inherently wrong or dangerous; such planning is widespread and probably inevitable. However, co-ops must approach any planning done with larger and more powerful partners cautiously. Planning may be a nice ideal, but successful planning depends upon a stable basis for such planning as well as trust of planning partners. Neither of these conditions exists when it comes to most government bodies, which are generally much larger and more powerful than cooperatives while also motivated by entirely different values than member benefit.

So what should we do?

There are opportunities to engage government without losing cooperative autonomy, illustrated by Italy's Law 59/1992 [requiring that co-ops](#) contribute 3 percent of profits to co-op development funds run by co-op federations. This seems to me an acceptable risk because the funds are from co-ops and held by co-ops. The threat of co-optation is also mitigated by the strength of the cooperative movement there relative to the weakness of the state, which rarely goes more than a year or two without a new government.

Until US co-ops have the organized critical mass to hold our own in political discussions, we would best steer clear of government-centered planning and focus our efforts on building organizational capacity and inter-sector coherence.

On the other hand, the rapidly unfolding economic and ecological crises we face do not afford us the time to build a new world in a leisurely fashion. This is admittedly a frustrating situation, and Hanna is right to warn that systemic problems demand bigger and more robust structure than those currently offered by co-ops. We face a time that challenges our patience, but nevertheless we must remain patient and avoid any moves that commit us to partnerships that may not benefit our movement in the long run.

My examples above are admittedly selective, and certainly there are many examples of economic planning gone right. I hope the issues I've raised will assist cooperators in thinking about how best to engage the state. I hope others are inspired to chime in.

Confronting the “System Problem” Cooperatively

by Len Krimerman

First and foremost, three cheers to Gar, Thomas, and Andrew for a fine start to this uniquely important cooperative conversation. Rarely has the exchange of words and ideas left me with such a well-spring of hope. Not only did this dialogue provide us with thoughtful, nuanced, and provocative reflections, but its process – the careful arguments and caring responses – was, for me, exemplary.

How best to continue? My first and strongest inclination is to recommend that this “system problem” thread be amplified over many weeks, and then carried into the May [2014 US Federation of Worker Cooperative Conference](#) in Chicago. In that setting, and in celebration of the Federation’s Tenth Anniversary, worker owners from all over the USA, and elsewhere, will gather, and, in my view, they are precisely the ones “cooperative planning” should be waiting for.

Substantively, I would agree with Gar and Thomas on the need for “participatory planning”, as well as with Andrew’s principle that “planning must be centered in the cooperative movement”. It is, however, not yet clear to me just what each of these includes, and what they exclude. Let me offer three concrete, somewhat controversial and possibly enlightening cases of “planning” for consideration as models, and then ask whether they are, or could be, acceptable as “participatory” and/or as “centered within the co-op movement”.

CASE 1: Whose Voices Need to be Heard?

This story took place in the UK, during the mid-‘70s, when an old London plant within the Lucas Aerospace complex discovered that its owners had decided to close it down. Joining with a number of affected unions, they hit upon an unusual strategy, which they called the Alternative Corporate Plan. Its main and most novel feature was a process involving the entire workforce in identifying and assessing “alternative products” which their skills and the plant’s technology would be able to make and sell. The criteria for “alternative” were simple: not military aerospace (Lucas’ main product), and serving a socially useful purpose or unfilled need. As one worker put it: "Why can we not use the skills and abilities that we've got to meet the interests of the community as a whole? Why can we not produce socially useful products which will help human beings rather than maim them?"

To cut short this good story, 150(!) such products were designed by the workers and their consultants, from hybrid road-rail vehicles to kidney dialysis machines, and from heat pumps to a hob-cart for children with spina bifida. (For the whole campaign, see Mike Cooley’s Architect or Bee, or his acceptance speech for a Right Livelihood Award in 1981. Mike was a prime mover in developing the “Lucas Plan”.)

My question, then, is this: how do “cooperatively centered” and “participatory” planning view this sort of “alternative socially useful planning”; do they encourage and support it for cooperative enterprises? If not, should they? Mike Cooley would certainly think so:

It's frequently asked of me, 'Do you really think that ordinary people can deal with these problems'? I personally have never met an ordinary person in my life. All the people I meet are extraordinary. They've got all kinds of skills, abilities and talents and never are those talents used or developed or encouraged. What we've got to remember, as we're driven down this linear road of technology, is that the future is not out there someplace as America was out there before Columbus went to discover it. The future hasn't got predetermined shapes and forms. The future has yet got to be built by people like you and I, and we do have real choices. It can be a future in which we are not threatened with mass annihilation through nuclear weapons or ravaged with hunger. It could really be a world in which we treasure all our people equally and get science and technology to serve people rather than the other way round. In a word, we could begin to perform the modern miracle, we could help to make the blind see, the lame walk, and we could feed the hungry.

CASE 2: Movements that Move Together

Last October, Linda Hogan and Terry Daniels, architects of [Hour World](#) and time banking initiatives across the USA, came to my very rural town in eastern Connecticut, to celebrate the first year anniversary of our Windham Hour Exchange. They had just offered a webinar on [Time Banks and Transition: Movements Moving Together](#), and spoke to our group about their project of cross-sector collaboration – convening cooperatives, transition towns, community visioning and planning organizations, shareable and solidarity networks...and many more. Linda and Terry's apt mantra is: “We don't need another Movement, we need the movements to move together.”

Not long after that, I attended a “new economy” conference in the very urban North End of Hartford, where previously isolated groups focused solely on co-housing, or Food not Bombs, or permaculture, environmental resilience, moneyless currencies, cooperatives, and many other social enterprises, started to plan and organize together for the various local regions in Connecticut they represented.

Should cooperatives, or the co-op movement, join this sort of cross-organizational bridge building, and begin to plan together with allied groups outside the co-op family?

Intriguingly, the Emilia Romagna cooperative network in northern Italy – at 15,000, the world's largest regional co-op network, accounting for 40% of their region's GDP – [is linked in many collaborative ways](#) to social enterprises and flexible manufacturing networks that often are not cooperatively owned or managed.

CASE 3: Colluding With Government? (To Rebuild Jackson, Mississippi's Economy)

This May 2-4, Jackson, Mississippi will host “Jackson Rising”, yet another “New Economy” conference – but with a big difference. This time, the mid-sized city and its newly elected “radical” mayor, Chokwe Lumumba, are fully on board and ready to collaborate – to “address the growing crises of economic collapse, social inequality and environmental degradation... [through] new forms of ownership and wealth creation models that fully include the vast majority of the population.”

[Editor's Note: [Mayor Lumumba](#) passed away on February 25, 2014. The New Economies Conference went ahead as planned, although without the support of the new mayor.]

This collaborative planning initiative is based on two goals common to the conference organizers and the Mayor's office: “first, to start building the city of the future today through the inclusion of cooperatives and other forms of wealth creation based on the principles of solidarity, participatory democracy, and economic and social equity; and second, to diversify and grow the economy of Jackson [as] a model center of cooperative and business development in the country.”

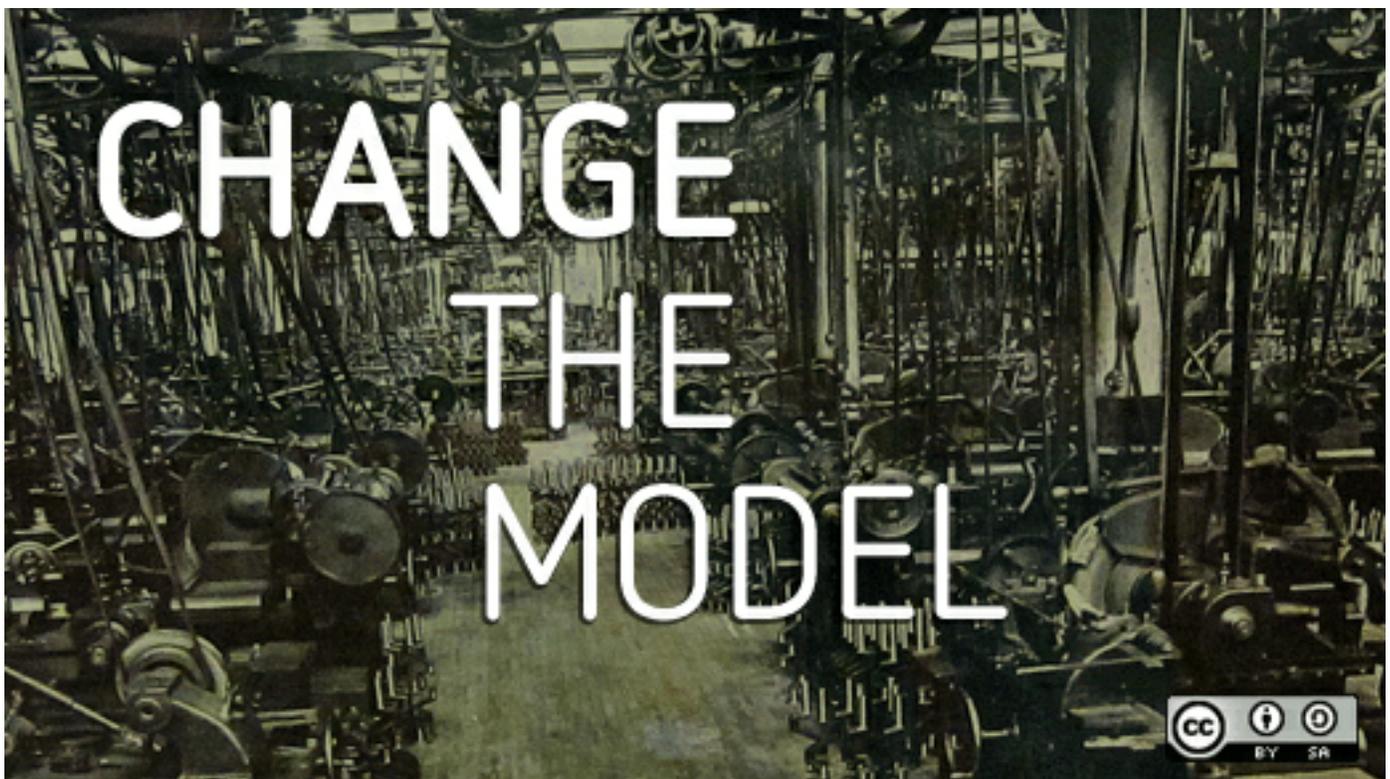
Jackson Rising's sponsors and endorsers include organizations with a history of involvement in cooperative development. Have they stretched the notions of cooperatively-centered, or participatory, planning too far, in too partisan a direction, by joining forces with the Mayor and his political cohorts? Or, is this city-based strategy sufficiently “cooperative centered”, even though its main partner is an elected, and controversial, official?

I have not focused on these three cases to offer counter-examples or to disagree in any way with either Andrew or Thomas and Gar. Instead, my aim has been to use detailed examples to explore further the meaning and limits of what they – and I – might consider desirable forms of planning. Each of the cases, I believe, can be shown to both protect and enhance cooperative autonomy, while providing resources to strengthen and grow an increasingly contentious, no longer marginal, cooperative economy. If so, perhaps they can help overcome the “system problem” while throwing some light on both “participatory planning” and “planning centered in the cooperative movement”.

Cooperative Enterprise and System Change

by Joe Guinan

The years since the financial crisis have been good to cooperatives. Faced with spiralling economic, social and ecological crises, many people are turning to cooperative enterprise and worker ownership for solutions—one of the few bright spots in an otherwise gloomy overall picture of stagnation, falling real wages, rising inequality, public retrenchment and social and environmental decay¹. Even judged against narrow capitalist criteria of economic efficiency, many cooperatives are outperforming the rest of the private sector: a 2013 International Labor Organization report found that, during the crisis, financial co-ops and mutuals outperformed traditional banks by almost every measure (ILO, 2013).



Graphic by Critter

Political support for co-ops is concomitantly on the rise. The United Nations' proclamation of 2012 as the International Year of Cooperatives was a significant milestone. On the left, cooperative ownership has an agreeable horizontality that endears it to a new generation of activists suspicious of hierarchy and centralization. Crisis-driven worker-led transitions of previously capitalist enterprises into collective ventures in countries as diverse as Argentina, Greece, Italy and the United States offer new hope for a future rising out of the ashes. The growing sophistication of co-op networks in Italy, Spain, Quebec and elsewhere have proven the viability of such models over time and at scale.

These are welcome developments. But we must beware the notion that co-ops offer a one-size-fits-all answer to deepening economic and social difficulties. Today we face systemic

problems—and systemic problems require systemic solutions. Beyond the firm, capitalism also operates at the level of the city, the region, the nation and internationally. Alternatives must include strategies for democratising capital at a variety of scales.

Some History: Farmer Co-ops and System Change

A quick glance at U.S. history is enough to confirm that while cooperative enterprise is a natural—and recurring—answer to many social and economic ills, it offers only partial solutions on its own. The experience with farmer co-ops during the great agrarian struggles of the late nineteenth century is a telling illustration.

In 1879, when banking interests engineered the return of the United States to the gold standard following the suspension of specie payments during the Civil War, farmers were particularly hard hit. As population and production increased but the money supply remained constant, agricultural prices fell—especially at harvest time—and the brutal crop-lien system forced farmers to take on ever more debt that would have to be paid off in an appreciating currency. The initial response from distressed farmers was the creation of cooperatives through the Farmers' Alliance, so as to buy and sell collectively and obtain better prices on both ends. In Texas in 1887, cotton farmers embarked on the remarkable 'joint-note plan' by which they would all sink or swim together, buying supplies collectively on credit and then marketing their crop in one giant transaction at the end of the year.

Ultimately, however, the co-ops foundered due to inadequate credit, as banks refused to make loans against Alliance notes except at impossible discounts. Banking interests won out—but in so doing they provided farmers with a powerful education in the nature of the system. By 1892 the People's Party had been formed, bringing together the Farmers' Alliance, the Knights of Labor and others around a platform of unity between poor whites and blacks, public ownership of the railroads and other key infrastructure, abolition of the private banking system, and a radical land, loan and monetary system known as 'the sub-treasury plan.'

Broadened from cooperativism into a system-wide critique, Populism swept like a prairie fire across the Great Plains and parts of the South and Southwest, electing forty-five members to Congress between 1891 and 1902, including six U.S. senators. Although ultimately defeated—co-opted and drowned in the swamp of Democratic Party politics, leaving the South to fall back into reaction and racial terror—Populism briefly became the largest mass democratic movement in American history as well as “the last substantial effort at structural alteration of hierarchical economic forms in modern America” (Goodwyn, 1978, 264).

Some Problems: Negative Externalities and Capitalist Recidivism

For many, the jumping off point into alternative political economy remains cooperative enterprise—and, in particular, employee ownership of the firm. There is no question that co-ops, together with kindred ownership forms, are a powerful tool for democratising capital. But

because many people are now gravitating toward them it is important to recognise their limitations.

Some of the problems can be seen in the recent bankruptcy of Mondragón's Fagor Electrodomésticos, the strike of out-sourced cleaning staff at employee-owned department store John Lewis as well as the ongoing financial tribulations of the Cooperative Bank in the United Kingdom. We must interrogate these difficulties to identify problem dynamics built into the institutional forms themselves.

To begin with, there is the familiar problem of externalities. The interests of the worker-owners of a given enterprise are not identical to those of the community as a whole. While they may not relocate overseas, what is to stop worker-owners, any more than traditional capitalists, from maximizing profit by passing on pollution costs and other negative externalities to the wider community (Carter, 1996)? For firms free-floating in capitalist markets, this is often not a matter of choice but of necessity: the pressures of competition force behavior detrimental to wider social and environmental purposes.

Distributional problems, too, will persist. Markets, left to their own devices, are powerful engines of inequality and likely to overwhelm economic models based solely on worker ownership, producing undesirable outcomes and power relationships. In terms of culture, what limited evidence we have suggests that workers in democratized firms can easily develop narrow 'worker-capitalist' attitudes. Edward Greenberg's classic studies of the plywood co-ops in the Pacific Northwest found that, far from potential recruits to a transformative political economy, worker-owners were more likely to adopt the petit bourgeois mind set of the conservative small business owner—hardly the stuff of Gramscian counter-hegemony (Greenberg, 1986, 136-137).

Also discouraging is a tendency toward capitalist recidivism. In the absence of preventative legal structures, co-ops can display the unfortunate habit of pulling up the ladder after themselves, setting extremely high standards for future participation and hiring new workers on a wage basis rather than an ownership one. The SACMI cooperative in Italy employs around 3,000 non-member employees, making worker-owners a tiny fraction of the total workforce. Potential new members must have worked for the company for five years, be nominated and assessed by other members, and pay a membership cost of around \$300,000 over fifteen years through salary deductions (Restakis, 2010, 66-68). Mondragón's use of non-member wage labor and external non-voting capital stakes raises similar issues. Far from economic democracy, this is reminiscent of the exclusionary practices of medieval craft guilds.

Accompanying regulatory strategies could constrain such dynamics. But relying on 'after the fact' interventions in political economy is a risky proposition—witness the collapse of social democratic redistributive taxation. To achieve genuinely different outcomes we must look to the deeper engineering of institutional arrangements. It is time to get much more serious about systemic design.

Some Solutions: Systemic Design

Fortunately, there are solutions—or the beginnings of them. On-the-ground pilot experiments like the ‘Cleveland Model’ in Ohio incorporate worker ownership but also reach beyond to other concerns such as economic stability and community building. There has been a great deal of innovative new thinking along these lines in recent years, spurred in part by the failure of traditional solutions. Alternative system models (or partial models) are now on offer from an array of thinkers, including David Schweickart, Richard Wolff, Gar Alperovitz, Michael Albert, Juliet Schor, Herman Daly and Erik Olin Wright.

In place of the traditional elements of capitalism—private ownership of the means of production with markets in capital, labor, goods and services—Schweickart proposes worker self-management of enterprises and social control over investment with neither capital markets nor labor markets in the usual sense (Schweickart, 2011). Alperovitz has set out the lineaments of a system based on different ownership and growth paradigms he calls the ‘Pluralist Commonwealth,’ employing “new public and quasi-public wealth holding institutions that take on ever greater power on behalf of the community of the nation as a whole” (Alperovitz, 2014). Andrew Cumbers, professor of geographical political economy at the University of Glasgow, has sketched a system designed around plural forms of public ownership, extending the definition of ‘public’ to encompass “all those attempts, both outside and through the state, to create forms of collective ownership in opposition to ... capitalist social relations” (Cumbers, 2012, 7).

Such models point past the embrace of one economic institution or another to crosscutting themes of systemic design. This conversation is increasingly sophisticated, but must grow even more so.

Beyond Co-ops: Democratising Capital at Scale

Part of the intuitive appeal of co-ops is their practicality and immediacy, such that it is easy to imagine an economy in which cooperative forms proliferate. But there are plenty of other real-world examples of democratic economic institutions and strategies that work in practice and can also be taken to scale. Opportunities for democratic control over investment abound, suggesting a broad variety of ways in which capital can be held in common by—or on behalf of—small and large publics.

North Dakota’s public bank promotes community lending to develop the state economy. City and local government economic development programs increasingly lend to—or make investments in—local businesses. Public pension assets are channelled into job creation and community economic development. Municipal enterprises build infrastructure and provide services, raising revenue and promoting employment, diversifying the base of locally controlled capital. New experiments with participatory budgeting allow for direct citizen

engagement in the allocation of public funds. Commons management systems cover everything from the internet to public libraries, parks and blood banks. Public trusts in Alaska, Texas, Louisiana, New Mexico and elsewhere receive revenues from the management of public resources, providing funding streams that underwrite public services or issue a citizen dividend, recalling the ideas of James Meade (Meade, 2013).

Building on these and other approaches, it is possible to project a vision in which co-ops and public and quasi-public capital strategies are employed side by side in an alternative system capable of moving us away from neoliberal austerity and in the direction of democratized ownership of the economy. Experiments along these lines are already being put into practice, especially in Latin America.

Back in the heady days of the mid-twentieth century, there were boasts from parts of the left as to a “socialist sixth of the world.” Today, when more than a billion people stand as members of one or another form of co-op, it is possible to speak of a “cooperative seventh of the world”—possible, and just as unwise. Given the potential for reversals, a strategy of political neutrality for cooperative expansion does not mean eliminating political risk, just ignoring it. Far better to begin openly—as many cooperative development efforts already have—the hard work of education and alliance-building and political strategizing that will be necessary if democratic economic models are ever to move from the margins to the mainstream and spill over into systemic transformation.

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¹ This paper draws upon an earlier article written with Thomas M. Hanna, “Democratising Capital at Scale: Cooperative Enterprise and Beyond,” included as Chapter 8 in White, S. and Seth-Smith, N. (eds.) (2014) Democratic Wealth: Building a Citizens’ Economy. <https://www.smashwords.com/books/view/416267>

Seizing the Moment: Catalyzing Big Growth for Worker Co-ops

by Hilary Abell

Today, corporate profits are at an all-time high and employee wages are at their lowest ever as a percent of GDP¹. Worker cooperatives embody the hope that we can reverse the downward spiral in wage stagnation, wealth distribution, and concentration of ownership to build an economy that truly serves people and communities. But what will it really take to create a more cooperative economy?

My white paper [*Worker Cooperatives: Pathways to Scale*](#), published by The Democracy Collaborative, describes the many benefits of worker cooperatives for their members, for business and for society; explores barriers and success factors in worker co-op development; and proposes strategies for increasing the scale and impact of worker co-ops in the United States. This article, adapted from the paper, summarizes three high-level strategies for scaling up the worker cooperative sector and illustrates the need for capacity building through a story of two cooperatives.

The Opportunity

Given the current groundswell of interest in cooperatives, organizers of worker cooperatives have a window of opportunity in the United States to propel our sector to the next level. Our national and regional organizations are increasing in their strength and dynamism. In several regions, diverse stakeholders are coming together to explore a variety of pathways to worker ownership, from small and medium-scale cooperative start-ups to conversions of existing businesses, many of which will be changing hands in the years ahead.

The next step is to catalyze more investment in co-ops —both human and financial—and to build the infrastructure and capacity needed to create thriving worker-owned businesses in much greater numbers. If we do not act strategically to seize this opportunity, the model's credibility and growth potential may be diminished.

So we must ask ourselves: what needs to happen now that will enable us, twenty years in the future, to say that the transformative potential of the cooperative model has been substantially realized in the United States? That worker ownership is normal rather than niche? That living and working conditions in many communities are measurably better thanks to the felt presence of cooperatives and worker-owned businesses?

Where to Start?

We must start by recognizing where we are today. The worker co-op sector has many strengths including staying power, deep commitment, and lots of new initiatives sprouting up

around the country. Its growth has been hindered, however, by numerous cultural and capacity barriers and by the lack of a clear, coordinated strategy for growth. Many in the worker co-op movement promote the model as a way to democratize and transform the economy. But attempts to seriously analyze the challenges facing our sector and to work together toward larger scale change are still modest.

To address the gap between our current capacity and our aspirations, the cooperative movement and its allies need breakthroughs in three areas: ecosystem development, field-building strategy at the systems level, and capacity building for individual enterprises and co-op development initiatives.

Ecosystem development. Significant growth in the worker co-op sector will require systems change, specifically the development of a friendlier ecosystem for the start-up, development and growth of worker co-ops. In today's culture of U.S. entrepreneurship, it is widely understood that the context in which businesses develop is key to their success.

For cooperatives, the most important changes in the near term are to increase the patient capital available to worker cooperatives and co-op development initiatives (grants, loans, and equity) and to infuse these efforts with business expertise and proven co-op development strategies. Over the medium term, we need to identify and pursue a policy agenda based on the highest potential opportunities, and to integrate the worker co-op model into the existing economic development infrastructure. And ultimately, we must include curricula about cooperatives in education at all levels, especially economics classes and business schools, so that co-ops become a normal option to consider when shaping economic policy and forming or selling businesses.

Field-building strategy. Effective field building will require critical analysis, thriving communities of practice to build upon lessons learned, coordinated strategy development, and new alliances. Although the do-it-yourself ethos has many benefits for cooperatives (and is part of their essence), it can limit pursuit of outside expertise and cross-sector collaboration.

To build the field of worker co-op development, movement leaders will need to forge new partnerships, including some that may be uncomfortable or unfamiliar. Larger co-op sectors, unions, ESOPs, benefit corporations, foundations, local anchor institutions, social enterprise leaders, and economic development entities are all examples of emerging and potential allies that could bring new resources, expertise, and business opportunities.

Capacity building. At the enterprise level, worker co-op developers and worker cooperatives themselves must improve their ability to develop scalable businesses and attract more driven social entrepreneurs to the sector. Capacity building is essential to achieve our aspirations of scale and avoid unnecessary failures. The human cost of failure can be particularly high for worker co-ops because of the great hopes and intensive

“sweat equity” that workers invest. While failure of some enterprises is necessary and inevitable, worker co-op developers should be careful to design their initiatives for success in order to “fail smart.”

Failing smart means learning not only from one’s own mistakes, but also from those of others – in other words, building on lessons learned and effective practices in the field. For co-op developers, designing for success means having skilled business leaders, trainers, and managers, and sufficient resources to make long-term commitments to the co-ops they help create.

A Tale of Two Co-ops

My perspective on these success factors comes from my work over twenty years with a variety of worker and farmer cooperatives, especially those connected to WAGES (Women’s Action to Gain Economic Security) [now [Prospera](#)], the Evergreen Co-ops, and Equal Exchange. During eight years at WAGES, I interacted with several co-ops outside our network that struggled for lack of business acumen and failed to achieve their goals. The five co-ops in the WAGES network all thrived to varying degrees, but the level of business job growth correlated very closely with six success factors that I and write about in [Worker Cooperatives: Pathways to Scale](#)—ongoing training and cultivation of cooperative culture; design for business success; effective long-term support; patient capital; strong management and social entrepreneurial leadership; and good governance.



Wages worker-owners

The following tale of two co-ops shows the difference that key success factors made for two successful cooperatives developed by WAGES. The punch line? WAGES’ oldest surviving cleaning co-op took ten years to reach \$1 million in annual sales, while the largest, founded

five years later, hit the million dollar milestone in half that time.

The similarities and differences between these sister co-ops are highly instructive: The profile of the worker-owners, their initial training, and the prospective client base of these co-ops positioned them for success in both cases. Worker-owners were passionately engaged in making their businesses succeed, and they did! Many of the women in both co-ops are now primary breadwinners for their families, working just one job instead of two, and nearly all have increased their skills, their time with family, and their general wellbeing. The newer co-op, however, grew faster and more sustainably, creating jobs with co-ownership and health benefits for more women, while the older one experienced more conflict and plateaued its growth within a few years.

Three key factors facilitated the newer co-op's success: 1) an experienced manager who provided day-to-day leadership and optimized operational efficiency to increase workers' earnings; 2) outside board members who brought leadership, business, and organizational development expertise; and 3) sustained guidance and training from WAGES for five years.

Of course, the story of these two cooperatives is richer and more complex than this brief narrative, but the impact of the success factors is clear. The thirty-five worker-owners of [Natural Home Cleaning](#), the fast-growing younger co-op, have increased their family incomes (the metric most indicative of family economic status) by 70–80 percent on average, within one to two years of joining the cooperative. With better pay, robust profit sharing and health benefits, they have moved beyond the instability and indignities of low-wage work in the U.S.



Natural Home Care Co-op Staff

The question then becomes, what will it take for more co-ops to create this kind of measurable impact in workers' lives? I believe that this kind of tactical change – built business by business, job by job – is how worker cooperatives can drive the broader vision of a more just and sustainable world. Among other things, we must create a pipeline of skilled co-op managers, board members and co-op developers from both within and outside the cooperative movement. For example, expanding the variety of sources for patient capital can provide resources to hire and retain skilled managers; co-op education in business schools and relationship building with like-minded business leaders can widen the pool of potential managers and board members with experience growing businesses; and high quality leadership development programs for co-op developers and members can generate strong candidates from within our cooperatives.

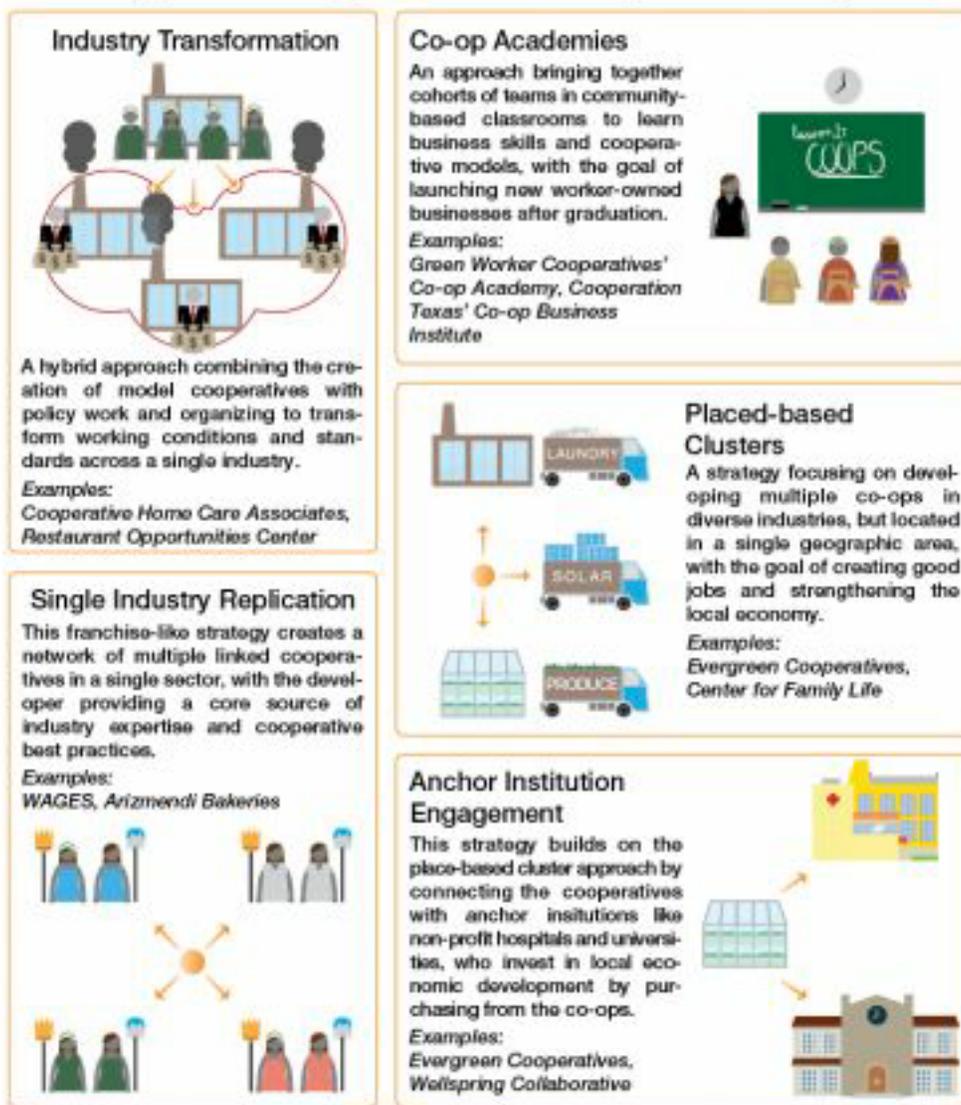
Blueprint for the Future

In New York City, Philadelphia, the San Francisco Bay Area, western North Carolina and other regions, co-op advocates are coming together to partner with diverse allies to grow the cooperative movement. Regional efforts such as these are the building blocks for national work that could eventually facilitate scale in our worker cooperative movement.

As one example, Project Equity, the organization I recently co-founded, is one of six partner organizations collaborating to create a Bay Area Blueprint for Increasing Worker Ownership in our local economy. Together with the Sustainable Economies Law Center, the East Bay Community Law Center's Green Collar Communities Clinic, the U.S. Federation of Worker Cooperatives, the Sustainable Business Alliance and our local community college, we are leading a yearlong process to pilot a Bay Area Co-op Academy and explore business opportunities for larger worker cooperatives and co-op conversions. By bringing together allies from government, education, and the nonprofit sector, the Blueprint approach creates a robust ecosystem to support both the supply of and demand for worker-owned businesses. Our resulting Blueprint will sketch out campaigns and programs that will enable the Bay Area to reach a tipping point where worker ownership is easier to explore and implement.

Cooperative Development in Low-Income Communities

Five strategies for building democratic ownership and community wealth



Source: Hilary Abel, *Worker Cooperatives: Pathways to Scale* (The Democracy Collaborative, June 2014).
For more information, see: <http://community-wealth.org/workercoops>
Designed by Benjamin Yi



In ten or twenty years, a robust worker co-op sector at the national level could include hundreds more large or fast-growing worker co-ops. Regions with clusters of worker co-ops today could reach a tipping point at which co-ops, ESOPs, and other mission-driven businesses support each other's success, and the economic development infrastructure encourages cooperative and community ownership in its many forms. Strong local economies like these will be the building blocks of a healthier national economy, in which communities begin to regain their economic self-determination, and wealth is shared among all who work hard to create it.

¹ Robert Reich, "The Year of the Great Redistribution," *Nation of Change*, January 5, 2014, available at <http://www.nationofchange.org/year-great-redistribution-1388931380>, accessed February 11, 2014.

Scaling-Up Democracy Through Empowerment

by Michael Johnson

We need to deeply democratize ourselves and others in order to move cooperation and democracy from the margins toward the center of our collective lives.

An unusual perspective

An important dialogue has emerged on the GEO web site, starting between Andrew McLeod and Thomas Hanna, about the tension between scaling-up and co-operative values. This is a core problem for advancing economic democracy as well as democracy in general. This is why I and others are joining this conversation. It is part of an ongoing and hugely important dialogue in the co-operative and solidarity economic world.

It's complex and constantly unfolding. [Some argue](#) that co-operative economics can have significant impact on the larger economy without having to scale up in major ways. Very roughly, I hear Thomas saying we have to scale-up to achieve any significant political and economic difference, and Andrew saying that doing so poses serious threats to our maintaining co-operative values.

I agree with both Thomas and Andrew. I think we can resolve the tension between the two, but it will be a very difficult and long haul project.

Let me be clear what I mean by “democracy.”¹ I will follow [David Graeber](#)'s lead on this:

"For most people, democracy is still identified with some notion of ordinary people collectively managing their own affairs."

I am going to argue that we cannot scale-up both structurally and democratically without broad scale empowerment of ordinary people, like ourselves. After all, who else is going to make it happen? Who is going to start and operate democratic workplaces? Who is going to organize all the networking connections needed? Who's going to be the fiercely loyal customer base?

To do this empowerment project, however, will require a long time and major R&D efforts. Our movements need to develop transformative processes to enable ordinary people to actualize [their inherent potential](#) for cooperating and empowering themselves. At this point in time our movements don't tend to recognize the need and the possibilities for transformative learning processes. I want to make that case here.

I have three basic premises. One, as human beings we come well equipped for developing

autonomy and cooperation for managing our own affairs.

Two, we are biocultural creatures like no other species. This means that one's culture either promotes ordinary people's empowerment vigorously obstructs it.

Three, few cultures promote empowerment.² Rather, the bulk of their developmental practices, ideas, values, and institutions actively work to get most of its members to live out of deference to authorities people did not establish. This results in what Michael Albert of [Z-Net](#) refers to as the 20-80 group split: 20% will more or less dominate, and 80% will mostly go along. The US is a full-blooded example of this. I would go so far as to say that democracy is, for the most part, an anomaly. That is, something that deviates from what is standard, normal, or expected.

Voila! If we are going to scale-up, move out of the margins, and maintain cooperative and democratic values, we need powerful ordinary people who cherish these values. And we need them in droves. Since our culture doesn't really have this as a priority, we need to develop cultures that do in what Graeber calls "the in between places." The Zapatistas are a sterling example.

It may be helpful at this point for me to give a concrete example of how our culture obstructs the flowering of our innate autonomy and cooperation. We could use the family, advertising, the role of military power, the total government protection and promotion of corporations, and so on. Let's just focus on one: elementary and high school education.

The vast majority of us in this country are educated in top-down classrooms where we relentlessly practice riveting our attention on a figure at the top rather than learning how to collaborate horizontally with our fellow students. The younger we are the more space there is for such collaborative relating. However, the older we get the more that dynamic is skillfully enclosed within established norms that sustain the existing hierarchical culture. Learning to "think" in the "right ways" so that you can "win" the competition by having the "right answer" to the teacher's question. When deemed necessary, this can be enforced brutally.

One thing that emerges from this kind of conditioning is that the vast majority of us learn to think about "getting jobs" rather than how to create meaningful work for ourselves. Thinking "job" leads people to envision their entire work life in terms of employer/employee relationships, never realizing there are alternatives. Democracy, cooperation, and solidarity have very little place in this paradigm. And this paradigm rules the economic being of the vast majority of workers across the income spectrum.

Where does this leave us regarding scaling-up and maintaining our values? To me it is clear that to do this our movements need to generate the necessary cooperative and democratic power. And that would come primarily through powerful ordinary people who cherish these values. But how would we as democratic movements do this? How would we enable ordinary

people—that is, us—to move beyond their primal cultural conditioning and become much more the main character in their own life story and more deeply cooperative?

I have personally explored this problem 24/7 for 35 years. Explored it both experientially and reflectively. (You can read a “field report” about it [here](#), and a video interview [here](#).) Although I don’t have an answer for how this can be done on a broad scale within our movements, I can say this kind of transformation is doable personally and on a small scale. And I think I can suggest a direction we can move in. So I will try to make a strong case for it as an essential element in movement strategy.

First, I will briefly sketch out a co-operative/solidarity economic vision and the key strategic elements needed for realizing it. Then I will argue for giving a strong priority to the fifth element and suggest one kind of narrative to help us think along those lines.

1. Vision and basic strategy

The vision is not a new one and people in the US are beginning to actively promote it in places like western Massachusetts, Philadelphia, New York City, the Bay Area, Cleveland, Austin, Madison, and elsewhere. It’s simple to state, but an awesome challenge to achieve:

to develop the people, the communities, the local organizations, and the networks that can make co-operative and solidarity economics an important and highly visible part in the whole of economic activity in our country.

How large? Large enough so that it is so significant in quality and size that ordinary people and the public media would recognize it on its own distinctive terms. It would be the fruition of the 6th Co-operative Principle of inter-cooperation between all co-operatives, such as food co-ops, credit unions, producer co-ops, housing co-operatives, etc. And, as well, the fruition of inter-cooperation of a diversity of democratic economic enterprises: buying clubs, social enterprises, neighbor-to-neighbor exchanges, union banks, “high-road” businesses, community gardens, community economic development projects, household economies, etc. (Here’s a map that indicates the possibilities in one region, New York City.)

There is a lot of disagreement and debate among those who share this vision around how to realize vision. This GEO Theme is one of many forums for those discussions.

I deeply believe this project is doable if, and only if, we think in terms of generations and not just in our lifetime. My main reasons for this are the kinds of successes already achieved in several areas outside of the US: Quebec, Mondragon, Brazil, Emilia-Romagna, and elsewhere. The decades of dedicated work before the civil rights movement flourished in the 50s and 60s speaks to this as well. And the decades of work that have followed.

I think we can only achieve this goal by a culture-building strategy that goes beyond thinking

almost solely in economic and political frames. Movements are people, and people are social, sexual, spiritual beings as well as economic and political ones. Such a strategy includes five elements. The first four are strongly recognized, if not fully agreed upon:

1. Create strong, cross-sector reciprocity among the various kinds of co-operative and solidarity economic enterprises.
2. Develop regional and national networks for the long-term development of production-and-distribution chains.
3. Link across to other kinds of democratic organizations—locally, regionally, and nationally.
4. Link up with co-operative networks and solidarity economies in other countries, especially those that are more developed democratically and cooperatively.
5. *Carry out intensive, ongoing research and development on how individuals can learn to empower themselves and to cooperate deeply, especially through the practice of solving problems and resolving conflicts together.*

The rest of my article will focus on this fifth element.

2. The need for psychological and cultural narratives

Speak the word “power” and the usual thing to come to people’s mind is someone making someone else do what they want. It’s almost an “official” meaning in our culture. This is reflection of how deeply top-down thinking pervades our culture and our nervous systems. I use the word in a radically positive and democratic way. And very precisely:

*Power is the capacity to raise energy to move in a desired direction.*³

It takes power to get up and walk across the room. To grow our gardens. To raise our children. To start and manage our businesses. To think together and solve problems together. Each one of us has this capacity (otherwise we would not be alive) as do our groups and organizations. Empowered people create new projects, new ways of doing and thinking, new identities for themselves. Cooperative, self-empowering people are essential for vibrant communities, strong local organizations, and enduring networks. They make our movements work to the extent that they work.

I passionately argue that a major factor limiting our movements is that we don’t know how to develop this kind of power on a large scale.⁴ That if we develop this kind of capacity we are more likely to be able to scale up democratically as well as institutionally. One key reason we haven’t done it yet is that we have paid hardly any attention to developing empowerment as an issue. There is great support for the idea, but no immersion in the how- to.

Pause and think for a moment. The enormous opposition from every kind of neoliberal institution and the equally enormous dead weight of cultural inertia for making transformative

changes are the major problems we have to solve in order to bring another world into being. Where will we get the power to do that? My answer: learning how to develop broad scale empowerment, personally and collectively.

If I am right in this, then it's good news. It tells us that we have great resources we haven't yet developed. The bad news is that the task is profoundly difficult, which is one of several complicated reasons why we haven't taken it up as a major concern. However, I believe it is doable even if it will take a long, long time and a lot of challenging work.

My conviction is based on the 45 years I have spent working with this issue and all the stuff it entails. This includes 35 years grappling with it interactively and face-to-face 24/7 with various people within the Ganas Community. Seven of us began this journey together in 1980, most of us relatively too weak and confused to lead very coherent lives in harmony with our ideals. We wanted to learn what interfered with developing personal power and its cooperative and loving use with others. We sensed that personal fulfillment could emerge from shared fulfillment, if we could only learn how to solve problems without blame and punishment.

We have achieved some substantial but quite limited success, personally and collectively. It has become slowly clear that the task is a multi-generational one. I think we have learned enough to point to the central importance of this dynamic while transforming ourselves, personally and collectively in some remarkable ways. (You can read about it [here](#) or watch a video interview [here](#).)

Our various democracy movements basically agree on most of our common political and economic goals. Unfortunately, in my opinion, these kinds of issues pretty much constitute what we think of as necessary for advancing democracy. But they really aren't. The expansion of political and economic democracy are substantially throttled in this country. This in spite of all the progressive efforts during the 20th century, even the wonders of the New Deal. You know this and I know this. We are bursting with all kinds of alternative economic vehicles pregnant with democratic possibilities like co-operatives. Yet, we have not realized them to a degree that would make them a significant force in our country's life.

I want to persuade you to consider the possibility that these approaches are seriously inadequate precisely because they are almost solely framed in political and economic terms. For example, consider this invitation to join a regional project for economic democracy (*I have edited it to use it here as a general example rather than give a public critique to the initiators*):

A new project in an urban area is being launched to bring together faculty from colleges and universities who do work on economic democracy. The objective is to create and cultivate collaborations among faculty, students and community partners to further research, teaching and organizational projects pursuing a more equitable, inclusive and empowering political-economic system. Areas of focus include economic and workforce development; participatory governance and administration; environmental justice; public

housing, banking and financing; renewable energy; immigrant and worker rights; ecological resilience; and the regional food system.

This project design is representative. Note that it makes no reference to learning how to “cultivate collaborations” and participate in governance, that fifth element. Such a need is either completely unperceived, or there is a conviction that we already know how to do that well enough. Do we? I don’t think so. How goes the collaborations and participation in your groups and organizations? How well do they manage personal and priority policy conflicts? Distribution of money and other resources? Authority struggles? Envy and jealousy? All the kinds of dynamics that drain energy, attention, and collective power. Your answers will pretty much decide whether you and I are on a similar page.

I believe that we are rich with political and economic narratives about cooperation and democracy, but hardly have any psychological and cultural narratives to go with them.⁵ That is, narratives that can help in the research and development of ways to unlearn so much we have been conditioned to, and to learn how to tap into our innate capacity for autonomy and cooperation. I am not thinking in terms of a developed plan or programs. We are not up to that yet. Just narratives which can point us in good directions.

3. One cultural narrative: fear and power

No one empowers someone else. Individuals alone empower themselves, but they need a culture highly dedicated to their empowerment. *That includes structures, processes, mutual support, time, money, and so on.*

Capitalism and “politics as usual” dominates our lives because the people seeking to dominate and exploit—consciously and unconsciously—will be *culturally supported in empowering themselves to do so*. Monetary rewards. Acclaim. Security. Many resources. Talk about “scaling-up,” think of Facebook. It became a global giant in a matter of a few years. Meanwhile, alternative economic projects scramble for years to get a foothold at local levels. As a result, our predominantly deferential and oppressive culture replicates and renews itself. This cultural dynamic is the primary engine of capitalism’s success.

We do not have a culture that replicates and renews cooperation and democracy even remotely as effective. I believe we have to create that kind of culture in many forms, if we want to significantly advance democracy in our world.

Creating a culture involves much more than its political and economic structures. It will never be enough to be genuinely committed to the political and economic projects that we believe can scale-up cooperation and democracy, justice and fulfillment. We need to give high priority to figuring out how people can collectively grow transparency, empathy, trust, mutuality, critical feedback, accountability, tolerance, and the like. These qualities are valuable in all

areas of life. At the same time, learning how to weave this growth and personal empowerment together in developing political and economic projects is just as essential.

This is what I call building cooperative and democratic cultures within the burdensome shell of our received culture of deference and oppression that is now embedded in us. A culture that we not only embody, but replicate daily because we do not know how to replace it in deep, transformative ways. (See my blog series Tales of Two Under-Cultures beginning [here](#)).

Becoming the Change is the name I frequently use to refer to any projects doing this kind of personal and cultural transformation work. Becoming the change that we want to bring to the world. Evolving personally and collectively to the point where we can stand and say with Gandhi, “My life is my message,” whether we fully make it to that point or not.

Fear is a major factor preventing deep empowerment. I am referring here to the fear that arises from seeing a tiger in my room when it is actually in my eye. When I am imagining consequences that may not be nearly as dangerous as I suppose. So here is a narrative to help us understand some core stuff in the relationship between fear and power.

Where someone’s behavior is not conflicted by their fears, they will be more powerful than those who are fearful. Reality-based fear is a response that alerts us so that we can quickly assess a situation and be ready to take action. Fear not founded in reality tends to paralyze us, or limit us in many ways. If I panic in the face of three bullies in a dark alley, I am less likely to find a good exit than if I don’t. It will diminish my ability to think and act—my power.

This fact has enormous consequences in all human affairs. Roughly speaking, there are three possible outcomes. Almost all of us can identify with each one from our own experience, past and present. Here, however, for ease of discussion, I describe those three outcomes in terms of three states or roles. Just keep in mind that these are overly simplified, and that all of us can flip into and out of any one of them depending on the particular situation we are in. However, most of us operate out of one of them most of the time.

Exploitive. In this state we tend not to fear having high energy or using our aggression to get what we want. We are also seriously short on empathy, and will permit ourselves to dominate and exploit situations we are a part of.

Deferential. In this one we do fear our energy when it gets high, and especially fear our aggression. We usually prefer to defer to the dominating leadership whether it is coming from a) others; b) from the set structure of the status quo (“this is the way it has always been done”); or c) the structures of our own internal conditioning, especially the conditioning that has emerged from traumas. They are probably the most obstructive force to the advancement of cooperation and democracy.

Assertive. Finally, there are the states when we are not usually afraid of our high energy

even when we feel aggressive. In addition, we tend to be quite empathetic, creative, caring people. We are not likely to defer to anyone, or to seek domination and exploitation.

Those of us who are predominantly exploitive play such roles as “captains of industry,” “freeloaders,” and “sneaky manipulators” live mostly out of the first role. The usually constitute a sizable minority in groups and organizations that wields outsized influence.

Most of the time the vast majority of us--like 80%-- live our lives out of the second state, deferring to those in the first grouping. One [blogger](#) put it this way:

At the end of the day, it all probably comes down to our culture's fascination with money. Make enough of it, and people will always assume you must have deserved it one way or another. And you will always get another shot (see Spears, Britney).

The poet William Butler Yeats put it [another way](#):

*The blood-dimmed tide is loosed, and everywhere
The ceremony of innocence is drowned;
The best lack all conviction, while the worst
Are full of passionate intensity.*

Those of us who live mostly out of the assertive state play key roles in making our worlds work well wherever they are. They are emotionally open, reasonably confident of who they are, and prefer to respect others and find the best in them. A few are giants. King. Mandela. Mother Theresa. Most, however, are ordinary men and women who quietly stand out among us, at least when they are performing out of this mode. They are the ones who implement good and great ideas. They sat at the counters for civil rights. They do the major work in our projects, run our co-ops, teach in the schools. They are the ones who step out of a crowd to confront bullies or start organizing people in an emergency.

If we want to scale-up our cooperation and advance our democracy, our movements need them in droves. We need to figure out how we can help them empower themselves even more, and to [help others learn to empower themselves](#), cooperate, and think on scales larger than themselves. And enjoy living that way in spite of the costs. We need them to model everyday democracy block by block, neighborhood by neighborhood, workplace by workplace, agency by agency, legislature by legislature. All the way up and all the way down.

Each of us can be any one of these three in different situations. The cultural challenge is to create--no, to learn how to create--environments that move us to [re-evaluate our exploitive tendencies](#) and re-think our fears which lead us to defer and defer and defer until apathy overwhelms us. That move us to understand we can be the lead character in our own life's story, and that support us in taking the risks to do so.

In a word, we need to deeply democratize ourselves and others in order to move cooperation and democracy from the margins toward the center of our social lives.

4. Advancing democracy

Many people come at this business of advancing democracy from a moral perspective: we should be more democratic because it's the right thing to do. To me taking this approach seems very similar to dieting. If you want to lose weight, dieting seems to be the obvious thing to do. Yet, it hardly ever works. More often than not it ends up being an attempt to overpower the conflicts involved in the problem. What works more often than not is, embracing a lifestyle change that can lead to losing the weight while getting healthier, happier, and gaining more zest for life.

I am deeply pragmatic about democracy and co-operative principles. I believe they can work better for humans to live fulfilling lives than the fixed, disconnected, alienating, top-down structures we have now. *If we knew how to make those ideas work more broadly and deeply*, then we wouldn't feel the need to haul in moral weaponry to make the case. The overarching problem for me is that we don't know how to make a major difference well enough. At least not nearly as much as our substantial successes over the years and our incredible potential suggest we could. We are not morally deficient or anything like that. Rather, it's primarily because the emergence of consciousness has changed everything for evolution. And we are out there on that cutting edge trying to figure out how to make the most of it.

We aren't going to defeat neoliberal capitalism, and we shouldn't try. We can, however, create more cooperation and democracy within us and between us, if we make learning how to do that a top priority. I can't think of anything that might be more inspiring for the many who live mostly out of deference and apathy.

¹ The word "democracy" opens up a can of mutually exclusive meanings. It is so abused by so many in so many places that one wonders whether anyone can use it in any meaningful way. For example, many modern nation-states freely call themselves "models of democracy." Dictators in many places have to claim the mantle of democracy to fig-leaf the brutal realities of their projects. Marty Heyman has even raised the question as to how democratic we can consider many of our movement partners including Mondragon (<http://www.geo.coop/blog/concerns-about-scaling>). So my term "to deeply democratize" refers to ordinary people learning to empower themselves in order to 1) effectively manage their local affairs collectively, and 2) extend that cooperative and democratic capacity into dynamic solidarity with other communities of ordinary people who share those values and practices in various ways.

² By "culture" I very much like how Fritjof Capra describes it in *The Hidden Connections*: "...culture arises from a complex, highly nonlinear dynamic. It is created by a social network involving multiple feedback loops through which values, beliefs, and rules of conduct are continually communicated, modified, and sustained."

³ Please note that I have defined "power" in a very precise way, and that this definition has nothing to do with the frequently used definition of power as getting others to submit to what one wants them to do.

4 In making this claim I do not in any way minimize the enormous opposition from every kind of neoliberal institution and the equally enormous dead weight of cultural inertia for making transformative changes. They are the major problems we have to solve.

5 I use the word “narrative” to refer to a frame for thinking about particular things, especially behavior and experience. I am not comfortable with theories and blueprints, especially in these matters of personal and cultural transformation. And I certainly don’t have any to offer. In fact, I would advise all of us to flee whenever they are proposed.

Creating a Cooperative Culture: Lessons from Mondragón

by Caitlin Quigley

I recently traveled to Spain to visit Mondragón, the world's largest worker cooperative. The week-long seminar in Mondragón was organized by Praxis Peace Institute, a non-profit peace education organization based in California. I received a Massena Fellowship to attend the program. I also went to Madrid, where I visited FECOMA, the Federation of Madrid Cooperatives and Gredos San Diego, a network of 8 cooperative schools that are owned and controlled by teachers and staff.

While visiting Mondragón, I was particularly interested in hearing about methods for building and maintaining member engagement in co-ops. This is partly because I do communications and outreach work for PACA, but more importantly, co-ops with active member participation are stronger, more resilient, and more democratic. In this article, I describe some practical ways that Mondragón and Madrid co-ops are engaging their members and I try to identify similar practices among our Philadelphia co-ops.

What is Mondragón?

Mondragón is the name of a town in the Basque Country in Northern Spain. This town is home to Mondragón Corporation, a network of 120 worker cooperatives.



The town of Mondragón-Arrasate. Photo by Richard Hobbs

In this article, I am mostly going to focus on my personal reflections and analysis. If you want a quick, straight talk introduction to Mondragón, read [this recent column](#) in the Huffington post by Frank Islam and Ed Crego about worker ownership, Mondragón, and the labor movement. If you'd prefer a more in-depth introduction to Mondragón featuring many facts, figures, and dates, read their [prizewinning entry](#) for a Harvard Business Review/McKinsey management innovation competition.

Member engagement and cooperative culture in Mondragón and Madrid co-ops

Mondragón and the Madrid co-ops had some lessons to share about about how to create a culture of democratic participation. The cooperative model is built for democracy, but “one member, one vote” is only an invitation. Co-op members still need to show up to meetings, and they need to be informed about what they're voting on. More participation means stronger co-ops that actually reflect the needs and goals of their members.

The cooperative model is a structure, and we have to create culture within that skeleton. In an

article titled [Worker Co-ops: culture will trump structure](#), Michael Johnson of [Grassroots Economic Organizing](#) writes:

Here's my basic take: there is an over-riding assumption that the right kind of democratic structure will produce a high level of high quality participation. I believe this is a faulty and unexamined belief. A lot of hope goes with it, but there is little factual support for it.

My conviction: high degrees of high quality participation come from a solid democratic structure embedded in a strong democratic culture.

Mondragón had some interesting strategies for maintaining member participation. For example, if a member doesn't attend a general assembly meeting, they don't get a vote at the next meeting. While this seems a bit harsh, proxy voting is allowed – one member can cast their own vote and up to two proxy votes. This policy incentivizes members to make sure their vote gets cast even if they can't attend the meeting.”

Another piece of this strategy is that at large co-ops, there are small group meetings called charlas (“chats” or “discussions”) leading up to General Assemblies. These meetings convene 30 people or so to have a deeper discussion of the agenda and issues of the General Assembly meeting. The actual full meeting can then spend more time making decisions and less time deliberating, although deliberation certainly takes place. The small group meetings give worker-members a chance to ask clarifying questions. The results of this strategy are impressive: at large co-ops, about 70% of members vote on a regular basis, but at small co-ops it's more like 90-95% participation.



Don José María Arizmendiarieta, considered to be the founder of Mondragón cooperatives

How can we adjust and apply these strategies in our co-ops here in the United States? Making voting more accessible, such as by offering online voting, seems like an easy out – but only if the goal is limited to increasing the number of votes. Clicking a button on your laptop at home doesn't do much to make you feel like part of a group or community. Engagement has to happen on an ongoing basis before the moment of a vote. In worker co-ops like Mondragón, there are ample opportunities to have discussions with other members and deepen relationships that build community and trust. Many food co-ops use working-member programs to invite members to get more involved in their co-op while also lowering costs.

In addition to working member programs, some Philadelphia co-ops have gotten creative in engaging their members. [Swarthmore Co-op](#) and Weaver's Way Co-op both established programs to engage young co-operators when they come into the store. At Weaver's Way Co-op, the program is called the [ABC Club](#). Children under 12 who are members of the club receive a free apple, banana, or carrot whenever they visit. Swarthmore Co-op's program is called Co-op Sprouts. Sprout members receive a sticker book that they get stamped each time they visit, and they can then redeem them for prizes and healthy treats. These programs are a great example of how to create personal connections within a large membership body.

At Mondragón, member engagement flows naturally from cooperative education. In their philosophy, education leads to increased participation and ultimately to social transformation. You are probably familiar with the [7 international cooperative principles](#). Mondragón has 10 with education placed at the core.

Mondragón Cooperative Principles

You can explore what they call their “Corporate Management Model” more [on their website](#). Education was certainly an essential part of Don José María Arizmendiarieta's beliefs. He wrote, “it has been said that cooperativism is an economic movement that uses education. We can alter that definition, affirming that it is an educational movement that uses economic action.” For an overview of the role of education in Mondragón, check out this [blog post](#) on the Adventures inFree Schooling blog.

Philadelphia area co-ops are already offering great educational events to their members, but these events don't tend to address the cooperative model. Credit unions offer budgeting and credit seminars, food co-ops host nutrition workshops, and healthcare co-ops give webinars on changes to Medicare. Some co-ops are building up their cooperative education programs. For example, I'm part of a [book club](#) at my food co-op, Mariposa Food Co-op, that looks at the role of cooperatives in building social justice. At Mondragón, cooperative education is framed as teaching people group process, for example, teaching members how to make decisions together. Cooperative education like that is not currently being offered on an easily accessible basis in the Philadelphia area. This is a need that PACA is hoping to meet. As a start, we have been working on a Co-ops 101 presentation to be used at co-ops of all sectors in the

Philadelphia area.

Beyond this preliminary offering, we can begin to develop education that improves peoples' cooperation skills. I'm looking forward to arranging classes on meeting facilitation, reading financial statements, and group decision making. A presenter at Mondragón made an excellent point that we could declare our co-op to be totally transparent and leave the accounting books out for everyone to see, but it's a fairly empty gesture if our members don't know how to read financial statements. If you're looking for resources on cooperative education, I highly recommend Toolbox for Education and Social Action, a co-op based out of Massachusetts. Check out their [7 steps to a more democratic co-op poster series](#).

Co-ops telling their stories

As I was leaving Spain, I noticed that I had amassed a pretty serious pile of brochures, magazines, books, and reports from both Mondragón and Madrid co-ops. Professional photographers from the marketing departments came to take pictures of our group's visit in Mondragón and my visit to a cooperative school in Madrid. These photos would be used in their glossy, full-color magazines. I was impressed by the fact that these co-op organizations are constantly, beautifully articulating their story and their mission both to themselves and to outsiders. As someone who does a lot of communications and outreach work for PACA, I was inspired and also overwhelmed. I still haven't finished reading all of the materials they gave me. Does a mountain of brochures guarantee that co-op members are engaged and invested? Nope. But having shared stories does create culture.



TUlankide, Mondragón Corporation's magazine

I picked up a few copies of the glossy monthly Mondragón magazine, *TUlankide*, whose name itself is a statement of group identity. It blends Spanish and Basque, as many conversations and materials at Mondragón do. TU stands for *Trabajo y Unión* (Work and Union) and *lankide* is Basque for “coworker.” One of the copies I picked up has a great article on cooperative paradoxes which thoughtfully explores questions such as “can egalitarianism

be unjust?” and perhaps too-familiar questions like “does trying to reach consensus sometimes paralyze us?”

TUlankide feels like a blend between a corporate publication (there are no ads) and a special-interest magazine. The articles appear to be written by worker-members from various cooperatives. Because it serves a larger readership beyond one co-op, items like meeting minutes aren't included, so it's also accessible to someone who picks it up (like me) who is just interested in the sector in general. Gredos San Diego, the network of cooperative schools in Madrid, also has a beautiful magazine called *Cuadernos de GSD*.

CUADERNOS

de **GSD**



MAYO/JUNIO 2013
Número 80, Año 13
www.gredosandiego.com



Cuadernos de GSD – the magazine of Gredos San Diego, a network of 8 cooperative schools in Madrid

Philadelphia co-ops are also producing their own media content. Weaver's Way Co-op has a monthly newspaper called [the Shuttle](#) which is mailed to member households and is also available in co-op stores and other drop spots throughout the neighborhood. With its ads for local schools and businesses, the Shuttle feels like more of a community newspaper than *TUlankide*. Another example of co-op produced media is The [Energy Co-op's blog](#). Staff

members of The Energy Co-op each contribute articles to the blog. Recent posts include a story about commuting to work by bike, profiles on a local food co-op and a local credit union, and a guide to winterizing your home to keep energy bills low.

Through member engagement strategies like working member programs, education, and media, the co-ops in Philadelphia create culture at their co-operatives. Our task now is to unite these institutions in launching a regional cooperative culture and identity. PACA is leading this effort, and we are lucky to have such a diverse network of cooperatives that are excited about building this culture together. Mondragón's example shows us that it's possible to bring cooperation to the mainstream and challenges us to be persistent and creative in finding ways to get there.

Mondragón, global capitalism, and implications for new worker co-op development

Mondragón's goal is to create employment in Basque country, and they certainly have accomplished that. About 33,000 people in Basque country are worker-owners in Mondragón cooperatives. Overall, Mondragón cooperatives and their subsidiaries provide 83,000 full time jobs all over the world.

A disclaimer here: *these are my views and not PACA's* . My basic observation is that within Basque country, Mondragón is a radical social institution and outside of Basque country, Mondragón is a pretty typical multinational corporation. Mondragón has implemented an aggressive "internationalization" strategy because they can't keep jobs in Basque country without producing inputs abroad where labor is cheaper. Their competitors are doing it, so, to survive and compete, Mondragón has to do it, too. It seems hypocritical to me that Mondragón has 14,000 overseas workers who are not owners, but I also realize that Mondragón is operating in a system that only values profit maximization. [A recent article](#) by Gar Alperovitz and Thomas Hanna addresses the issue of Mondragón's cooperativism colliding with global capitalism by discussing the recent [bankruptcy of Fagor](#), one of Mondragón's largest cooperatives:

Almost certainly many smaller-scale cooperatives can succeed, if carefully managed, in small markets. But moving to scale – as Fagor did in entering the global market for appliances – means that the fate of the institution also rests on the fate of the larger market, and on competition within that market, whether global, as in the case of Fagor, or domestic, as in the case of many other industries.

Another way to see this is to borrow from James Boggs' criticism of unions in his prescient 1963 work [The Next American Revolution: Pages from a Negro Worker's Notebook](#):

It is due to the fact that all organizations that spring up in a capitalist society and do not take absolute power, but rather fight only on one tangential or essential aspect of that society are eventually incorporated into capitalist society. The fact, the key to the present

situation, is that from the beginning the union did not take absolute control away from the capitalists.

Unlike the unions Boggs is criticizing, worker co-ops do take control of production, but their transformative power is only as strong as their willingness to use that control to break from the status quo. I observed above that democratic structures alone cannot create strong cooperatives. Similarly, a worker cooperative structure that adopts corporate priorities to better compete on a global stage is likely not fulfilling the radical possibilities of that structure.

On a more practical note, Boggs also predicted the automation of industry which has eliminated the vast majority of factory jobs in the half-century since he wrote. Industrial worker co-ops, like the majority of those in Mondragón, have suffered with the rest of the industrial economy in that transition. It should be no surprise then that our two biggest worker cooperatives in Philadelphia are in the service sector: [Home Care Associates](#) provides in-home care and [Childspace Management Group](#) operates three childcare centers. These jobs are place-based and could not possibly be outsourced. Worker cooperatives can be high-road companies in these and other low-wage job sectors. Home care cooperatives, for example, can provide higher quality service than conventional companies because they have less turnover (see this University of Wisconsin [report on home care cooperatives](#) for more information).

Thinking strategically about where co-ops have an advantage over conventional businesses can help focus our development efforts. Mondragón shows that industrial worker co-ops are still very much a possibility, but perhaps new manufacturing co-ops would be better off producing goods for local and regional consumption and not exporting to global markets where the bottom line rules. Mondragón is an inspiration but also a warning. Co-ops that try to compete in a global market designed and dominated by multinational corporations risk losing the powerful democratic culture that makes them vehicles for change.



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