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Worker Cooperatives and Revolution: History and Possibilities in the United States

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WORKER COOPERATIVES AND REVOLUTION: HISTORY AND
POSSIBILITIES IN THE UNITED STATES

A Thesis Presented

by

CHRISTOPHER C. WRIGHT

Submitted to the Office of Graduate Studies,
University of Massachusetts Boston,
in partial fulfillment of the requirements for the degree of

MASTER OF ARTS

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ABSTRACT

WORKER COOPERATIVES AND REVOLUTION: HISTORY AND
POSSIBILITIES IN THE UNITED STATES

December 2010

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Worker cooperatives have a long and tortured history, but recently they have been advancing globally on a more stable foundation than before. In this essay I provide a theoretical context for the current growth of cooperatives, drawing on Marxist theory to illuminate their potential. I also consider the sociology and economics of worker cooperatives, in addition to expounding and evaluating their history in the United States. A case-study of a cooperative printing press in Jamaica Plain gives a more intimate portrayal of worker co-ops, and hopefully provides lessons for future cooperators. I interpret society as on the cusp of a triumphant advance of cooperativism; the main purpose of this essay is to explain how and why this advance will occur.

DEDICATION

Dedicated to my parents.

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CHAPTER 1

INTRODUCTION

The capitalist mode of production, with its natural extension the “self-regulating” market economy—self-regulating in that the price mechanism tends to equilibrate supply and demand, so that public control and regulation of the economy is secondary to private competition—does not permit a socially efficient allocation of resources. Resource-allocation is determined by the twin structural imperatives of having purchasing power (on the demand side) and of chasing profit (on the supply side). If one has a need but lacks the money to back up that need, as for example survivors of Haiti’s earthquake of 2010 did, one’s need will not be met by the market. Conversely, investors will pursue only those projects that have the potential to make a profit. For instance, many areas of rural America were still without electricity in the early 1930s because investors had judged that the meager profits to be made did not justify the costs of supplying electricity to these regions; hence the New Deal’s Rural Electrification Administration and the cooperatives that sprang up to supply electricity.¹

¹ Deward Clayton Brown, *Electricity for Rural America: The Fight for the REA* (Westport, CT: Greenwood Press, 1980).

Broadly speaking, the dynamic between capital and wage-labor, as well as that between millions of atomized units of capital each seeking profit at the expense of every other, makes for a very unstable and crisis-prone economy. Capital's interests lie in paying the worker as little as possible and in preventing him from exercising control over the process of production, while the worker wants to be paid as much as possible and to exercise greater control over production. This simple structural antagonism is the basis for the whole history of the labor movement, the confrontations, the unions and union-busting, the private armies deployed to break up strikes, the government suppression of labor parties, the revolutionary social movements, the constant and pervasive stream of business propaganda, and the periodic bursts of cooperative economic activity among the ranks of labor. At the same time, the vicissitudes of the market economy leave many people unemployed at any given time, unable to find work because their skills and needs are not valued or because of insufficient investment in their geographical or professional area, or because of outsourcing to countries where labor is cheaper, or for other reasons. In recent decades, the liberalization and financialization of the international economy has led many corporations to seek profits not through investment in industry and infrastructure-development but through the purchase and manipulation of exotic financial assets. This sort of investment, undertaken on the principle of "*Après moi le déluge*," is not only risky but essentially adds no jobs and no real wealth to the economy, which tends to stagnate—or to contract, after it finally becomes evident that all these financial transactions have been grounded in "the baseless fabric of a vision" (to quote

Shakespeare). So, millions more people are thrown out of work as capital withdraws itself from further investments, and government initiatives are required to set the economy on track again—for more risky financial investments and more stagnation, as opposed to contraction.²

However, even prior to the orgies of neoliberalism it was obvious that capitalism, or the market economy, is not socially efficient. Market failures are everywhere, from environmental calamities to the necessity of the *state's* funding much socially useful science to the existence of public education and public transportation (not supplied through the market) to the outrageous incidence of poverty and famine in countries that have had capitalism foisted on them.³ All this testifies to a “market failure,” or rather a failure of the capitalist, competitive, profit-driven mode of production, which, far from satisfying social needs, multiplies and aggravates them. This should not be surprising. An economic system premised on two irreconcilable antagonisms—that between worker and supplier-of-capital and that between every supplier-of-capital and every other⁴—and which is propelled by the structural necessity of exploiting and undermining both one's employees and one's competitors in order that ever-greater profits may be squeezed out of the population, is not going to lead to socially harmonious outcomes. Only in the

² See John Bellamy Foster and Robert W. McChesney, “Monopoly-Finance Capital and the Paradox of Accumulation,” *Monthly Review* 61, no. 5 (October, 2009): 1–20.

³ Naomi Klein documents recent examples in *The Shock Doctrine: The Rise of Disaster Capitalism* (New York: Henry Holt and Company, 2007).

⁴ Capitalists may indeed reach a *modus vivendi* to alleviate the mutually harmful consequences of competition, for instance by fixing prices, but the potential always remains for the antagonism of interests to reassert itself.

unreal world of standard neoclassical economics, which makes such assumptions as perfect knowledge, perfect capital and labor flexibility, the absence of firms with “market power,” the absence of government, and in general the myth of *homo economicus*—the person susceptible of no other considerations than those of pure “economic rationality”—is societal harmony going to result.

From the very beginning of its history, the manifold social inefficiencies of capitalism have given rise to oppositional movements. The one I am concerned with in this work is cooperativism, specifically worker cooperativism. There are many other kinds of cooperatives, including those in the credit, agriculture, housing, insurance, health, and retail sectors of the economy. But worker cooperativism is potentially the most “oppositional” form, the most anti-capitalist, since it organizes *production* in anti-capitalist ways. Indeed, the relations of production that constitute worker cooperativism also define socialism in its most general sense: workers’ democratic control over production and, in some varieties, ownership of the means of production (whether such ownership is organized individually, by owning shares of equity, or collectively). As one common formulation states, in the worker co-op, labor has power over capital, or “labor hires capital.” In the conventional business, by contrast, capital has power over labor, i.e. “capital hires labor.” None of the other kinds of cooperativism directly rejects these capitalist power-relations, although it may signify an implicit undermining of capitalism insofar as the co-op exists not primarily for the sake of maximizing profit but for satisfying some social need.

It must be understood that a society's dominant mode of material production, i.e. the "hegemonic" method of organizing the relations of material production (such as manufacturing and food-production), conditions the overall character of the society more than any other of its features does. This is because the society is erected on the basis of material production; the first task for a society is to reproduce itself, which presupposes the reproduction of a set of production relations. Social relations will tend to evolve that make possible the (semi-)stable reproducing of the relations of production. In the spheres of economic distribution, of politics, of sexual relations, of intellectual production, and so on, social structures and ideologies will tend to predominate that are beneficial, 'stabilizing,' 'functionally selected' with respect to the dominant mode of production.⁵

Therefore, a movement that aims for fundamental transformations in society should not limit itself to the sphere of distribution, as do consumer co-ops, credit unions, and housing co-ops, nor the sphere of gender-relations, as does the feminist movement, but should concentrate on changing the mode of production (with its correlative property-relations, the criteria for allocating resources), as does worker cooperativism.

Such cooperativism on a societal scale, involving "a federation of free communities which shall be bound to one another by their common economic and social

⁵ Philosophers have debated interminably the validity or invalidity of "functional explanation" and the notion of "functional selection," but in fact functional explanations are simply shorthand versions of causal explanations—as in Darwinism, whose talk of the "functions" of particular biological adaptations is a way of rephrasing the *causal* doctrine of natural selection by means of random variation. To say, as G. A. Cohen does in *Karl Marx's Theory of History: A Defence* (1978), that Marxism (more specifically, historical materialism) is committed to functional explanation is misleading. It is "committed" only to causal explanations, but Marxists often use the idiom of functionalism because to tease apart all the causal mechanisms through which particular structures, patterns of behavior, and ideologies have developed and persisted is no easy task.

interests and shall arrange their affairs by mutual agreement and free contract,”⁶ is arguably not only a more socially rational way of organizing production than capitalism but also a more intrinsically ethical way (even apart from its potential allocative efficiencies). First of all, the very premises of capitalism are absurd, as Michael Albert makes clear:

Rewards for [owning] property are called profit...wherein individuals who own the means of production pocket profits based on the amount of those means of production. You own some machines. The machines have high output that can be sold for revenues that exceed the cost of maintaining them. You pocket the difference, or profit. You needn't do anything other than keep track of your deed to your property, while sipping mint juleps or dry martinis.⁷

More pertinent, however, is the fact that capitalism tends to stultify the worker's creativity, his human urge for self-expression, freedom, autonomy, mutually respectful interaction with others, recognition of his self-determined sense of self, recognition of himself *as* a self rather than an object, a means to an end. Karl Marx called it “alienation.” Capitalism alienates the worker—and the capitalist—from his “fundamental human need” for “self-fulfilling and creative work,” “the exercise of skill and craftsmanship,”⁸ in addition to his fundamental desire to *determine himself* (whence comes the desire to dismantle oppressive power-relations and replace them with

⁶ Rudolf Rocker, *Anarcho-Syndicalism: Theory and Practice* (Oakland: AK Press, 2004), 1.

⁷ Michael Albert, *Moving Forward: Program for a Participatory Economy* (San Francisco: AK Press, 2000), 17.

⁸ Noam Chomsky, *Language and Politics* (Oakland: AK Press, 2004), 364.

democracy). Alternative visions of social organization thus arise, including Robert Owen's communitarian socialism, Charles Fourier's associationist communalism, Proudhon's mutualism (a kind of anarchism), Marx's communism, Bakunin's collectivist anarchism, Kropotkin's anarchist communism, Anton Pannekoek's council communism, and more recently, Murray Bookchin's libertarian municipalism, Michael Albert's participatory economics, Takis Fotopoulos's inclusive democracy, Paul Hirst's associationalism, and so on. Each of these schools of thought differs from the others in more or less defined ways, but they all have in common the privileging of economic and social cooperation and egalitarianism.

I take these visions to be essentially similar to "worker cooperativism," which is at least an *element* in all of them. If it were generalized so as to be the dominant mode of production, a society approximating classical utopias would be achieved. In this essay, however, my primary focus is not on cooperativism's value as the ideal we strive for, but on its value as a possible way of achieving that ideal. That is, I want first of all to evaluate the potential of worker co-ops for undermining capitalism. What should be their strategic role? What systemic effects have they had in the past? What mistakes have been made? How have co-ops fared as a form of business? Do they indeed tend to entail workplace disalienation and democracy, or is that just a theoretical construct that doesn't obtain in reality? (And if so, is that due to the institutional context of capitalism or some other cause?) Can their potentially revolutionary function be reconciled with their need to survive in a capitalist economy? What sort of political consciousness has their

membership tended to possess? How have co-ops intersected with the labor movement? What challenges do they face as businesses? Why are they so rare?

Opponents of capitalism have by no means always looked favorably on worker co-ops as tools of revolution. We will have to consider their arguments in the following chapters. Marx had an ambivalent attitude toward co-ops: he considered them to “represent within the old form [i.e., the capitalist economy] the first sprouts of the new” but thought that “they naturally reproduce, and must reproduce, everywhere in their actual organization all the shortcomings of the prevailing system.”⁹ Not until the working class had seized political power and imposed cooperative principles on the economy could co-ops be anything more than aberrations. Lenin and other Marxists agreed with this judgment. Nikolai Bukharin accused “pre-revolutionary” cooperators of being “purveyors of a ‘miserable reformist utopia’ because they imagined a socialist evolution of cooperatives within the capitalist system...cooperatives ‘inescapably fall under the influence of capitalist economics’...and ‘are transformed into capitalist enterprises.’”¹⁰

Edward Greenberg observes that members of worker cooperatives occupy what Erik Olin Wright has called “contradictory class locations.”¹¹ “In producer cooperatives, democratic participation is joined to actual ownership of the enterprise so that

⁹ Marx, *Capital*, Vol. 3, Part V, Chapter 27.

¹⁰ Quoted (from Stephen Cohen, *Bukharin and the Bolshevik Revolution*) in Edward S. Greenberg, *Workplace Democracy: The Political Effects of Participation* (Ithaca: Cornell University Press, 1986), 153.

¹¹ See Erik Olin Wright, *Classes* (London: Verso, 1985).

shareholders are, at one and the same time, workers and capitalists.”¹² Because of their contradictory structural locations they have contradictory interests and incentives, desiring both the maximization of profit and workplace democracy and equality. They might also, in their capacity as workers, identify with employees of conventional companies in their struggles against management, perhaps going so far as to join a union, to strike or boycott sympathetically in solidarity with their oppressed brethren, to participate in radical social movements—or they might forswear unions and the class struggle altogether and act solely as entrepreneurs. We will look at examples of this behavior later.

In chapters 2 and 4 I’ll consider arguments for and against co-ops in depth. We will see that the issues are not quite as simple as Marxist opponents and anarchist proponents have sometimes thought. Cooperatives can behave in different ways, and much depends on their institutional context. Some cooperators rhapsodize about their experiences while others profess disillusionment. What factors explain these differences? I also want to consider two additional questions: first, can co-ops have a viable role in alleviating on a broad scale, *within* the capitalist economy, the worst defects of capitalism? Secondly, is such a role in tension with the goal of eventually transcending capitalism, in that it tends to stabilize the economy and contain discontent, postponing the necessary *direct attack* on capitalist institutions? Or, on the contrary, can the propagation of co-ops in the interstices of capitalism be an element in the long-term formation of a

¹² Greenberg, *Workplace Democracy*, 153.

counter-hegemony—i.e., in what Gramsci would call a “war of position,” preliminary to the “war of maneuver” that aims to dismantle capitalist institutions?¹³ That these questions are imperative is revealed in the fact that not only leftists but even conservatives and fascists have at times favored worker co-ops. Mussolini granted official recognition to the Italian cooperative movement once it had purged Socialists and Communists, and he pointed to cooperatives as embodying “worker participation, nonconflictual relations between labor and management, and the withering away of class identifications.”¹⁴ In the famous Spanish town of Mondragon, worker cooperativism was founded (in the 1950s) “as an entrepreneurial alternative to working-class activism and socialism.”¹⁵ There is a real danger, therefore, that cooperatives can become tools of reaction rather than progress.

In chapter 2 I’ll discuss cooperatives from a non-revolutionary perspective, culling the scholarly literature for insights into organizational structure, methods of capitalization, labor productivity, worker satisfaction, wage-levels, profitability, effects on employment, firm survival-rates and longevity, challenges the movement faces, etc.

Chapter 3 is devoted to the history of worker cooperativism in the United States. I will

¹³ In some respects these concepts may be dated, inappropriate to contemporary conditions, but arguably they remain useful as distinguishing conceptual “moments”—though perhaps not temporal phases—in the transformation of the economy to a post-capitalist one. One has to *educate and organize*, i.e. build up a movement, and on this basis one has to confront capitalist power-relations. But it may be that in contemporary conditions, the movements will be quite fragmented, localized, and often not explicitly class-based, all of which are opposed to Gramsci’s Marxist common sense. See chapter 4.

¹⁴ Sharryn Kasmir, *The Myth of Mondragon: Cooperatives, Politics, and Working-Class Life in a Basque Town* (Albany: State University of New York Press, 1996), 75.

¹⁵ *Ibid.*, 195.

show, among other things, that in an overall framework of powerful institutional obstacles, worker cooperativism has periodically surged forward and then receded in a cyclical pattern. After its advances, conservative political and economic forces have pushed back to virtually eradicate it. For example, under the sponsorship of the Knights of Labor it made great headway in the 1870s and 1880s; in the late 1880s and the 1890s it succumbed to the attacks of big business on industrial unionism, which also decimated the Knights of Labor. Cooperativism made strides in the 1930s, partly with the help of New Deal legislation, but in the 1940s and '50s receded again. The 1960s and '70s saw further advances under the influence of such progressive movements as the civil rights, youth, anti-war, and feminist movements, while the 1980s saw massive counterattacks by conservative sectors of business. This whole history arises from the violent and cyclically prone conflict between capital and labor (in occasional conjunction with other progressive interests like the black struggle against segregation and poverty).

I'll apply the lessons from chapter 3 in the following chapter, where I discuss co-ops from an 'anti-capitalist' perspective, considering what they can contribute to a long-term struggle against capitalism. This discussion will be more theoretical and speculative than that in the second chapter—inevitably so, since one can only speculate about the future, not analyze it. But since historians study the past precisely to glean lessons for the future, a semi-theoretical, semi-empirical analysis of possibilities seems appropriate.

Chapter 5 considers in the light of all the preceding the history of a co-op near Boston called Red Sun Press. It is an original case-study; I was fortunate enough to be

given access to the workers and some of the firm's documents. Red Sun Press is a printing-and-design company with ten workers, located in Jamaica Plain, a neighborhood in the south of Boston. Legally, in fact, it is classified not as a workers' co-op but as a not-for-profit corporation, although it advertises itself as a co-op, is intimately connected with the cooperative movement, and has the governance-structure and ethos of a co-op. As reported on its website, it started in 1974 "with \$350 and a small press in a basement" and now has "electronic design and pre-press capabilities, fully equipped press, digital copy and bindery departments, and a growing customer base of non-profit organizations, socially responsible businesses and government agencies."¹⁶ It is a thriving business. The story of how it became one is related in this chapter.

In particular, the discussion is devoted to answering a series of questions. I attempt to find out, for example, how the social and cultural environment of Boston in the early '70s influenced the decision to start Red Sun Press, as well as its subsequent history. *Who* exactly started the business? Why was Jamaica Plain chosen for its location, an area then in a state of disrepair? How fast did the firm grow, with regard to income and employment? How and from whom did it secure the funds later on to invest in a million dollars' worth of machinery? Why did its founders choose the legal form of a not-for-profit corporation rather than a cooperative, even as they embraced the cooperative ideology and structure? What are interpersonal dynamics like at the firm, and how have they evolved over the years? Do workers feel relatively "empowered" and

¹⁶ Red Sun Press, "Mission," <http://redsunpress.com/whoweare.shtml> (accessed November, 2009).

“un-alienated,” or have their experiences disillusioned them? How politically active is the business and its employees? What role does it play in its community? Answers to such questions can shed light on cooperativism both in the printing-and-design industry and as a whole, especially as it relates to small firms.

More broadly, the case-study has several purposes. First of all, it is an opportunity to evaluate and expand on the conventional scholarly wisdom with regard to co-ops, as discussed in chapter 2. Secondly, it is intended to help remedy a rather embarrassing lacuna in recent scholarship: no studies exist (as far as I have been able to discover) of any of the scores of worker-owned and -controlled companies in Massachusetts, which has more of them than most states. Indeed, the whole literature still seems to suffer from a relative paucity of case-studies. A few firms, including Mondragon’s and the famous plywood companies of the Pacific Northwest (mostly extinct now), have been exhaustively analyzed, but much less has been written on the abundant smaller cooperatives scattered all over the country. Various websites offer unscholarly accounts of small co-ops, but most of them are not terribly rigorous or in-depth.

Thirdly, I hope to draw conclusions from the case-study about prospects for the growth of cooperatives around the country. Most importantly, I want to know how the business has been able to survive for more than three decades. Have any decisions or practices in particular made possible its success?

This essay is written in the context of a remarkable worldwide explosion of cooperatives (of every kind, not only the producers'). Indeed, we are living in the most exciting time for cooperativism since capitalism began its conquest of the world. Cooperatives proliferate from Canada to Argentina, across Europe and Russia, down to India and over to Indonesia, throughout Africa and the Middle East. Over 800 million people are members of cooperatives, and three billion depend on them for their livelihood.¹⁷ The developing world has recently begun to make excellent use of the cooperative principle, in the form, for example, of microcredit, which is a kind of cooperative banking. Neoliberal institutions like the IMF and World Bank, far from facilitating sustainable economic development, have typically amounted to imperialism and colonialism by other means, functioning so as to permit the transfer of wealth from the poor to the rich and from poor countries to rich countries. As a result, regions such as South Asia have begun to reject the neoliberal model in favor of such strategies as establishing institutions that grant small loans with little or no interest to villagers, usually women—which, incidentally, empowers them vis-à-vis men—for the purpose of starting businesses or buying houses for their families. In Bangladesh, such institutions have already helped over 10 million people escape from dire poverty.¹⁸ The General

¹⁷ International Cooperative Alliance (ICA), "Statistical Information on the Co-operative Movement," <http://www.ica.coop/coop/statistics.html> (accessed October, 2009).

¹⁸ Richard Williams, *The Cooperative Movement: Globalization from Below* (Burlington, VT: Ashgate Publishing Company, 2007), 84. Unfortunately, banks and financial institutions have recently discovered in microcredit a brave new world of exploitation-of-the-poor, and so are beginning to dominate the field even though they often charge interest rates of 100 percent or more. Neil MacFarquhar, "Big Banks Draw Big Profits From Microloans to Poor," *New York Times*, April 13, 2010.

Assembly of the UN declared in 2002 that cooperatives “are becoming a major factor of economic and social development”;¹⁹ it has gone so far as to proclaim 2012 the “International Year of the Cooperative.”

Cooperatives have had success in the developed world too, as the following random statistics show. In France, 90 percent of farmers belong to agricultural cooperatives of some kind; “cooperative banks handle 60 percent of the total deposits, and 25 percent of all retailers in France are cooperatives.”²⁰ Co-ops in Brazil are responsible for 40 percent of agricultural GDP. One out of three families in Japan belongs to a cooperative. In the United States, a number of well-known corporations are technically cooperatives, including Land O’Lakes, Sunkist, Ocean Spray, Welch’s, Sunmaid, REI, the Associated Press, and True Value Company. In 2008, credit unions in the U.S. had 89 million members, or 43.7 percent of the economically active population.²¹ U.S. electric utility co-ops served 37 million people in 2005; housing cooperatives had combined budgets of over \$11 billion; 350 food and grocery cooperatives generated \$33 billion in revenue.²² Altogether there are about 30,000 cooperatives in the U.S. operating in 73,000 places of business. According to the

¹⁹ John Curl, *For All The People: Uncovering the Hidden History of Cooperation, Cooperative Movements, and Communalism in America* (Oakland, CA: PM Press, 2009), 7.

²⁰ ICA, loc. cit.

²¹ World Council of Credit Unions, “2008 Statistical Report,” <http://www.woccu.org/publications/statreport> (accessed January, 2010).

²² National Cooperative Month Planning Committee, “Cooperative Businesses in the United States: A 2005 Snapshot,” http://www.coopmonth.coop/download_files/economicimpact.final.pdf (accessed May, 2010).

National Cooperative Business Association, they account for over two million jobs and \$650 billion in revenue, while owning \$3 trillion in assets.²³

Of all forms of cooperative economic endeavor, worker cooperativism has had the most troubled history. And yet it too has had notable successes. Consider Europe again. Confining our attention to recent times, the European Confederation of Worker Cooperatives reports that the 50,000 enterprises affiliated with it employ about 1.4 million people.²⁴ Italy has a particularly high proportion of worker co-ops, due in part to legal advantages.²⁵ The Mondragon cooperative complex in Spain has had well-publicized success since it was established in the 1950s, eventually diversifying its operations from industry to retail, agriculture, education, housing, and research and development. Currently it comprises about 250 companies that together employ over 90,000 people worldwide²⁶ and have annual sales of more than \$27 billion, elevating Mondragon into the class of major multinational corporations.

Worker cooperativism has recently been spreading in Latin America, as societies try to piece themselves together in the wake of neoliberal economic destruction. For example, factory-takeovers by former employees were quite common in Argentina after

²³ National Cooperative Business Association, “Co-op Research / Economic Impact,” <http://www.ncba.coop/ncba/about-co-ops/research-economic-impact> (accessed June, 2010).

²⁴ CECOP, “What is CECOP,” <http://www.cecop.coop/What-is-CECOP.html> (accessed January, 2010).

²⁵ Gregory K. Dow, *Governing the Firm: Workers’ Control in Theory and Practice* (New York: Cambridge University Press, 2003), 67–69.

²⁶ Mondragon Corporation, “Economic Data,” <http://www.mondragon-corporation.com/ENG/Economic-Data/Most-relevant-data.aspx> (accessed October, 2009). Most of these workers, however, are ordinary employees at Mondragon’s capitalist subsidiaries.

the collapse of 2001; the new worker-owners have organized their companies on a cooperative basis.²⁷ Some of these firms have won important legal battles that have affirmed their right to expropriate the property of the old failed business.²⁸ After seven or more years—a long time even for conventional firms—many of these “recovered companies” are still in business. The same phenomenon has occurred in Brazil, perhaps on an even broader scale, as its solidarity economy has grown.²⁹

The United States has usually lagged with respect to progressive movements, and worker cooperativism is no exception. Currently there are only about 300 or 400 such co-ops in the country, and most of them are small to medium-sized.³⁰ (Employee stock-ownership plans (ESOPs), by contrast, are quite common, with over 11,000 of them operating today.)³¹ Nevertheless, the movement is growing. For example, the U.S. Federation of Worker Cooperatives was founded in 2004;³² smaller such federations and organizations are continually being born in states across the country, for instance the

²⁷ The Lavaca Collective, *Sin Patrón: Stories from Argentina's Worker-Run Factories* (Chicago: Haymarket Books, 2007). See also, e.g., Karen Ann Faulk, “If They Touch One of Us, They Touch All of Us: Cooperativism as a Counterlogic to Neoliberal Capitalism,” *Anthropological Quarterly* 81, no. 3 (2008): 579–614.

²⁸ See, for instance, Marie Trigona, “Argentine Factory Wins Legal Battle: FASINPAT Zanon Belongs to the People,” *Upside Down World*, August 14, 2009, <http://upside-downworld.org/main/content/view/2052/32/> (accessed January, 2010).

²⁹ Mario Osava, “Solidarity Economy Combats Exclusion,” *Inter Press Service*, January 11, 2008, <http://ipsnews.net/news.asp?idnews=40760> (accessed May, 2010). See chapter 4.

³⁰ U. S. Federation of Worker Cooperatives, “About Worker Cooperatives,” <http://www.usworker.coop/aboutworkercoops> (accessed October, 2009).

³¹ Gar Alperovitz, *America Beyond Capitalism* (Hoboken, New Jersey: John Wiley & Sons, Inc., 2005), 87.

³² U.S. Federation of Worker Co-ops, “History,” <http://www.usworker.coop/about/history> (accessed November, 2009).

Network of Bay Area Worker Cooperatives in the San Francisco area (founded in 1994), the Valley Alliance of Worker Cooperatives in Massachusetts (founded in 2005), the California Center for Cooperative Development (incorporated in 2007), the Federation of Workplace Democracies in Minnesota (founded in 2004), Green Worker Cooperatives in the Bronx, CooperationWorks! (from the 1990s), the Cooperative Fund of New England (from 1975), the Ohio Employee Ownership Center, the ICA Group in Boston (from 1978), North American Students of Cooperation (from 1968), and many others. There are also older associations that are still thriving, more than ever in fact, like the National Cooperative Business Association, founded in 1916 (originally called the Cooperative League of America). And these are only the organizations related to *worker* cooperatives.

The worldwide growth of economic cooperation unreported by the corporate media suggests that we are witnessing the beginning of a social movement the likes of which have never been seen in history. It is quietly sweeping the earth, altering life for millions, but it has barely yet emerged from its infancy. For almost two centuries its scouts have forged ahead, effectively building interstitial redoubts from which in part to wage the future war. And it *will* be waged, in the coming decades. Compared to this underlying economic evolution, the political headlines of today are little more than epiphenomena. Worker and consumer cooperativism, the social economy, the solidarity economy, local participatory democracy, regional economic coordination—all this represents the future. The following will establish this claim in broad outline, by taking worker cooperatives as emblematic of larger trends.

CHAPTER 2

THE SOCIOLOGY AND ECONOMICS OF WORKER COOPERATIVES

The first question we are presented with is how to define a worker cooperative. Numerous definitions have been offered, all of which share the same intuitions about democratic ownership and control. Here is Derek Jones's definition:

...an autonomous enterprise in which (a) many workers (or members) own stock, (b) ownership is widely distributed among the workers, who own much of the voting stock, (c) working-members participate in the enterprise's management and control, and (d) they share in the distribution of the surplus, usually on the basis of work [rather than stock ownership].³³

Like most commentators, he distinguishes cooperatives from employee-owned firms, for instance those that have ESOPs, which do not require employee participation in their management.

As stated in the Introduction, the conceptual starting-point of the worker co-op is that labor has power over capital, whereas it is the reverse in a conventional business. That is, in a capitalist enterprise both ownership and control (and the right to a share in

³³ Derek Jones, "American Producer Cooperatives and Employee-Owned Firms: A Historical Perspective," in *Worker Cooperatives in America*, ed. Robert Jackall and Henry M. Levin (Berkeley: University of California Press, 1984), 37.

profits) ultimately belong to investors, and voting rights are proportionate to the number of shares of equity held. The more capital one owns, the more control one is supposed to have over the operations of the firm. In the co-op, control is not directly related to ownership: the principle is “one worker, one vote,” not “one share, one vote.” Moreover, all or the majority of shares—if stock exists at all—are owned by workers, not outsiders. Otherwise there would be a danger that power could be accumulated by investors, which could lead to the business’s degeneration into a capitalist firm.

In a traditional business, the only consideration that truly matters is the accumulation of profit. All else is subordinated to the thirst for profit. In a co-op, the dominant consideration is whatever the workforce wants it to be, for example the maintenance of steady employment, service to the community, or the accumulation of profit (to be allocated as the workers decide). We’ll see below that, as a rule, workers prefer the continued employment of as much of the workforce as possible to the retention of high revenues, which in hard times means that they accept pay-cuts in order to avoid layoffs.

The typical governance-structure of a cooperative follows from what has been said. In large cooperatives, a board of directors is elected by the workforce and managers are appointed by the directors (or sometimes elected directly by workers). Both directors and managers, therefore, have an incentive to treat employees well and respect their wishes, since if they don’t, they might be voted out of their position. Small co-ops, on the other hand, have little “governance-structure” at all: they tend to operate by consensus

and have no need of managers or directors. Occasionally there is a nominal “board of directors” for minor decisions or for administrative matters with which other members do not want to concern themselves.

Already, a major reason for the rarity of worker co-ops is evident: investors have a greater incentive to invest in firms that give capital control over labor rather than vice versa. Hence, it will frequently be the case that cooperatives cannot raise enough capital to get started or to continue functioning. The interest of investors is in the extraction of maximum profit regardless of the will of the workers; indeed, the interest of the latter, as employees, is directly opposed to the interest of capital, since profit tends to be inversely proportional to wages. Investors will therefore be reluctant to deposit their funds in a firm that gives control to its employees, who do not value the maximization of profit above all else.

At the same time, cooperatives are motivated, as we saw above, *not* to seek massive amounts of outside investment, since then it might be difficult to prevent control from effectively falling into the hands of these investors, an eventuality that could lead to the erosion of the firm’s commitment to democratic ideals. The usual practice among co-ops is to rely primarily on initial investments in the firm by its worker-members (who thereby gain a share in ownership),³⁴ in conjunction with loans from cooperative banks or other institutions ideologically committed to cooperativism. But it remains true, for the

³⁴ Actually, legal structures exist according to which worker-members do not “own” a “share” in equity but receive a portion of the profits anyway. See the final section of this chapter. For now, the differences between legal forms are unimportant.

reasons mentioned and others to be examined below, that raising sufficient capital is one of the biggest obstacles to the spread of worker cooperatives—and, as a corollary, that cooperatives will preponderate in non-capital-intensive industries. Our case-study will corroborate these conclusions.

However, let us consider these questions and others in more detail, drawing upon the scholarly literature. I will discuss small cooperatives, sometimes called “collectives,” first, since they are the most numerous.

Collectives

Organizational structure

Collectives approach most nearly the participatory democratic and “empowered” ideal of cooperation. Being of fewer than approximately 40 people, often as few as 15 or less, there is a minimum of bureaucracy and a maximum of collective decision-making. The values of decentralization, spontaneity rather than bureaucracy, freedom and self-initiative rather than external imposition of rules, are the guiding lights. In a sense, the structure of collectives can be seen as the ideal that larger cooperatives try to approximate insofar as they are committed to cooperativism.

As already noted, the collectivist form of governance is directly democratic and usually consensual. Major decisions, and often minor ones, are approved of in meetings

attended by all the members; the goal is to hammer out a policy on which everyone agrees. What makes this consensual decision-making possible, of course, is the small size of the collective. As one author states, “The face-to-face relationships and directly democratic forms that characterize the collectivist organization *probably cannot be maintained if the organization grows beyond a certain size.*”³⁵ There is no absolute optimal size, though, since the proper size varies with the nature of the work and the technology available. Perhaps Jean-Jacques Rousseau’s criterion, suggested in *The Social Contract*, is best: “each citizen [must] with ease know all the rest.” One writer states explicitly that “democracy is inversely proportional to the size of the cooperative,” and he advises that co-ops not exceed a size compatible with a general meeting of the members.³⁶

For example, the small size (currently 25 members) of the Cheeseboard, a collective in San Francisco which is the leading cheese store in the area, makes possible a consensual approach to decision-making, with no formally acknowledged “leaders.” Any leadership is informal, based on personality and perceived commitment to the co-op. As Robert Jackall notes in his 1983 case-study, when major matters have to be decided upon, “such as the long-term disposal of the growing surplus funds,” a consensus is required at one of the monthly meetings. For minor matters, though, a simple majority vote suffices.

³⁵ Joyce Rothschild and J. Allen Whitt, *Potentials and Dilemmas of Organizational Democracy and Participation* (New York: Cambridge University Press, 1986), 91. Italics in original.

³⁶ Tadeusz Kowalak, quoted in *ibid.*, 92.

Achieving consensus is difficult and time-consuming, sometimes requiring many meetings over many months, as when the business decided to post a sign publicly proclaiming its status as a collective.³⁷ This is one of the reasons why a constant practicing of direct democracy, especially of the consensual sort, is not feasible in large organizations; it would take too long to reach and implement decisions on even minor issues. Representative democracy and a degree of bureaucracy, i.e. of the centralization of power, become essential to getting things done in a timely manner.

So, the first constraint on democracy and individual freedom is size—of the business and of its market. Equal Exchange, a workers' co-op with 91 members that did \$34,400,000 worth of business in 2008, necessarily has more bureaucracy, more specialized jobs (including customer service, media outreach, etc.), and less democracy than Collective Copies, a copying center with 13 members in Western Massachusetts.³⁸ The second constraint, mentioned already, is time. “Quite simply, a boss can hand down a bureaucratic order in a fraction of the time it would take a group to decide the issue democratically.”³⁹ On the other hand, in the latter case the policy might be implemented more effectively, since workers would be more committed to it. Indeed, ironically, the much-maligned inefficiency of bureaucracies—which directly contradicts Max Weber’s analysis of bureaucracy—is due in large part to their *undemocratic* nature, their

³⁷ Jackall, “Paradoxes of Collective Work,” in *Worker Cooperatives in America*, 122.

³⁸ Equal Exchange, “Fast Facts,” <http://www.equalexchange.coop/fast-facts>, and Collective Copies, <http://www.collectivecopies.com/cchome.htm> (accessed April, 2010).

³⁹ Rothschild and Whitt, *Potentials and Dilemmas*, 64.

inflexible, impersonal, atomized, uncommunicative, unaccountable, uncreative, overspecialized, unresponsive-to-unforeseen-contingencies structure. As Michael Crozier says, “A bureaucratic organization is an organization that cannot correct its behavior by learning from its errors.”⁴⁰ This is because in centralized organizations, change can come only from the top—but at the top are people who usually do not learn of “errors” at the bottom at all. Information does not flow efficiently: bureaucrats are isolated from the consequences of their actions and cannot see the broader picture, due to the atomized and diffuse nature of the organization, with each official performing a specialized function and no other, always waiting for dictates from on high in lieu of taking initiative.⁴¹ These failures, and more, of bureaucracy do not apply to democracy.

A third constraint on democracy in worker co-ops is environmental: larger structures in the society have inculcated behavior-patterns of submission to authority, competition in the workplace, conformism, passive atomization rather than active participation in decision-making. One finds in the literature descriptions of cooperators who simply do not have the desire to participate in the governance of the firm, who want only to get their paycheck and not deal with the challenges of deciding policy. This is one origin of the old elitist accusation that the masses “want” to be subordinate, that they have neither the capacity nor the inclination to exercise democratic self-control.

⁴⁰ Michael Crozier, *The Bureaucratic Phenomenon* (London: Tavistock Publications, 1964), 187.

⁴¹ See Lawrence Wright’s *The Looming Tower: Al-Qaeda and the Road to 9/11* (New York: Knopf, 2006) for an account of the ways in which the CIA’s and FBI’s bureaucratic overspecialization resulted in 9/11.

However, as one sociologist concludes, “We learn to participate by participating... The experience of a participatory authority structure might be effective in diminishing tendencies toward non-democratic attitudes in the individual.”⁴² To say it in a different way:

If one accepts the assumption [that certain people “are not ripe for freedom”], freedom will never be achieved; for one cannot arrive at the maturity for freedom without having already acquired it; one must be free to learn how to make use of one’s powers freely and usefully...⁴³

As Kant goes on to say, the first gropings toward freedom and democracy by a people not used to it may be clumsy or ineffectual⁴⁴ or undertaken reluctantly—especially if the experiments in freedom (such as worker cooperatives) are situated in a still-unfree society. Actually, a lack of involvement by some worker-owners in the affairs of governance is less a problem in collectives than in larger cooperatives. But the point holds: the cooperative’s structure and the expectations or pressures that go along with it are in tension with those of the broader society, and this fact can undermine the co-op’s smooth democratic functioning inasmuch, for example, as lazy and undemocratic attitudes have to be overcome, and individuals with competitive or authoritarian personalities have to be persuaded to soften their behavior.

⁴² Carole Pateman, quoted in Rothschild and Whitt, *Potentials and Dilemmas*, 67.

⁴³ Immanuel Kant, quoted in Noam Chomsky, *For Reasons of State* (New York: Vintage Books, 1973), 393.

⁴⁴ Or violent: he gives the example of the French Revolution.

One way to avoid these sorts of problems is to be selective in admitting new members. And collectives often are very selective indeed. The Arizmendi Bakery in Oakland, California is an example:

We watch how [prospective members] work and how they take feedback. We bring people in for twelve hours over several weeks. They shadow someone and try out different tasks and we evaluate them. Then we bring them in for a group interview. If we really connect with them, then we bring them on for a six-month trial candidacy. We train them on specific shifts, and they go to meetings related to the history and other ideas that are important for understanding the collective.

By the end of six months, there will have been three different evaluations, which are pretty intense. We give them constructive feedback, time for them to voice their concerns, feedback from their sponsor, who has been working alongside them. Then it goes to a full vote and the candidate has to get a 75 percent positive vote to be invited in.⁴⁵

Joyce Rothschild and J. Whitt go so far as to say that “*consensus, an essential component of collectivist decision-making, may require from the outset substantial homogeneity among members*. Participants must bring to the process similar life experiences, outlooks and values if they are to arrive at agreements.”⁴⁶ To an extent this is obviously true, and the rigorous screening process at Arizmendi testifies to it. But the criterion of homogeneity can surely be overemphasized. We will test its importance in the case-study.

⁴⁵ Bernice Yeung, “Running a Business with 26 CEOs,” *East Bay Express*, January 27, 2010 (an interview with Kamil Dawson, a member of the co-op).

⁴⁶ Rothschild and Whitt, *Potentials and Dilemmas*, 95. Italics in original.

Another factor that can interfere with participatory structures is the sheer exhaustion and stress that can accompany the fusion of “employer” and “employee” roles. This is exacerbated by the fact that cooperators, especially collectivists, sometimes receive less pay than their counterparts in conventional businesses. “Burnout” can set in: “the experience of feeling constantly overworked, of having too much responsibility and not enough organizational support to carry it out, of never having enough free time for personal pursuits, of constantly being hassled, of, in one worker’s phrase, ‘losing your soul.’”⁴⁷ Similarly, in a directly democratic environment, where consensus may be required, interpersonal tensions are prone to flaring up. Disagreements can become personal, and general meetings can be quite stressful. Bureaucracy, therefore, is in some ways much *easier* than democracy: the impersonal environment, the not-having-to-treat-people-as-people, reduces the potential for emotional conflicts.

Studies in the 1980s and earlier emphasized another manifestation of the collectivist commitment to egalitarianism: “deprofessionalization,” or the avoidance of professional specialization due to its bureaucratic, stratifying implications. “In the smaller worker cooperatives,” writes one author, “work roles are holistic, specialized knowledge is demystified, and there is frequent task sharing and job rotation.”⁴⁸ The practice of job rotation was in part a legacy of the radical origins of the 1960s’ and ’70s’

⁴⁷ Jackall, “Paradoxes of Collective Work,” in *Worker Cooperatives in America*, 129.

⁴⁸ Robert Sommer et al., “Consumer Cooperatives and Worker Collectives: A Comparison,” *Sociological Perspectives* 27, no. 2 (1984): 139–157.

wave of collectives, but it also arose, and continues to arise, from the very nature of small-scale cooperative work. People working in a business often get bored with their routine and want to learn something new. This diversification of their skill-set, in fact, may be intimately connected to their sense of self-worth: the more routinized, bureaucratized, bored and detached from one's activities one is, the less self-esteem one has. Humans crave new challenges periodically, and a life or a job bereft of challenges or opportunities for growth is a terrible thing. In capitalist businesses, where most employees have far less input than management in the firm's operations, the desire for stimulating novelty is subordinated to the bottom-line. In collectives, by contrast, workers often give themselves the opportunity to change their roles, to learn new tasks.

For example, Robert Jackall notes that at the Cheeseboard it was possible during the 1980s to switch jobs occasionally if one had enough initiative. Certain tasks were considered attractive, such as baking bread in the morning, and one could "win" these jobs at least temporarily if his coworkers respected his contributions to the store—in other words, if he "deserved" the job.⁴⁹ And the same tradition continues today.⁵⁰ It requires self-initiative, but the opportunity is there.

However, such deprofessionalization is not possible in all industries. Sometimes expertise is essential for efficiency, as in the printing-and-design and other high-tech industries. In these cases, job-rotation is rare. To the extent that expertise in specialized

⁴⁹ Jackall, "Paradoxes of Collective Work," 116.

⁵⁰ Personal communication with one of the employees.

tasks has become increasingly important in recent decades, deprofessionalization has declined. Similarly, the larger a cooperative is, the more difficult it is to organize job-rotations, just as it is more difficult to institutionalize democracy.

Wages and employment

One of the ways in which cooperatives try to rectify the injustices of capitalism is by instituting a relatively equal compensation-scheme for their members. While in the U.S. the average ratio of CEO compensation in the Fortune 500 companies to the ordinary worker's has recently been reported as 344:1,⁵¹ in co-ops the pay-differential between management and the average worker rarely exceeds 4:1. In collectives, like the Cheeseboard, everyone is usually paid the same amount.

For example, a British study from the 1980s reports that all of the dozens of small co-ops it researched had lower pay-differentials than conventional businesses, and most had little or no differential at all.⁵² At Arizmendi Bakery everyone currently receives \$19.41 an hour plus a percentage of the year's profits. The worker-owners of Mondragon Bookstore and Coffeehouse in Canada earn the same rate of pay. At Equal Exchange, a relatively large co-op, there is a 4:1 pay ratio.

⁵¹ Heather Landy, "Behind the Big Paydays," *The Washington Post*, November 15, 2008.

⁵² Chris Cornforth et al., *Developing Successful Worker Co-operatives* (London: SAGE Publications, 1988), 123, 124.

On the other hand, collectivists sometimes earn less than their counterparts in private enterprises. One study reports that at a cooperatively run newspaper called the *Community News*, which had a full-time staff of about 15 people, staffers made between 18 and 25 percent of what they could have made at comparable but “established” journalism jobs. Some workers in fact were paid nothing at certain times, while working a 40- to 60-hour week. At another co-op studied, a medical clinic, some staffers made about 50 percent of what they could have earned at other nursing or counseling jobs for which they were qualified. Volunteers also made up a significant portion of the staff. On the other hand, because of the substantial equality in salaries, such workers as secretaries often earned as much as their ‘capitalist’ counterparts.⁵³

Against examples of low pay must be set small co-ops like Home Green Home Natural Cleaning in San Francisco, which was established in 2009 to give employment and decent wages to low-income Latinas. In addition to the 50 to 100 percent higher earnings the women make at their new job than earlier, they have health insurance now and work in healthier environments, where the cleaning chemicals are not as toxic as in many conventional cleaning companies. A study reports that the worker-owners of another such co-op in California, called Natural Home Cleaning (from 2003), have tripled their personal income and enjoyed an increase of 70 percent in their household income

⁵³ Rothschild and Whitt, *Potentials and Dilemmas*, 98, 99.

since they joined the cooperative.⁵⁴ In some cooperatives wages might be low but because workers are owners they receive a share of annual profits, which, combined with benefits, often raises their income to above the level at comparable private firms.

The reason for the sometimes-low pay-levels of collectives is not too obscure: it is due to undercapitalization, which means that small cooperatives “sometimes generate little surplus to distribute among their members.”⁵⁵ Especially in the early days of a cooperative, the lack of external capital might mean that wage-levels have to be kept low in order to capitalize the business.⁵⁶ And then in times of recession, cooperators choose to lower their wages again if the alternative is to lay off members, which they are always extraordinarily reluctant to do. In conventional firms, by contrast, wages are “sticky,” hard to change; management typically chooses to lay off employees and let the remaining ones keep an income which is perhaps higher than that of the cooperators who have voted to cut their own wages.⁵⁷ Thus, as one recent study sums up, cooperatives of whatever

⁵⁴ Hilary Abell, “Work and Pay Better at Green Cleaning Coops,” *Owners at Work*, Ohio Employee Ownership Center, vol. 21, no. 1 (Summer, 2009): 6, 7.

⁵⁵ John McNamara, “Payment Solidarity: Looking Deeper at the Mondragon Principles,” *SolidarityEconomy.net*, February 28, 2010, <http://www.solidarityeconomy.net/2010/02/28/cooperative-payment-solidarity-means-a-prevailing-wage-or-better/> (accessed March, 2010).

⁵⁶ Cornforth, *Developing Successful Worker Co-operatives*, 123.

⁵⁷ In recent years, of course, it has become increasingly common during recessions for capitalist businesses not only to lay off employees but to hire new ones at a much lower rate of compensation. This is what the Hyatt Hotels and Resorts chain did in Boston in 2009: it laid off a hundred housekeepers who were earning \$15 or more per hour and outsourced their jobs to others whom it paid \$8 an hour (even though, because the staff had shrunk, these new housekeepers had to do far more work than the old ones had). Megan Woolhouse, “Firing Housekeepers Creates PR Mess for Hyatt,” *The Boston Globe*, September 25, 2009. Incidentally, as is usually the case in such situations, the broader recession was simply an excuse that Hyatt used to justify its action; in fact, the company is by no means in desperate financial straits. See “Hyatt Hotels posts narrower Q4 new loss” in *The Guardian*, <http://www.guardian.co.uk/business/feedarticle/8962714> (accessed March, 2010).

size tend to have more volatile wages than conventional businesses and less volatile employment.⁵⁸

These facts, of course, merely confirm what common sense would suggest. First of all, members of cooperatives tend to see themselves as part of a community of worker-owners, and they respect each other as belonging to this community. It is reported universally in the literature that the prospect of laying off or firing fellow workers is extremely painful. This is especially so in collectives, where the communities are tightly-knit and people develop bonds of friendship with each other. Even in situations where real friendships do not develop, there usually remains mutual respect and a sense of obligation to each other—a sense of “we’re in this thing together.” In fact, historically one of the most important goals and functions of cooperatives has been “to provide employment security or to expand the employment base for the local population.” This was a key reason for the establishment of both the famous plywood co-ops discussed below and the Mondragon system,⁵⁹ as well as the green cleaning cooperatives in San Francisco and the Evergreen cooperatives in Ohio (see the next chapter). Therefore, to lay off workers, even the least productive ones, during hard times would flagrantly violate not only the democratic, consensual, ‘self-determining’ spirit of cooperativism but also one of its main economic functions in a society of employment insecurity.

⁵⁸ John Pencavel et al., “Wages, Employment, and Capital in Capitalist and Worker-Owned Firms,” *Industrial and Labor Relations Review* 60, no. 1 (Oct., 2006): 23–44.

⁵⁹ Jackall and Levin, *Worker Cooperatives in America*, 22.

In short, there is no question that cooperatives, even collectives, have potential for alleviating unemployment, and that this function is seen to take precedence over that of securing high wages—although the two are by no means always mutually exclusive.

Incentives, job satisfaction, productivity, and the “political effects of participation”

It should be obvious by now that a different set of incentives tends to operate in small cooperatives than in conventional businesses. Whereas the latter are typically structured primarily around the desire to make more money and get promotions faster than one’s coworkers, the internal dynamics of the former have more to do with interpersonal relationships, the desire to feel good about one’s work, the goal of maintaining a democratic workplace, and so on. Workers have different expectations, want different kinds of rewards than they would hope for in a capitalist firm.

This is particularly true of collectives. As already stated, these are both the most numerous co-ops and, in general, the least remunerative: sometimes workers are egregiously underpaid compared to their counterparts in capitalist firms. But, as with all things cooperative, this is partly by choice. People *choose* to remain in a collective, they accept low pay in large part because they value other things more than money. Study after study demonstrates that collectivists want most of all to be in control of their work, and that they find nothing more miserable than working in a bureaucratic setting with a boss who orders them around. The following statements are illustrative:

“You get a different feeling, working for yourself...” “You’re working more hours but you get more enjoyment...it’s your own.” “There must be many people who, like us, have been driven half-insane by the dehumanizing straitjacket of the orthodox working world and yearned to be part of something better, more fulfilling.” “There’s some scope for personal creativity.” “Not having someone who does not know the job telling you what to do...” “I believe now in my capability of being something. I’ve always felt impotent before about getting things done in the world. I believe I could start a business of my own if I wanted to. I’ve gotten practical knowledge and a sense of self as well that I couldn’t conceive of before.” “Every year I become a little more confident of myself as someone who counts.”⁶⁰

Having control over the work-process is not the only benefit. Closely related to it is the satisfaction of *believing* in one’s work and lifestyle, being convinced of its moral worth. This is especially the case if the co-op exists in part to serve a broader social movement, whether it be through printing leftist literature, as the Red Sun Press does, or through promoting knowledge of whole foods, as some food cooperatives do. Such ‘moral’ orientations may serve the same function of raising self-esteem as does the opportunity to control the actual work-process.

Collectivists are usually, though not always, liberal, educated, young, middle-class, and white. There are plenty of exceptions, but on the whole this seems to be the demographic most attracted to the collectivist experience. “The [potentially] low salaries and erratic uncertain career paths [of collectivists] exclude, by self-selection, most

⁶⁰ Quoted in *ibid.*, 124, and Cornforth, *Developing Successful Worker Cooperatives*, 100, 101.

minorities and all but a handful of those from working-class origins.”⁶¹ Many of these young cooperators move on to more conventional jobs after a few years in a collective, desiring more money, new outlets for their ambition, and perhaps less labor-intensive, time-consuming work. But it is not uncommon to find middle-aged workers in collectives.

It is true that the sometimes-low pay can be considered a substantial cost, one of the most negative aspects of the collective experience. Tiredness due to long hours is also a common complaint, especially from workers who are very active in the business and feel that they are taking on an undue share of the burden. Resentment can arise toward less active members who are perceived as “free-riding.” On the other hand, the more active one is, the more influence one has and respect one commands—as long as other workers do not perceive one as domineering or undemocratic. As mentioned above, collectives are more susceptible to interpersonal conflict than conventional businesses are, due to their open, democratic, personalized structure.

None of these costs, however, is irremediable. Wages usually get higher, sometimes to union levels or above, after the co-op has been in business for a while and has accumulated experience and expertise; it is in the early stages or during difficult times that wages are lowest. The other problems can be mitigated simply by communicating with other members, airing grievances during meetings and strategizing

⁶¹ Robert Jackall and Joyce Crain, “The Shape of the Small Worker Cooperative Movement,” in *Worker Cooperatives in America*, 94.

about how to deal with them. Most cooperators report that meetings can be confrontational, stressful, sometimes traumatic, intensely personal, excessively long; but in principle it is through the mechanism of periodic general meetings that the pitfalls of cooperation can be overcome, or at least mitigated so that the benefits of cooperation decidedly outweigh the costs (as almost all cooperators report that they do). It must also be emphasized, again, that strong bonds tend to develop between cooperators, indeed partly as a function of the relatively intense and sometimes difficult nature of the work. Apologists for capitalism point to this existence of conflict as a flaw, but in fact it ought to be considered a strength. For one thing, it indicates that workers are personally committed to their work, unlike in many private enterprises. Overt conflict (when it exists) is also more psychologically healthy than suppressed conflict, and it is more ethical, in that it results from adults' treating each other as adults, with dignity. They confront their problems and try to solve them, which means they act as human beings rather than bureaucratic automatons who treat each other impersonally.

One source of "alienation" in conventional enterprises that cannot always be rectified in cooperatives is the intrinsically unpleasant nature of certain kinds of work. No matter what the social relations are, whether cooperative or competitive, sewing, for example, is not particularly fun. "It's hard work...you have to concentrate, you can't just gossip away and it can be boring." Printing may involve "toxic chemicals, noise, oil vapor, carcinogens."⁶² The industrial work of the plywood co-ops is inherently

⁶² Cornforth, *Developing Successful Worker Cooperatives*, 104.

monotonous: “It’s like being a zombie... You’re doing something that’s basically unpleasant. Most jobs are monotony and repetition. It can drive you nuts... I go through times when I get so depressed.”⁶³ Even Karl Marx conceded that some kinds of work are inherently antithetical to freedom, the spontaneous self-creative expression of the human spirit:

...In fact, the realm of freedom actually begins only where labour which is determined by necessity and mundane considerations ceases; thus in the very nature of things it lies beyond the sphere of actual material production... [The realm of material production] remains a realm of necessity. Beyond it begins that development of human energy which is an end in itself, the true realm of freedom, which, however, can blossom forth only with this realm of necessity as its basis. The shortening of the working-day is its basic prerequisite.⁶⁴

Marx may even have exaggerated here the intrinsically alienating features of material work. But his broader point is correct: some activities will never, no matter how they’re organized, be the sort of thing one chooses to do for their own sake. This is one of the reasons why many collectives practice job-rotation.

A problem that may afflict collectives, and to an extent larger co-ops, but does not affect private enterprises is conflict over goals. Workers have to decide whether their main objective is to have high wages, to provide employment to as many people as possible, to provide a cheap service to political and community groups, to grow as a business and spawn new co-ops, or any other objective to which some members may be

⁶³ Quoted in Greenberg, *Workplace Democracy*, 82.

⁶⁴ Marx, *Capital*, Vol. 3, Part VII, Ch. 48.

committed. The potential for strife here is great. Moreover, even if the members reach a consensus on how to prioritize objectives, there remain external constraints on cooperative goals and values, such as the need to be efficient and competitive against conventional businesses that may not have the same problems with capitalization as co-ops do. This necessity is less constraining the more “marginal” a cooperative is—for example if it serves a niche market where there is not much competition from other firms—but co-ops will always have to act like a capitalist business to some extent, just to stay afloat.

Actually, labor productivity is often higher in cooperatives than in conventional enterprises, for obvious reasons. I will return to this issue in the section on larger cooperatives; suffice it to say for now that cooperators have greater incentives to be productive than typical employees do. For one thing, worker-owners can directly appropriate, or do as they want with, profits, whereas in capitalist firms profits usually go to outside investors. Thus, the connection between the success of the capitalist business and the employee’s personal gain is not as direct as it is in a co-op. Cooperators will also exert peer pressure on one another to perform well, and the relatively high camaraderie present in the work process will have a productivity-boosting effect. The work itself, as stated above, is more intrinsically rewarding and self-actualizing, especially in collectives, and the democratic environment, which allows access to information that would be withheld from conventional employees, is empowering. Cooperators are not

always more productive than regular employees, but the *incentives* for high productivity are great.

Another argument sometimes made by leftists in favor of cooperativism is that it encourages class-consciousness, participation in politics and social movements, and in general fosters a “proactive” transformation of individual character. The hope is that cooperators will carry over their work-practices (insofar as they involve participation and engagement) into the outside world, and that the co-op itself might join and support progressive movements. Unfortunately, the data are mixed. With regard to collectives, few generalizations can safely be made. It is true that most collectivists report that their experiences have raised their self-esteem—especially if they used to work at a traditional company—and they certainly enjoy work more than most employees do. It has not been conclusively established, however, that membership in a collective inherently raises political consciousness or encourages political activity. While it is likely that collectivists have had a higher rate of political participation than the population as a whole, that is partly because the sort of people who join small co-ops are more likely to have a liberal activist’s temperament. Also, many such co-ops are explicitly political, such as radical presses and bookstores. Even food cooperatives are relatively political, since the distribution of food is a political issue. But cooperatives are also businesses, and as such might choose not to join a movement or even act contrary to progressive interests, for instance by negotiating deals with employers that are injurious to the latter’s employees. American history is replete with examples of cooperatives alienating the local labor

movement. Co-ops also might be loath to offend their customers by taking overt political stances.

So, individually and collectively cooperators as such *might* be prone to progressive activism (see below) but are not so in any stunning way. It seems as though they should be because their workplaces are relatively egalitarian and empowering, but one must remember the lesson of Marxism: social dynamics are holistic, such that individuals and institutions are molded by pressures emanating from *everywhere* in the society. The social structure as a whole conditions entities to behave in certain ways, and in a sense it reproduces itself.⁶⁵ Thus, the facts that co-ops have to survive in a capitalist context and that cooperators themselves have been shaped by broader patterns in the society tend to undermine whatever anti-capitalist and politically participatory implications there are in cooperative production relations. On the other hand, the latter's political potential becomes more potent the more cooperatives colonize a given area, building up their own culture, and the more they network with each other—the more they establish regional federations, etc. For then they might develop political agendas, lobby together for favorable legislation, link up with other movements in similar structural

⁶⁵ Louis Althusser called this “structural causation,” different from other kinds of causality. It is an obscure notion but a necessary one, which is operative not only in society but in nature (albeit in a different way, a more *determined* and less *dialectical* way (see chapter 4)). Althusser thought that Spinoza was the first Western thinker to grasp the importance of structural causation, the first to pose the question of how the elements of a whole can be conditioned or determined by the whole itself (which, in Spinoza's pantheistic system, was the entire universe, which he called God). See Althusser and Étienne Balibar, *Reading Capital* (London: New Left Books, 1970), especially pp. 182–193, and Alison Assiter, “Althusser and Structuralism,” *The British Journal of Sociology* 35, no. 2 (June, 1984): 272–296. Structural causation is closely related to the difficult ideas in contemporary philosophy of “downward causation” and “emergence.” Human cognition reaches its limits here.

locations and with similar interests and ideals. Such networking is arguably the most important element in any attempt to make society a more humane place.

Medium-sized and larger cooperatives

Organizational structure

In general, the larger an organization is, the more complicated and less directly-democratic its structure is. Indeed, it almost necessarily becomes more bureaucratic, because in order to function smoothly some specialization of roles is required. A business with 100 employees has to have a more differentiated structure than a business with 15 employees; for example, it has to process much more information, of different kinds. With specialization and bureaucratization, however limited it may be, comes an element of “hierarchy.” There has to be a central organ that collects all the information and uses it to make decisions about the organization’s future and its relations with the outside world. Theoretically the entire body of workers could make these decisions collectively—perhaps everyone could receive a packet of information about the firm’s operations, study it for two weeks, and then congregate in a general meeting—but certain constraints make this unrealistic. As stated above, the time-constraints may be prohibitive. Even in a collective, weekly meetings can last for many hours and it may take weeks or months for a single issue to be resolved. Also, the information that has to

be digested may be so technical that most workers are unable or unwilling to absorb it, preferring to leave it to specialists who have been trained in accounting or law or finance or the tax code. Or they may simply be apathetic and too exhausted at the end of the day to devote hours to administrative matters.⁶⁶

For many reasons, therefore, some of which might not be related to the nature of capitalist social structures, it may be necessary to have specialized professionals advising a board of directors. In a large cooperative, direct democracy will be the exception, representative democracy the rule. The board of directors will have to appoint managers—or they can be directly elected by the workforce, as the board of directors is—to ensure the smooth daily coordination of the business. Workers do monitor each other in many medium-sized and large co-ops, but it is not hard to imagine situations in which at least a few designated “superintendents” of some sort are necessary (and perhaps would be so even in a more egalitarian economy than the present).

The now-defunct plywood cooperatives of the Pacific Northwest, whose history will be discussed in the next chapter, illustrate these points. In the early 1980s there were eleven such co-ops in Washington and Oregon, each owned by between 100 and 300 workers. Christopher Gunn summarizes the governance-structure as follows:

⁶⁶ See, e.g., Kasmir, *The Myth of Mondragon*, 136–138. It is, admittedly, possible that in a distantly future society, so radically different from the present as to be scarcely imaginable, some of these semi-cynical observations might not be true. One cannot know with certainty what will be possible three hundred years from now.

Owner-members elect their board of directors, and the firm's general manager is appointed by that board. The board and the manager administer the routine operations of the co-op; policy decisions are made on a one-person, one-vote basis by all owner-members in semiannual or quarterly general meetings [where "there are discussions about everything from the manager's performance to capital-investment decisions"]. Major decisions are discussed extensively by owner-members, who have full access to information concerning the co-op's operation. The core of production workers in these co-ops essentially hires and fires its manager.⁶⁷

There is an element of hierarchy in production and decision-making on the shop-floor, but much less so than in comparable capitalist firms. The word "hierarchy" in fact is a bit misleading: plywood worker-owners take their "supervisor" far less seriously than in conventional mills because his continued employment depends on their goodwill, and it is very rare that he will try to fire one of them. (Sometimes he is an outsider who has been hired, sometimes a worker-owner himself.) There are also few supervisors in plywood co-ops, maybe one or two per shift, whereas in a private enterprise there have to be six or seven because the workers have less of an incentive to work efficiently. The co-op supervisor tends not to bother the workers but concentrates on "broader, plant-wide issues having to do with the flow of materials and machine-usage."⁶⁸

Plywood cooperators, who often have semiskilled jobs that can easily be rotated, frequently organize informal job-rotations to alleviate monotony or for some other

⁶⁷ Christopher Eaton Gunn, *Workers' Self-Management in the United States* (Ithaca, NY: Cornell University Press, 1984), 100, 109.

⁶⁸ Edward Greenberg, "Producer Cooperatives and Democratic Theory: The Case of the Plywood Firms," in *Worker Cooperatives in America*, 196.

reason. This is not done in conventional mills, where “jobs are assigned through precise and formal agreements made between management and the union.”⁶⁹ Cooperators also initiate innovations in work procedures and have more flexibility in their tasks than at conventional mills.

Thus, while considerations of efficiency dictate that the consensual, spontaneous, “self-actualizing” form of collectives be limited in larger co-ops, it can still exist to a much greater degree than at private enterprises. One should not think, incidentally, that this presence of democracy constrains efficiency, that it signifies a compromise between freedom and productivity. Quite the contrary. The above description should already have helped dispel that impression; moreover, I argued earlier that bureaucracy not tempered by democracy can be extremely inefficient, whether it’s in a government or a business. Therefore, to compromise between participation and hierarchy in a large organization is in fact to establish the greatest possible efficiency. I’ll return to this point below.

Companies in the Mondragon Cooperative Corporation, which have hundreds or thousands of workers, have a more complex governance structure than the plywood co-ops. The general assembly of all worker-members in each company meets at least annually to elect a governing council (similar to a board of directors) and to approve company plans and policies. Members of the governing council, who themselves are worker-members, have four-year terms; they are not paid for their council responsibilities but receive their regular salaries. The council appoints and can remove the CEO and

⁶⁹ Ibid., 191.

must approve his choices for senior executives; it meets once or twice a month to monitor the management team's and the company's performance. There is also a "social council" that meets monthly, composed of representatives elected annually; its role is vaguely similar to that of a union, though it is supposed to be more cooperative than confrontational vis-à-vis the governing council and the management team. It serves as the voice of all the workers, communicating with management on such issues as working conditions, wages, and health and safety. This structure has worked for decades.⁷⁰

Each cooperative in Mondragon has its own workplace structure, though there are similarities and tendencies that most of them share. The firm called Irizar, which manufactures products for transportation, from luxury coaches to city buses, exemplifies these tendencies. To encourage innovation and the diffusion of knowledge, there are no bosses or departments in Irizar. Rather, it has a flat organizational structure based on work teams with a high degree of autonomy. (One study remarks that they "set their own targets, establish their own work schedules, organize the work process as they see fit, and so on.") The teams also work with each other, so that knowledge is transmitted efficiently. Participation occurs also in the general assembly, which meets three times a year rather than the single annual meeting common in other Mondragon firms. Its subsidiaries in other countries have at least two general assemblies a year, where they

⁷⁰ William Foote Whyte and Kathleen King Whyte, *Making Mondragon: The Growth and Dynamics of the Worker Cooperative Complex* (Ithaca, NY: ILR Press, 1988), 35–41; and Fred Freundlich, "The Mondragon Cooperative Corporation: An Introduction," Ownership Associates, May 22, 1998, <http://www.ownershipassociates.com/mcc-intro.shtml> (accessed April, 2010).

approve the company's strategic plan, investments, etc. These participatory structures have enabled Irizar to surpass its competitors in profitability and market share.⁷¹

The cooperative in south India called Kerala Dinesh Beedi (KDB), which has had great success since its inception in the late 1960s, is worth describing because of its unusual characteristics. First of all, it is very big: at times having had over 35,000 worker-members, it currently has about 9000. It grew out of a conflict between the employees and owners of a private company, when the owners laid off 12,000 beedi-workers in the state of Kerala.⁷² A left government had come to power in Kerala in 1967 and was committed to implementing recent national legislation that would regulate and improve the deplorable conditions of the beedi industry. Beedi employers were not happy at these developments; they wanted to continue using child labor and also institute a domestic “putting-out” system to fragment the workers, whose unions had been active in radical social movements for decades and were troublesome to the employers. One of the latter essentially declared war on the unions and the new leftist government: not only did it threaten to relocate to a different state if the government enforced the law, but it laid off 12,000 employees.⁷³

⁷¹ Greg MacLeod and Darryl Reed, “Mondragon’s Response to the Challenges of Globalization: A Multi-Localization Strategy,” in *Co-operatives in a Global Economy: The Challenges of Co-operation Across Borders*, ed. Darryl Reed and J. J. McMurtry (Newcastle: Cambridge Scholars Publishing, 2009), 127–132.

⁷² Beedis are a kind of primitive, hand-rolled cigarette, very popular in India.

⁷³ T. M. Thomas Isaac, *Democracy at Work in an Indian Industrial Cooperative: The Story of Kerala Dinesh Beedi* (Ithaca: Cornell University Press, 1998), chapters 2 and 3.

A months-long crisis ensued, until the government and the unions decided to create a new cooperative to employ the 12,000 laid-off workers. Cooperatives had been created before in Kerala, but not nearly on this scale. The workers could not afford to put up much capital, so the government loaned them millions of rupees, in addition to helping the trade unions accomplish the monumental organizational tasks. Government officials even joined the board of directors. What is amazing is that despite all this political involvement, the government soon “withdrew from any active role in the running of the cooperative.”⁷⁴ Even the endemic Indian problems of corruption did not arise, since the government was desperate for the cooperative to succeed.

One study summarizes the structure of KDB:

KDB is a federation of twenty-two “primary cooperatives.” Each of the primary cooperatives has six to fourteen shop floors. At each, there are generally between 75 and 125 beedi-rollers. Production takes place at the shop floor. Every worker directly participates, informally and continually, in the decisions about work arrangements at his or her shop floor. Each shop floor has a formal, general body meeting only about once every six months. At the general body meeting of each group of shop-floor workers (seventy-five to one hundred twenty-five people) everyone participates. These meetings are the fora for discussing complaints about conditions of work, disputes with supervisors, and problems with the behavior or productivity of individual workers. Every shop floor also has a “factory committee” that does the day-to-day supervision and management of the floor. This involves deciding on matters such as ventilation, entertainment, and break times.⁷⁵

⁷⁴ G. Mitu Gulati et al., “When a Worker’s Cooperative Works: The Case of Kerala Dinesh Beedi,” *UCLA Law Review*, no. 5 (June, 2002): 22.

⁷⁵ *Ibid.*, 25.

Each primary cooperative has a board of directors elected by the members, which supervises the purchase of raw materials from, and the sale of finished beedis to, the “central cooperative,” which is the point of contact between KDB and the outside world. Its decisions are a function of market demand; it is in charge of quality control, pricing, marketing strategy, diversification, the overall structure of wages and benefits, etc. The central board of directors is elected by the primary cooperatives’ boards of directors. Workers participate regularly in meetings with their unions, which then negotiate wages and benefits with the central cooperative. There are annual meetings of representatives of all the primary cooperatives.

Shop-floor supervisors cannot hire, fire, transfer or fine their worker-bosses, but they have power nonetheless. They are usually senior workers themselves; they’re promoted to their new position by the primary cooperative’s board of directors. The supervisors are supervised, in turn, by foremen who have been hired by the central cooperative. The main function of a supervisor is to help train workers whose productivity is low or whose beedis are of low-quality, but he is also responsible for enforcing workplace-discipline and, of course, for monitoring individuals’ productivity. Various positive incentives have been devised to encourage productivity, and as we’ll see, they have been quite effective.

In short, every worker cooperative has its own distinctive structure, but the egalitarian and participatory tendencies I have described characterize all of them to some

degree. These are the most important features distinguishing them from private enterprises.

Wages and employment

The pay-scales at large cooperatives are either identical to those at collectives or somewhat more unequal due to competitive pressures. The plywood co-ops paid all their members equally, the major exception being the general manager, who was usually a hired outsider and received a higher salary than members.⁷⁶ In the conventional plywood mills, by contrast, the wages of the highest-paid workers and the lowest-paid differed by a factor of about 2.5.⁷⁷

At Mondragon, until the 1980s the differential between the highest- and lowest-paid workers was fixed at 3:1. In recent years, with the pressures of globalization and the need to attract skilled managers who could receive much more money in private enterprises, some positions have been raised to a 6:1 ratio, while the CEO of the entire Mondragon corporation earns nine times more than the lowest-paid worker.⁷⁸

The fact that cooperative pay-scales always tend to be relatively egalitarian is intuitive and uncontested. Less clear, however, is whether ordinary workers in co-ops

⁷⁶ Gunn, *Workers' Self-Management*, 115.

⁷⁷ Dow, *Governing the Firm*, 53.

⁷⁸ McNamara, "Payment Solidarity: Looking Deeper at the Mondragon Principles."

tend to be paid more or less than their counterparts in capitalist firms. It is known that, generally speaking, management is paid less than in capitalist businesses: this can be inferred from the smaller pay scale in co-ops. But the data on the wages of the average worker are less clear-cut. As we saw above, some collectives give their members higher pay and better benefits than in comparable private enterprises, while other collectives are unable to do so, especially if their capitalist competitors are unionized. Larger co-ops more regularly offer higher compensation, in many cases much higher than at comparable capitalist businesses—but, again, only for low-level or, sometimes, mid-level workers. David Herrera reports that “wages at Mondragon, as compared to similar jobs at local industries, are 30 percent or less at the management levels and equivalent at the middle management, technical and professional levels. As a result, Mondragon worker-owners at the lower wage-levels earn an average of 13% higher wages than workers in similar businesses.”⁷⁹

Kerala Dinesh Beedi is an even better example of high wages: workers earn over three times as much as those in other firms (including health benefits, maternity benefits, pensions, and paid holidays). While most beedi workers slave away in “small and dingy work sites that lack proper bathroom facilities and pose health hazards because of the way the tobacco is kept,” KDB members have work sites that are spacious, clean, well-ventilated, and even “have entertainment in the form of someone who reads stories or

⁷⁹ David Herrera, “Mondragon: A For-Profit Organization that Embodies Catholic Social Thought” (2004), at <http://www.scribd.com/doc/8786386/Mondragon-by-David-Herrera> (accessed March, 2010).

news articles to the workers as they are rolling beedis.” Managers, on the other hand, earn only about as much as the beedi workers themselves, whereas in a capitalist firm of comparable size they would probably make thirty or forty times that level, in addition to having luxurious perquisites not offered KDB’s managers.⁸⁰

Cooperative Care in Wisconsin, which provides care to the elderly, was able to give its 81 members in 2004 relatively high pay, workers’ compensation, ten days’ paid vacation, and 50 to 75 percent health insurance coverage, all only three years after beginning operations.⁸¹ Cooperative Home Care Associates in the Bronx, New York, founded in 1985, offers its 1600 members “significantly better pay and working conditions than most home health aides.”⁸²

How are cooperatives able to maintain high wages while competing successfully against conventional enterprises? The answer lies partly in their high productivity, which we’ll discuss below. Also, greater size leads to greater capital accumulation than in collectives, which leads to more revenue in a self-reinforcing cycle. Collectives just don’t have enough capital to get the cycle started in a meaningful way—although, to repeat, when the annual distribution of profits and benefits is taken into account (in

⁸⁰ G. Mitu Gulati et al., “When a Worker’s Cooperative Works,” 39, 40.

⁸¹ Greg Lawless and Ann Reynolds, “Worker Cooperatives: Case Studies, Key Criteria and Best Practices,” University of Wisconsin Center for Cooperatives, staff paper no. 3 (July, 2004), http://www.community-wealth.org/_pdfs/articles-publications/coops/paper-lawless.pdf (accessed May, 2010).

⁸² Dan Bell, “Worker-Owners and Unions: Why Can’t We Just Get Along?,” *Dollars & Sense* (2006), <http://www.dollarsandsense.org/archives/2006/0906bell.html> (accessed May, 2010).

addition to wages), many collectivists do have a higher income than their conventional competitors.

As regards the trade-off in hard times between wages and employment, medium-sized and large cooperatives have the same priorities as collectives: they adjust pay rather than employment. The plywood mills, again, illustrate the point. A 1992 study compares the responses of three types of firms in the plywood sector—unionized, non-unionized, and co-ops—to adverse economic circumstances in 1980, as contrasted with the expansionary year of 1972. It finds that

employment in the union mills and in the classical [non-union] mills in 1980 averaged 83.6 percent and 51.3 percent of the 1972 values, respectively, whereas employment in the co-ops was 115.9 percent of the 1972 level; with respect to nominal average hourly earnings, earnings in the union mills more than doubled between 1972 and 1980, whereas earnings in the co-ops in 1980 were 183.8 percent of their 1972 levels.⁸³

Thus, employment shrank significantly in the conventional firms but actually grew in the co-op, while the earnings of the cooperative workers did not grow as fast as those of the union workers. This supports our earlier contention that cooperatives have even more potential for alleviating unemployment than for providing high incomes.

Incentives, job satisfaction, productivity, and the political effects of participation

⁸³ Ben Craig and John Pencavel, “The Behavior of Worker Cooperatives: The Plywood Companies of the Pacific Northwest,” *The American Economic Review* 82, no. 5 (December, 1992): 1085–1105.

Because sizeable co-ops are usually less economically marginal, more “mainstream,” than collectives, and the people who work in them are more ordinary demographically and have more conventional expectations for their jobs, competitive success and high compensation are relatively important incentives. High profit-margins are valued so that members can earn more and (perhaps) the business can expand and invest in new technology. After all, most of these co-ops are founded solely to provide employment; the element of idealism or passion for a particular cause is rarely as significant as it is to many collectivists.

Owner-members of the plywood co-ops indicated in interviews that the reasons they joined the cooperatives were the potential for good income and job security. They have “individualistic, property-holding motivations” which do not change as they experience the cooperative relations of production.⁸⁴ This is in marked contrast to most collectivists, who have precisely the opposite motivations—the inherently political desire to escape the “rat race” and do something they can believe in. One obvious reason for the difference is that the plywood cooperators have a working-class origin and have known long periods of unemployment.⁸⁵ They think of their participation in a co-op as a financial investment: buy a share and get a secure job.

⁸⁴ Gunn, *Workers' Self-Management*, 105.

⁸⁵ Greenberg, “Producer Cooperatives and Democratic Theory: The Case of the Plywood Firms,” in *Worker Cooperatives in America*, 180.

However, they quickly come to appreciate the control they have over their work. While they remain less idealistic and enthusiastic than the average collectivist, their attitude certainly differs from that of the workforce in a conventional plant, which tends to suffer from a relative “deadening of the spirit, a sense of defeat, hopelessness, and abjectness.” The participatory environment of the cooperative “fosters an extremely strong sense of collective responsibility and mutuality,” which is antithetical to the structure of work in a conventional factory. As mentioned above, this mutuality is manifested, e.g., in collective and self-supervision and the rather low number of designated supervisors. “Everybody pitches in and helps,” comments one worker; “the people stick together, that’s the reason we’ve gone so far and production is so high, ’cause everybody works together.” Some workers even profess to enjoy their work, despite its repetitive and mechanical nature: “There is a certain feeling to know that you own part of what you’re working for... I’ve always gone to all the stockholders’ meetings and...I enjoy it. I’ve never had so much fun! Hell, we run this operation all by ourselves.”⁸⁶

One obvious supposed benefit of cooperatives is that there is less conflict between workers and managers than at conventional, hierarchical enterprises. Nearly all the data indeed indicate that this is the case. Consider, for example, a study published in 2001 that examines dispute-resolution at a cooperative coal mine in Wales as compared to how it functioned when the mine was owned and operated by the British government, as it had

⁸⁶ Ibid., 183.

been for years. In the early 1990s, with British Coal threatening to close it, 200 employees bought it and converted it into a worker cooperative. By law the company was required to have managers in charge of safety, finance, engineering and so on, but it hired only a third of the managers that had been employed by the government even though there was approximately the same number of miners. These managers retained significant power over the workers, but now their decisions could be overruled by the board of directors elected annually by the workforce.

When the mine was government-owned it was severely hierarchical and dispute-resolution was confrontational: grievances, which cropped up continually, were resolved according to a rigid set of formal rules, and work stoppages instigated by either management or the union occurred frequently. Under cooperative ownership this all changed. Worker-owners were more flexible in upholding work rules, so that disputes were far less frequent. “Many current issues and conditions would have been formally contested under British Coal, warranting a grievance or other union action. Today, these potential disputes do not develop into grievances. Furthermore, these potential disputes are not...simply tolerated; instead, they are no longer seen as injurious experiences.”⁸⁷

Miners were now not unwilling to work overtime without extra pay, or, for example, they would work at an undermanned site, whereas in the past that would have resulted in a grievance (because it entails extra work). In general, they were more willing to

⁸⁷ Elizabeth A. Hoffmann, “Confrontations and Compromise: Dispute Resolution at a Worker Cooperative Coal Mine,” *Law & Social Inquiry* 26, no. 3 (Summer, 2001): 568.

compromise, since their status as owners made them disinclined to stop work. Managers too were more easygoing and respectful, because power was more dispersed than in the past. One worker offers eloquent testimony:

Today, the manager will come out and talk to you. He very rarely goes through the pit without saying, you know, stopping and talking to everyone. Whereas before, the manager used to come down and he wouldn't talk to you. He'd probably tell somebody else who would tell you to do something. They felt they were some super-human! You know, we were down there and they were up at the top like. And it was all, "Do this!" They *tell* you rather than ask you.

Today, now, the manager comes down and he'll ask you, "Any chance you could?" You know? "Can you do me a favor?" Before it was, "Oh you get and do that!" And obviously the respect had gone from the men for the management under British Coal.

Now at the colliery the men have got a lot of respect for the manager, because, at the end of the day, he owns as much of the colliery as we do. We all have equal-share basis and he's in it for the same reason we are: to get the best out of the colliery.⁸⁸

Admittedly, some research indicates worker discontent at certain large cooperatives, including conflict between management and the workforce. Mondragon, considered an exemplar of worker cooperation, has not been immune to this. For instance, in 1989, at a typical co-op with 250 worker-owners, members reported to a researcher that they most definitely did not think the firm was democratic. They referred to themselves as "working stiffs" and called the managers "bosses." "We are not different," they said, "from other businesses in any way." "It doesn't matter how equal we are in theory, in practice we are not." "What good does it do me that they call me a

⁸⁸ Ibid., 573.

collaborator when they treat me like a subordinate... At least in a regular firm you can call the boss a son of a bitch.”⁸⁹ Managers at this company considered relations between themselves and the workforce to be cooperative, respectful, democratic; the workers, however, disagreed.

A study in the mid-1980s reported that Mondragon’s supervisory structures were virtually identical to those at nearby conventional firms, and observed that “the necessity to compete in national and international markets leaves insufficient space to implement alternative manners of work organization on a large scale.”⁹⁰ Moreover, in recent years there have been major organizational changes considered necessary to maintain international competitiveness, so that now pay-scales are less flat, management councils have more power, and non-cooperative subsidiaries are being acquired in China, Brazil and other countries.

There is no question that the need to compete in a capitalist world forces large co-ops to compromise with their principles. This has always been a criticism leveled at them by Marxist and other radicals. Nevertheless, it does not appear that they necessarily have to degenerate into semi-capitalist corporations, nor that they ever have the same adversarial relations between management and the workforce as conventional firms do. Even in the example cited above from Mondragon, the author of the study notes that relations are more harmonious in the co-op than in a comparable capitalist company. As

⁸⁹ Kasmir, *The Myth of Mondragon*, 152.

⁹⁰ See Dow, *Governing the Firm*, 62.

long as most of the workers own the firm and participate in governance, and especially if efforts are made to instill a culture of cooperation at both the shop-floor level and the enterprise level, there will be meaningful differences between cooperative and conventional firms. These differences may even be strictly economic: the co-op will quite possibly be more productive than its capitalist counterparts, due to incentives and to the diverting of resources away from supervision and the need to contain conflict (which is a constant imperative in the average capitalist business).

For example, I noted above that fewer supervisors were needed in the plywood cooperatives, and the worker-owners were unusually committed to the success of the enterprise. (The same was true of the cooperative mine just discussed.) This resulted in higher productivity-rates—measured by the physical volume of output per hour, the quality of the product, and economy of material input use—than in privately owned mills, as much as 50 percent higher. A relatively low amount of capital per worker was required, and the hourly return to workers was often 50 percent higher than union averages.⁹¹

The case of Kerala Dinesh Beedi is even more impressive. Despite its competitors' significantly lower labor costs, it has been able to compete successfully for decades. How is this possible? One area of advantage is its far fewer managers and their relatively low compensation. But KDB's labor costs remain high even so. Another advantage is that there have been no major labor disputes in its history—a fact which is

⁹¹ Gunn, *Workers' Self-Management*, 103.

“stunning” in itself, since disputes are common and costly in the region as a whole. Also, as noted earlier, shop-floor conditions are very efficient, with workers monitoring each other and sharing information willingly. A particularly decisive strength is the uniformly high quality of KDB’s beedis, which customers appreciate. Workers at other companies have an incentive to be hasty and careless in their beedi-rolling because they are paid on a piecework basis, and monitoring is difficult. KDB workers, who are happier, healthier, and better-paid, are more careful.⁹²

Examples of such productivity could be multiplied. But that would merely provide further illustrations of the intuitively reasonable point that labor will *tend* to be more productive in co-ops than in conventional businesses. One author concludes, on the basis of a meta-analysis of 43 previous studies, that (1) worker participation in decision-making in co-ops has a “small, positive, and statistically significant association with productivity, rejecting the traditional view that democratic management of the firm is associated with *reduced* efficiency”; (2) profit-sharing in cooperatives is very strongly associated with increased productivity, while the association is less pronounced in capitalist enterprises; (3) worker-ownership in co-ops has a small but statistically significant association with productivity (it is small perhaps because co-ops pay shareholders few or no dividends), whereas in capitalist firms there is virtually no

⁹² G. Mitu Gulati, “When a Worker’s Cooperative Works,” 40–44.

correlation (probably because employees typically own a small proportion of assets).⁹³ A study in 1994 found that “employee involvement programs are invariably positively associated with desirable outcomes (such as greater work effort and higher productivity), whereas measures of performance pay are less robustly associated with these outcomes.”⁹⁴ More recent studies have concluded that there is often a gain in productivity with employee stock-ownership plans—again, a result compatible with the hypothesis that worker cooperatives will tend to have high labor productivity.⁹⁵

A variety of reasons can be thought of to explain these results, most of which have already been mentioned. Cooperatives have lower absentee rates and less worker turnover than their conventional competitors. (For instance, the annual rate of turnover in the Mondragon cooperatives in 1974 was 2 percent, while in comparable capitalist firms it was 14 percent.)⁹⁶ Members show relatively high individual work effort, tending to act as their own supervisors, at least to a greater degree than employees do elsewhere. Job-rotation, where it happens, enhances the attractiveness of the work. And there are greater incentives to help one another than in a competitive environment.

⁹³ Chris Doucouliagos, “Worker Participation and Productivity in Labor-Managed and Participatory Capitalist Firms: A Meta-Analysis,” *Industrial and Labor Relations Review* 49, no. 1 (October, 1995): 58–77.

⁹⁴ John Pencavel, *Worker Participation: Lessons from the Worker Co-ops of the Pacific Northwest* (New York: Russell Sage Foundation, 2001), 80.

⁹⁵ See, e.g., *ibid.*, 81, 82.

⁹⁶ Jackall and Levin, *Worker Cooperatives in America*, 26, 27.

Does all this have implications for political consciousness and participation? It seems to, but less so than one might hope. I noted above that collectivists tend to be relatively politically conscious and active but that the reasons for this are not entirely clear. The situation is even more ambiguous with regard to larger cooperatives. Edward Greenberg's conclusions about the plywood industry are illustrative. He addresses four claims made by leftists: "workplace democracy encourages participation in other social institutions outside of the workplace; helps create citizens who are endowed with a sense of their own political efficacy; increases participation in normal political life; and creates a sense of community and cooperation as well as a commitment to the public interest."⁹⁷ Few of his findings are encouraging.

For example, worker-owners were actually a little *less* likely to participate in organizations outside the workplace than conventional employees. This could be due to the fact that many of the latter belong to unions, unlike the former, which may foster political consciousness and activism. On the other hand, Greenberg finds that over time the cooperators did increase their participation in social institutions, though not to above the level of ordinary employees. They also didn't have any greater sense of political efficacy than regular workers. More encouragingly, members were significantly more politically involved than conventional workers and were more likely to increase their participation over time—but at the same time they were more likely to think that "Society is best off when each individual looks out for his own well-being and not the well-being

⁹⁷ Greenberg, *Workplace Democracy*, 119.

of others,” and in fact to agree with this statement more the longer they worked in a co-op. So their political participation was not necessarily a sign of public-spiritedness. Nor were they class-conscious in a good way: they were relatively likely to call themselves middle-class rather than working-class, and a relatively high proportion identified themselves as Republican. (This was during the Reagan years.)⁹⁸ Greenberg concludes:

Clearly...without powerful countervailing forces to the market mechanism, democratic, self-managed enterprises drift inexorably toward enterprise egoism and membership behavior as collective capitalists. Without a working-class party, a cooperative or egalitarian culture, a socialist ideology, a revolutionary movement, or a government committed to economic democracy, the logic of the market is determinative and blocks the larger promise of self-management...⁹⁹

Especially in a large cooperative, whose members are typically more concerned with having money and a secure job than collectivists are, the market mentality can prove stronger than the democratic, egalitarian, workers’ social-movement mentality.

As always, there are many counterexamples. Equal Exchange, with about a hundred members, is politically progressive, committed to such causes as Fair Trade (with Latin American coffee-growers). Inspired by Mondragon and the cooperatives of northern Italy, it has also begun donating a portion of its earnings to a fund for the development of new co-ops.¹⁰⁰ Rainbow Grocery in San Francisco, owned by about 150

⁹⁸ Ibid., 120–131, 137, 168.

⁹⁹ Ibid., 168.

¹⁰⁰ Camille Jensen, “Equal Exchange creating capital for new co-ops,” *Axiom News*, September 25, 2009, <http://www.axiomnews.ca/NewsArchives/2009/September/September25.html> (accessed May, 2010).

workers, likewise functions as a center of progressivism, in the tradition of many natural-food stores. Kerala Dinesh Beedi has a long history of radical political activism going back to even before its formation. The region of Kerala has bred left social movements since early in the twentieth century; KDB's labor unions are militantly Marxist.

Such examples support Greenberg's point that progressive political activism, while not guaranteed by a cooperative workplace, is not only compatible with it but potentially encouraged by it as long as the business either maintains ties with cooperative institutions or is run by workers committed to radical ideologies. Unionization of employees in conventional companies likewise fosters political consciousness and action; there is no fundamental reason, therefore, why cooperatives cannot affiliate with unions and assist them politically, and vice versa. This has been common practice in Europe for a long time, was so in the United States for much of the nineteenth century, and, as we'll see later, is starting to become so again.

Other issues

I have yet to address a number of important matters in relation to cooperatives of all sizes. First, in what sectors is it most common to find cooperatives? All the research indicates that it is the labor-intensive, service areas of the economy. Food stores, bookstores, print shops, restaurants, repair services—all risky areas for small business. Historically, U.S. cooperatives have had “a strong craft orientation, with fields of activity

including metal foundries, barrel-making, shingle-making, and plywood.”¹⁰¹ Many Western European cooperatives operate in construction and certain labor-intensive branches of manufacturing. Some Mondragon and Italian cooperatives, however, are very capital-intensive, which is possible because of the networks they have established with each other. Also, cooperatives are relatively common in the somewhat capital-intensive industry of transportation—a number of taxi companies have been cooperatives—which is probably because the physical assets needed (such as vehicles) can easily be resold at close to their purchase price if the business fails, so that there is relatively little risk in lending money to the co-op.¹⁰²

The main problem, then, is that most cooperators or would-be cooperators have limited access to financial capital. Why is that? Sometimes they decide to seek capital only from their members; in this case, the reason for undercapitalization is self-evident. One reason they might shun bank loans is if banks charge high interest-rates. Sometimes banks will require that each member provide collateral to guarantee the loan, a risk that some workers might not be willing to undertake.¹⁰³ Two reasons why traditional lenders might be reluctant to lend to worker-run enterprises are

¹⁰¹ Dow, *Governing the Firm*, 49.

¹⁰² Henry Hansmann, “When Does Worker Ownership Work? ESOPs, Law Firms, Codetermination, and Economic Democracy,” *The Yale Law Journal* 99, no. 8 (June, 1990): 1771.

¹⁰³ John W. Lawrence, “Raising Capital for Worker Cooperatives,” <http://www.community-wealth.org/pdfs/articles-publications/coops/article-lawrence.pdf> (accessed May, 2010).

because of heightened levels of (a) moral hazard and (b) transactions costs. The moral hazard argument is that lenders bear most of the risk of failure in situations in which workers can easily move to new jobs in the event of the firm's failure. As for the higher transactions costs, the argument is simply that it is easier and quicker to deal with a single borrower (or the borrower's delegate who has authority) than to deal with a group that has to use a democratic process to make decisions.¹⁰⁴

Overseeing the activities of an enterprise with a small number of decision-makers is easier than if every worker is a director and owner. Even the initial loan is then relatively difficult to arrange: the bank has to deal with the elected board of directors, drawn from the ranks of the workers, who have often had no experience arranging bank loans. Sometimes "the bank must ultimately go to a shareholders' meeting and explain the terms of a loan to them, an unfamiliar experience for the lending officer and not always a pleasant one." Apart from this, "the bank's worst fears are that the co-op will distribute the loan among its workers and then declare bankruptcy." It is not surprising, therefore, that banks might attach onerous conditions to loans.¹⁰⁵

An additional advantage, from the perspective of lenders, of undemocratic firms is that it is easier for the lender to influence the policies of such firms, for instance by preventing them from undertaking excessively risky or excessively conservative projects. One author remarks that with cooperatives "there is no guarantee of a single owner or officer who always represents the workers, given the democratic management. As a

¹⁰⁴ G. Mitu Gulati, "When a Worker's Cooperative Works," 12.

¹⁰⁵ Pencavel, *Worker Participation*, 38.

result, the financial community cannot obtain the leverage over cooperatives seeking to borrow that they can over capitalist firms.”¹⁰⁶

Equity financing, on the other hand, is unappealing to cooperators because it may mean relinquishing control to outside investors, which is a distinctly capitalist practice. Investors are not likely to buy non-voting shares; they will probably require representation on the board of directors because otherwise their money could potentially be expropriated. “For example, if the directors of the firm were workers, they might embezzle equity funds, refrain from paying dividends in order to raise wages, or dissipate resources on projects of dubious value.”¹⁰⁷ In any case, the very idea of even partial outside ownership is contrary to the cooperative ethos.

A general reason for traditional institutions’ reluctance to lend to cooperatives, and indeed for the rarity of cooperatives whether related to the difficulty of securing capital or not, is simply that a society’s history, culture and ideologies might be hostile to the “co-op” idea. Needless to say, this is the case in most industrialized countries, especially the United States. The very notion of a workers’ cooperative might be viscerally unappealing and mysterious to bank officials, as it is to people of all walks of life. Stereotypes about inefficiency, unprofitability, inexperience, incompetence, idealism, anti-capitalism, might dispose officials to reject out of hand appeals for financial assistance from co-ops. Similarly, such cultural preconceptions may be an

¹⁰⁶ Dow, *Governing the Firm*, 187.

¹⁰⁷ *Ibid.*, 188.

element in the widespread reluctance on the part of working people to try to start a cooperative. They simply have a “visceral aversion” to and unfamiliarity with the idea—which is also surely a function of the rarity of co-ops itself. Their rarity reinforces itself, in that it fosters a general ignorance of co-ops and the perception that they’re risky endeavors. Additionally, insofar as an anti-democratic passivity, a civic fragmentedness, a half-conscious sense of collective disempowerment, a diffuse interpersonal alienation and mistrust saturate society, this militates against initiating cooperative projects. It is simply taken for granted among many people that such things cannot be done. And they are assumed to require sophisticated entrepreneurial instincts. In most places, arguably, the cooperative idea is not even in the public consciousness, it has barely been heard of.

Business propaganda has done its job well. But propaganda can be fought with propaganda. In fact, this is one of the most important things that activists can do, this elevation of cooperativism into the public consciousness. The more that people hear about it, know about it, learn of its successes and potentials, the more they’ll be open to it rather than instinctively thinking it’s “foreign,” “socialist,” “idealistic,” “hippyish.” If successful cooperatives advertise their business-form, that in itself performs a useful service for the movement. It cannot be overemphasized that the most important thing is to create a climate in which it is considered normal to *try* to form a co-op, in which that is seen as a perfectly legitimate option for a group of intelligent and capable unemployed workers. Lenders themselves will become less skeptical of the business-form as it seeps into the culture’s consciousness.

It is true that people sharing a common culture or ethnicity, especially if they have emigrated to or live together in a diverse society, are more likely to start cooperatives. It was the Basques of northern Spain who started the Mondragon system, at a time when they were fiercely antagonistic toward Spanish (Francoist) society. The plywood co-ops were organized by Scandinavians in a community that benefited from high levels of trust.¹⁰⁸ This theme of “cultural homogeneity” supports the hypothesis mentioned earlier that heterogeneity is not conducive to the formation and success of worker cooperatives. A heterogeneous co-op may succeed, but insofar as its heterogeneity undermines levels of trust, it threatens the co-op’s survival. Ultimately, though, the most important precondition, particularly in small cooperatives, seems to be that individuals have a democratic attitude, commitment to the project, and some measure of interpersonal skills.

One obstacle to forming a co-op is the challenge of gathering a group of interested, capable, and like-minded people, people interested in starting the same kind of business, who can work well together and have enough information and initiative to do the difficult preliminary work. Aside from this consideration, an entrepreneur is unlikely to want his business to be a cooperative, since that would reduce his revenue and control. Hopeful cooperators will probably be workers who place a high value on job-security or people committed to cooperation for ideological reasons. But such people are not likely to have a great deal of money to invest in a business, and they will be wary of putting thousands of dollars into one venture. Regular investors, of course, diversify their wealth

¹⁰⁸ Ibid., 139.

for precisely this reason, this aversion to risk. It would seem, then, that risk-tolerant people would be most interested in forming a co-op—and such people are relatively rare.¹⁰⁹

Employee buyouts of capitalist enterprises are not very common either. They usually happen, if at all, only when a company is in financial straits and workers want to save their jobs. Perhaps one reason they are somewhat rare even in the case of failing firms is that they are more likely to occur if the employees are unionized, and unionization rates are low in the United States. Buyouts require a lot of work from a few leaders. Also, workers might not be able to agree among themselves on the many decisions that have to be made, some preferring a cooperative and others control by outside investors, etc. When takeovers do occur, often the company is in such bad shape that even in a restructured form it fails within a few years.¹¹⁰

All these considerations are reasons why the formation-rate of worker cooperatives is low. And this is the biggest problem for cooperatives, this low rate of formation. But once they do form, other problems can arise. A commonly cited one is that cooperators may lack business experience and know-how. Many of the co-ops formed in the 1960s and 1970s failed because they were started by youthful idealists who

¹⁰⁹ Pencavel, *Worker Participation*, 44.

¹¹⁰ Dow, *Governing the Firm*, 218–221.

cared little about the technical details of running a business.¹¹¹ They ignored accounting problems until it was too late. Even if the workers are competent, it might be difficult to attract managers or specialists if they are needed, since the pay is likely to be low. Another pitfall is that the stress and the personal intensity of work in cooperatives, especially collectives, might prove too much. People might find that they cannot work together or prefer an ordinary, less stressful job, and the collective may dissolve.

The severity of these problems is debatable—for example, Beatrice Webb was wrong to think that cooperatives will inevitably suffer from poor management because of an inability to attract skilled professionals¹¹²—but other commonly cited hazards are in practice even less problematic. It does not appear to be widely true that democratic decision-making leads to great inefficiencies; on the contrary, I have argued that it can promote high productivity and work-discipline, and in those cases when direct democracy is impracticable it is easy to substitute representative democracy. Nor is it true that worker-owners tend to shirk or that monitoring is difficult; more often, the opposite is the case.¹¹³

On the other hand, the possibility of degeneration into a capitalist enterprise is real. Ironically, this can result from the co-op's success. If the business wants to expand

¹¹¹ Daniel Zwerdling, "The Uncertain Revival of Food Cooperatives," in *Co-ops, Communes & Collectives: Experiments in Social Change in the 1960s and 1970s*, ed. John Case and Rosemary Taylor (New York: Pantheon Books, 1979), 102, 103.

¹¹² Cornforth, *Developing Successful Worker Cooperatives*, 91.

¹¹³ See, e.g., Will Bartlett et al., "Labor-Managed Cooperatives and Private Firms in North Central Italy: An Empirical Comparison," *ILR Review* 46, no. 1 (1992): 103–118.

it might choose to hire labor rather than admit new members, because, under certain legal structures, if it adds new shares (each of which is to be bought by a new member) that reduces the value of the current members' shares. Ultimately, then, the co-op might end up having more wage-laborers than members. As we'll see in the next chapter, some of the plywood cooperatives degenerated in this way. Others, and many co-ops in the nineteenth century, degenerated by being sold to outside investors. That is, as "members approach[ed] retirement age and [became] more interested in wealth maximization than working conditions or other consumption benefits derived from firm membership,"¹¹⁴ each member would sometimes sell his valuable share to an investor (because it was too expensive for less wealthy prospective workers to buy). Or, in some cases, the members collectively sold the whole business to investors.

The possibility of degeneration diminishes if the co-op uses the proper legal structure. The best structure is that of the Mondragon companies, which do not allow workers to own a tradable share of equity. Instead, in addition to their wages they each have an internal capital account the value of which depends on the business's performance and on the number of hours the member works. A new member has to pay a large entrance fee, most of which is credited to his internal account. He receives interest at the end of every fiscal year, but he cannot withdraw the annually accumulating principal from his account until retirement. Almost all profits are divided between these individual accounts and a collective account that helps ensure the company's survival. –

¹¹⁴ Dow, *Governing the Firm*, 225.

No buying or selling of shares takes place in this scheme, so that it is difficult for the firm to lose its worker-controlled status. Not until 1982, however, did the internal-capital-accounts legal structure exist in the United States (and then only in Massachusetts); prior to that, worker cooperatives had to make convoluted use of other categories, which sometimes made them vulnerable to degeneration.¹¹⁵

In any case, the survival-rates of contemporary cooperatives put the lie to traditional theories of cooperatives' unsustainability, for they appear to have *higher* rates of survival than conventional firms. During the 1970s and early 1980s, the death rate for co-ops in France (due either to dissolution or to conversion into a capitalist firm) was 6.9 percent; the comparable rate for capitalist competitors was 10 percent. A study in 1989 found much higher failure rates for capitalist companies than cooperatives in North America.¹¹⁶ A study conducted by Quebec's Ministry of Industry and Commerce in 1999 concluded that "Co-op startups are twice as likely to celebrate their 10th birthday as conventionally owned private businesses."¹¹⁷ A later study by the same organization found that "More than 6 out of 10 cooperatives survive more than five years, as compared

¹¹⁵ David Ellerman, "Workers' Cooperatives: The Question of Legal Structure," in *Worker Cooperatives in America*, 268–273. Even now, most states do not have worker-cooperative statutes. From early in the twentieth century cooperative corporation statutes have existed, but these were usually designed for farmer cooperatives and are "poorly drafted and out-dated," so it was and is not particularly advantageous for worker co-ops to incorporate under them. David Ellerman, "What Is a Worker Cooperative?," in *Beyond the Market and the State: New Directions in Community Development*, ed. Severyn Bruyn and James Meehan (Philadelphia: Temple University Press, 1987), 240, 241.

¹¹⁶ Dow, *Governing the Firm*, 226, 227.

¹¹⁷ Luc Labelle, "Development of Cooperatives and Employee Ownership, Quebec-Style," *Owners at Work* (2001), <http://dept.kent.edu/oeoc/PublicationsResearch/Winter2000-2001/CooperativesQuebecStyle.htm> (accessed May, 2010).

to almost 4 businesses out of 10 for the private sector in Québec and in Canada in general. More than 4 out of 10 cooperatives survive more than 10 years, compared to 2 businesses out of 10 for the private sector.”¹¹⁸ These data sufficiently demonstrate the viability of cooperatives.

Indeed, their viability tends to be proportional to their cooperativeness:

Broadly speaking, it is those clusters of producer cooperatives with the *most cooperative* features...that have the longest life, the best economic performance, and the best record of maintaining a cooperative structure over time... A great number of cooperatives succumb to the demands for efficiency by progressively negating their cooperative character. The historical record suggests that in the end these firms will end up with neither cooperation nor efficiency. The key to successful, long-lived cooperatives seems to be precisely greater cooperation and a concomitant responsiveness to the economic and labor conditions of the marketplace.¹¹⁹

The reasons for cooperatives’ success should be obvious by now, but they are worth reiterating: “The major basis for cooperative success...has been superior labor productivity. Studies comparing square-foot output have repeatedly shown higher physical volume of output per hour, and others...show higher quality of product and also economy of material use.”¹²⁰ Hendrik Thomas concludes from an analysis of Mondragon that “Productivity and profitability are higher for cooperatives than for capitalist firms. It

¹¹⁸ Quoted in Johnston Birchall and Lou Hammond Kettilson, “Resilience of the Cooperative Business Model in Times of Crisis” (Geneva: International Labor Office, 2009), 29, 30.

¹¹⁹ Jones, “American Producer Cooperatives and Employee-Owned Firms,” in *Worker Cooperatives in America*, 52.

¹²⁰ Katrina Berman, “A Cooperative Model for Worker Management,” in *The Performance of Labour-Managed Firms*, ed. Frank Stephens (New York: St. Martin’s Press, 1982), 80.

makes little difference whether the Mondragon group is compared with the largest 500 companies, or with small- or medium-scale industries; in both comparisons the Mondragon group is more productive and more profitable.”¹²¹ As we have seen, recent research has arrived at the same conclusions. It is a truism by now that worker participation tends to increase productivity and profitability.

Research undertaken by Henk Thomas and Chris Logan corroborates these conclusions. “A frequent but unfounded criticism,” they observe, “of self-managed firms is that workers prefer to enjoy a high take-home pay rather than to invest in their own enterprises. This has been proven invalid...in the Mondragon case... A comparison of gross investment figures shows that the cooperatives invest on average four times as much as private enterprises.” After an extensive analysis they also conclude that “there can be no doubt that the [Mondragon] cooperatives have been more profitable than capitalist enterprises.”¹²² Recent data indicate the same thing.¹²³ One particularly successful company, Irizar, which was mentioned earlier, has been awarded prizes for being the most efficient company in its sector; in Spain it competes against ten private enterprises, but its market share is 40 percent. The same level of achievement is true of its subsidiaries, for instance in Mexico, where it had a 45 percent market share in 2005,

¹²¹ Hendrik Thomas, “The Performance of the Mondragon Cooperatives in Spain,” in *Participatory and Self-Managed Firms: Evaluating Economic Performance*, ed. Derek Jones and Jan Svejnar (Lexington: Lexington Books, 1982), 149.

¹²² Henk Thomas and Chris Logan, *Mondragon: An Economic Analysis* (Boston: George Allen & Unwin, 1982), 103, 104, 109.

¹²³ Will Bartlett, “Labor-Managed Cooperatives,” finds little difference between levels of investment in capitalist and cooperative firms in Italy.

six years after entering the market. An author comments that “the basis for this increased efficiency appears to be linked directly to the organization’s unique participatory and democratic management structure.”¹²⁴ A major reason for all these successes is Mondragon’s federated structure: the group of cooperatives has its own supply of banking, education, and technical support services. The enormous funds of the central credit union, the Caja Laboral Popular, have likewise been crucial to Mondragon’s expansion. It proves that if cooperatives have access to credit they are perfectly capable of being far more successful than private enterprises.

It is worth noting, incidentally, that private corporations are fantastically inefficient, although their inefficiency is disguised by collusion with the government:

Contrary to their claims of efficiency, most large corporations... spend an inordinate portion of society’s resources on advertising, executive perks and salaries, transportation and communications to far-flung corporate empires, and lobbying expenses. Most depend for their profits and survival on a complex regime of public subsidies, exemptions, and externalized costs, including the indirect subsidies they gain when allowed to pay less than a living wage, maintain substandard working conditions, market hazardous products, dump untreated wastes into the environment, and extract natural resources from public lands at below-market prices. Ralph Estes... estimates that in 1994 corporations extracted more than \$2.6 trillion a year in such subsidies in the United States alone—roughly five times their reported profits... It is one of the basic principles of efficient market function that the full costs of a product or service be borne by the seller and passed on to the buyer. Yet many corporations would be forced to close

¹²⁴ Greg MacLeod and Darryl Reed, “Mondragon’s Response to the Challenges of Globalization: A Multi-Localization Strategy,” in *Cooperatives in a Global Economy*, 131.

their doors or restructure if they had to bear the true full costs of their operations.¹²⁵

Americans sometimes think of large size almost as an end in itself, or at least as necessary for economic efficiency. But this is not always the case. In some industries, economies of scale do exist. But large size tends to entail bureaucratic inefficiencies, environmental destruction, allocative inequalities, political corruption, in general significant negative externalities.¹²⁶ Consider, by contrast, the Emilia-Romagna region of northern Italy, “widely recognized as one of the world’s leading examples of a successful cooperative economy, with [40 percent] of the region’s GDP deriving from cooperative enterprises.”¹²⁷ The region of 4 million people, one of the richest and most developed areas in Europe despite its poverty only a few decades ago, has between 10,000 and 20,000 cooperatives (accounts vary) and 400,000 enterprises, making for a dense network of small and medium-sized firms. The major sectors are retail, manufacturing, and

¹²⁵ The International Forum on Globalization, *Alternatives to Economic Globalization: A Better World Is Possible* (San Francisco: Berrett-Koehler Publishers, 2002), 142. See also Ralph Nader, *The Ralph Nader Reader* (New York: Seven Stories Press, 2000), 147–194.

¹²⁶ William Greider points out also that “Above a certain size, getting bigger and bigger does not deliver new economies of scale; it simply walls off the threat of innovative competition. Companies use their size to guard their turf against intruders and, because they have greater financial resources and technological and marketing skills, they can literally smother the new guys who come along with a better idea.” Therefore, the “success” of gigantic corporations like ExxonMobil and Ford does not necessarily indicate “efficiency.” Greider, *The Soul of Capitalism: Opening Paths to a Moral Economy* (New York: Simon & Schuster, 2003), 241.

¹²⁷ John Restakis, “The Lessons of Emilia Romagna” (2005), http://www.geo.coop/files/BolognaVisits_Lessons_ER.pdf (accessed May, 2010). The bracketed figure comes from John Restakis, “The Emilian Model—Profile of a Cooperative Economy,” http://auspace.athabasca.ca:8080/dspace/bitstream/2149/1111/1/Emilia_Romagna_Model.pdf.

construction.¹²⁸ Emilia-Romagna's success is due to the unique structure of its economy, sometimes called the Emilian Model: cooperative principles govern "the joint production and distribution of goods and services by private firms," most of which are not themselves cooperatives. Highly specialized small firms cooperate to produce a given product; most of the firms are subcontractors for the one that produces the finished good.¹²⁹ At the same time, Mondragon's system of "secondary cooperatives," such as the Caja Laboral, that provide support to primary cooperatives has been replicated, so that small businesses share "service centers" for "research & development, education & training, marketing & distribution, financing, technology transfer, workplace safety, environmental regulation, and a host of other services that help small and medium-sized firms to compete in a global marketplace. ...What all these centres have in common is that they replicate the advantages of large corporate structures for the collection and application of global knowledge for production, while maintaining the strengths which are unique to small enterprise."¹³⁰ Long-term support from the historically leftist regional government has been essential to the development of the Emilian Model.

In short, there are many ways in which cooperatives can be made to work. Even isolated co-ops can be successful if they have access to capital. As we have seen,

¹²⁸ Eurostat, "Emilia-Romagna: Economy," http://circa.europa.eu/irc/dsis/regportraits/info/data/en/itd5_eco.htm (accessed May, 2010).

¹²⁹ Alberto Rinaldi, "The Emilian Model Revisited: Twenty Years After," *Materiali di discussione del Dipartimento di Economia politica*, no. 417 (September, 2002): 3. Another author writes, "In Italy cooperatives in similar industrial sectors and regions have established consortia to enable them to engage in joint purchasing and bid for contracts jointly." Cornforth, 223.

¹³⁰ Restakis, "The Emilian Model—Profile of a Cooperative Economy," 3.

cooperatives typically fare as well as or better than capitalist enterprises in relation to longevity, productivity, wages (sometimes), working conditions, democratic organizational structures, the potential for ensuring long-term employment, and even profitability (if they have enough capital). Their rarity is due to their low rate of formation, which is due in large part to difficulties in securing capital, but also to a lack of will or knowledge amongst the populace. People have to be educated on the possibilities open to them, shown where to look for resources, how to start a business together. Starting a business is hard work; it requires initiative, resourcefulness, intelligence. But it is done all the time, though usually by capitalist-minded entrepreneurs; there is no reason to think that a small group of cooperators cannot do the same thing, especially if assisted by any of the dozens of organizations in America that exist for this purpose. Policy changes would help too, for example if the Small Business Administration started guaranteeing loans to worker cooperatives.¹³¹ Indeed, the hostility of the American government (on federal and state levels) as compared to the governments of Italy and France is yet another reason for the rarity of worker cooperatives in America. Even the federally chartered National Cooperative Bank tends not to lend to worker co-ops. A priority of activists should be to change these policies. In fact, governments

¹³¹ Andrea Buffa, “Evergreen Cooperatives Forge an Innovative Path toward High-Quality Green Jobs,” *CommonDreams.org*, April 17, 2010, <http://www.commondreams.org/headline/2010/04/17-3> (accessed May, 2010). The National Cooperative Business Association is having some success lobbying Congress to include cooperatives in SBA programs. See “NCBA Annual Report 2009,” <http://www.ncba.coop/ncba/what-we-do/publications/annual-report>.

committed to the reduction of current high rates of unemployment would be well-advised to facilitate proactively the formation of cooperatives of all kinds.

I could go into more detail on certain matters, for instance the issues involved in employee buyouts of traditional companies, but the purpose of this chapter has been only to give an overview of the nature of the worker cooperative. Hopefully I have at least convinced skeptical readers that cooperatives have great potential, and that if they are rare now it is not because of inherent flaws in the model. With education, technical support, policy changes, and capital—all of which, it is worth remembering, have been crucial to the global success of capitalist businesses—cooperativism could be the next great movement of American history, indeed of world history.

CHAPTER 3

WORKER COOPERATIVES IN AMERICAN HISTORY

Despite its reputation for individualism and unbridled capitalism, the United States has a history rich in cooperation and communalism. From the colonial era to the present, local communities have engaged extensively in self-help, democracy, and cooperation. Indeed, the “individualistic” tradition would more accurately be called the “self-help” tradition, where “self” is defined not only in terms of the individual but in terms of the community (be it family, unit of production, religious community, township, etc.). Americans are traditionally hostile to overarching authorities separate from the community with which they identify, a hostility expressed in the classical resentment toward both government and large corporations. The stereotype, based on fact, is that they would rather solve problems on their own than rely on political and economic power-structures to do so. The following brief survey of the history substantiates this claim. While my focus is on worker cooperatives, I will not ignore the many and varied experiments in other forms of cooperation and communalism.

Certain themes and lessons can be gleaned from the history. The most obvious is that a profound tension has existed, constantly erupting into conflict, between the

democratic, anti-authoritarian impulses of ordinary Americans and the tendency of economic and political power-structures to grow extensively and intensively, to concentrate themselves in ever-larger and more centralized units that reach as far down into society as possible. Power inherently wants to control as much as it can: it has an intrinsic tendency toward totalitarianism, ideally letting nothing, even the most trivial social interactions, escape its oversight. Other social forces, including urges for freedom and democracy, typically keep this tendency in check.

Secondly, most cooperatives have been formed during economic contractions or waves of political and social movements. On the other hand, many cooperatives, like all kinds of businesses, have succumbed to economic contractions. The best way to prevent that is by building up a thick mesh of institutional networks, cooperative federations, ideologically friendly “banks.” Fortunately, this is happening now. As it continues, moreover, society will no longer have to wait for recessions to stimulate the creation of new co-ops; they will be born continually around the world, as organizers spread the gospel and help provide the capital. Effectively there will be a continuous social movement.

This also suggests that another pitfall of earlier movements has been overcome: each generation of past cooperators often had to begin anew, relearning the lessons of their forebears, because most cooperative institutions did not extend sufficiently in time or in space. Even if knowledge and capital could be accumulated over many years—

which they usually could not—the means of coordinating a continent-wide movement did not exist. Now they do, increasingly so every year.

More generally, a lesson of the history of radical social movements is that advances in freedom or against power-structures do not occur as quickly as activists would like or expect them to. Radicals in the 1880s, in the 1960s, in Spain in the 1930s, amongst the IWW in the 1910s, and so on, thought that society was on the cusp of a social revolution. But, strictly speaking, society is never on the “cusp” of a progressive “revolution,” because these things take an inordinate amount of time. I’ll return to this subject in the next chapter; suffice it to note that the history of cooperativism is an excellent illustration of the *slowness* of systemic change, the necessity for revolutionists to be dedicated to decades of slow, patient organizing as opposed to sweeping assaults on the fortress of capitalism. To use Gramsci’s terms, the war of position is more important than the war of maneuver—precisely because, with regard to a *social* revolution, the war of maneuver should be seen not as separate from and subsequent to the war of position, as Gramsci saw it, but as a component in the latter. Radicals should always be testing the strength of reactionary power-structures, pushing against them directly through political “maneuvering” to enact reforms that erode their power and conservatism, while at the same time educating and organizing the multitudes (i.e., fighting the war of position) partly as a basis for these miniature “wars of maneuver.” This is the process through which most genuine, long-term progressive achievements have been made, as opposed to abortive “revolutions” like Lenin’s in 1917. Impatience does not work.

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Anti-capitalist movements were fitful and sporadic prior to the Civil War, although horror at the excesses of early industrialism was widespread even amongst the privileged, and the miseries of the lower classes in cities and rural areas fostered a seething discontent that exploded in events like the Flour Riot of 1837, Dorr's Rebellion in the 1840s, the Anti-Renter movement in the Hudson Valley around the same time, innumerable strikes by factory-workers, and the formation of the world's first Workingmen's Parties in New York and other states.¹³² The wretched conditions of the first half of the nineteenth century are well known. Less well known are the early, tentative experiments in alternative social and economic arrangements. In the very early 1800s workers occasionally formed cooperatives while on strike, or after a strike had failed. In Baltimore, a cooperative shoemakers' manufactory was organized in 1794; in 1806, Philadelphia shoemakers organized another cooperative manufactory. Such actions became increasingly common in the early labor movement, especially amongst artisans and craftsmen.¹³³ A less oppositional sort of cooperativism was practiced by immigrants from Europe, as it would be in later waves of immigration as well: they formed communities in cities on the east coast in which mutual-aid structures were essential to survival.

¹³² See, e.g., Howard Zinn, *A People's History of the United States* (New York: Harper Collins, 2003), chapter 10, and Joseph Rayback, *A History of American Labor* (New York: The Free Press, 1966), chapter 6.

¹³³ Curl, *For All The People*, 34.

At the same time, communalism of both secular and religious varieties was trying to gain a foothold in America. Communalism has been a recurring phenomenon in American history, from the early 1600s to the 1970s and beyond: a group of like-minded people get together and establish a community on the fringes of American society, away from the capitalist rat-race. Quakers, Shakers, Mormons, Rappites, Christian Socialists and other religious groups founded cooperative communities in the late 1700s and early to mid-1800s, usually with at most a few hundred members. Some of them were quite successful, lasting decades; others ended after a few years because of personality clashes or organizational problems.¹³⁴

Secular communalism was not wildly successful either. Robert Owen came to America in 1825 to spread his new “socialist” doctrines and start experimental communities at New Harmony, Indiana and other locations. With 900 people, New Harmony did impressively well for a while—so well, in fact, that Owen prematurely changed its status and structure into that of a commune, with means of survival held in common and remuneration based on need rather than work (anticipating Karl Marx’s formulation, “From each according to his ability, to each according to his need”). This enterprise failed miserably: the township was too diverse, and infighting spelled its doom. The whole Owenite movement effectively collapsed in 1828.¹³⁵

¹³⁴ Ibid., chapter 18.

¹³⁵ Edwin Charles Rozwenc, *Cooperatives Come to America: The Protective Store Movement, 1845–1867* (Philadelphia: Porcupine Press, 1975), 7.

A second wave of communalism began in the 1840s, when Charles Fourier's ideas were put to the test. Associationists, as they were called, hoped that "phalanxes," Fourier's ideal communities, would eventually sprout up all over the country and transform it from capitalism into a harmonious, cooperative society. Owen's followers had focused on cooperative agriculture, but Fourier's emphasized industry, since times had changed since the 1820s. Dozens of phalanxes with at least a hundred members each were founded in the eastern half of the country. But after a few years the old problems with Owen's movement returned: most poor people couldn't afford to found phalanxes, even after combining their resources, and the phalanxes they did form usually remained poor, "strangled by debts they had undertaken."¹³⁶ Participants expected the new communities to magically solve their economic problems; when they didn't, and in fact added such new stress to life that many people "burned out," the movement lost its vitality and collapsed (after ten years or so).

Concomitant with Associationism was a renewed union worker cooperative movement. After the case *Commonwealth v. Hunt*, decided by the Massachusetts Supreme Court in 1842, established that labor unions had the right to exist, unions grew quickly throughout the east. Strikes erupted in the late 1840s in response to wage-cuts brought on by a depression, and cooperatives were formed in the wake of these strikes. For instance, the iron molders of Cincinnati struck in 1847, lost, and then organized a successful cooperative foundry. Unions established cooperatives in many states—often

¹³⁶ Curl, *For All The People*, 292.

as a response to failed strikes—and amongst such diverse groups as glassblowers, cabinetmakers, barrel-makers, seamstresses, tailors, hat-finishers, and iron molders.¹³⁷ Europeans who had emigrated after the failed revolutions of 1848 also started many cooperatives in eastern cities. On the whole, however, this wave of cooperativism was over by the mid-1850s, having succumbed to a lack of resources and fierce capitalist competition. The depression of the mid-1850s also wreaked havoc on cooperatives, and the Civil War eliminated most of the few that still remained.

But before that final catastrophe happened, consumer cooperatives made their first major appearance in America, between 1845 and 1860. In a consumer cooperative, as opposed to a worker cooperative, “the customers are the voting members who band together to acquire consumer goods directly from producers and eliminate the profits of middlemen [i.e., retailers]. The workers in the cooperative may or may not be members.”¹³⁸ Consumer co-ops are more capitalistic than worker co-ops in that, while the property is collectively owned by consumer-members, managers exist (appointed by a board of directors elected by the membership) who hire and fire workers as in a capitalist enterprise. Nevertheless, the co-op has definite advantages over the private enterprise, not the least of which is that it can sell goods more cheaply, at close to cost, by eliminating the middleman. This is what the Working Men’s Protective Unions did, approximately 800 of which were established in New England and Canada between 1845

¹³⁷ Ibid., 50.

¹³⁸ Ibid., 53.

and 1860, servicing 30,000 to 40,000 members and tens of thousands of non-members.¹³⁹ The movement was stimulated by the harsh economic climate for working people of the 1840s, and also by the energy of radical European immigrants who carried the frustrated hopes of 1848 to America. The hundreds of stores provided cooperative employment, cheap goods, and devoted much of their financial surplus to insurance for the aged and the sick. And yet the movement lasted only a few years because of the aforementioned problems of debt, lack of resources, and economic depressions in the 1850s. It also fatally incurred the wrath of capitalists for selling goods too cheaply: private enterprises used the tactics of price-slashing and blacklisting to drive the co-ops out of business, after which prices were raised again.¹⁴⁰

The Rochdale consumer-cooperative movement in England, which began around the same time as the Protective Unions in the United States, avoided some of the latter's mistakes, particularly the mistake of selling goods much more cheaply than conventional businesses did. Instead, the Rochdale cooperators pioneered a device that has been used to great effect ever since: rather than every customer's paying a low price, regular prices were charged but rebates periodically given to members (greater rebates going to those who purchased goods more frequently).¹⁴¹ This mollified capitalist competitors. At the same time, the Rochdale group was better able to secure financing for its operations by

¹³⁹ Rozwenc, *Cooperatives Come to America*, 116, 120.

¹⁴⁰ Curl, *For All The People*, 55.

¹⁴¹ *Ibid.*, 57.

relying not merely on small membership fees, as in the Protective Unions, but also on shares of equity sold to members, who thereby could earn a fixed dividend of no more than 5 percent.¹⁴² Another important contribution of Rochdale was to formulate concrete principles of cooperation that have been embraced by cooperators for 150 years. Among them are “open and voluntary membership,” “democratic member control,” “payment of limited interest on capital,” and “promotion of education.”¹⁴³ Hundreds more cooperative stores opened in America after the Civil War, most of them modeled on the Rochdale system rather than the failed Protective Unions.

It is after the Civil War that the history of cooperativism becomes really exciting, full of promise and tragedy. Associations like the National Labor Union, the Sovereigns of Industry, the Knights of St. Crispin, and the Knights of Labor enthusiastically supported cooperation and proselytized for it. In and around the time of labor’s Great Upheaval (the late 1870s and 1880s), thousands of cooperative stores and factories were born around the country, especially in the east. Hundreds of thousands of laborers and artisans had faith in cooperation—at least in the long run—as an escape from industrial misery, hoping to mold society anew in the image of a “republic of labor,” which would be a continuation and fulfillment of the Founding Fathers’ republican *political* vision. Labor reformers thought that in order for liberty, equal rights and the pursuit of happiness

¹⁴² Steven Leikin, *The Practical Utopians: American Workers and the Cooperative Movement in the Gilded Age* (Detroit: Wayne State University Press, 2005), 4.

¹⁴³ ICA, “Cooperative Principles and Values – Revisions,” <http://www.ica.coop/coop/principles-revisions.html> (accessed March, 2010).

to flourish, social conditions would have to be revolutionized: cooperation would have to supersede “wage-slavery,” so that economic reality could be made consistent with America’s democratic form of government. “The principles of Co-operation,” wrote a reformer in the late 1860s, “are more in harmony with the principles of our form of government than our present social system.”¹⁴⁴ The dream of this cooperative utopia inspired reformers for decades.

For example, in the late 1860s the newly formed National Labor Union, a loose federation that had over 300,000 members before it collapsed in 1873, endorsed cooperation and sponsored the creation of many cooperatives. William Sylvis, its president, declared that “Of all the questions now before us, not one is of so great importance, or should command so large a portion of our consideration, as co-operation... Co-operation is the only true remedy for low wages, strikes, lock-outs, and a thousand other impositions and annoyances to which workingmen are subjected.”¹⁴⁵ The NLU even petitioned Congress to spend \$25 million on establishing cooperatives. Many local unions in New England organized co-ops to support strikes or in the case of a lockout, but continued to operate them after the strike or lockout had ended. For example, between 1866 and 1876, iron molders established at least thirty-six foundries

¹⁴⁴ John Samuel, quoted in Leikin, *The Practical Utopians*, 32.

¹⁴⁵ Curl, *For All The People*, 66.

and shoemakers at least forty factories,¹⁴⁶ most of which were responses to failed strikes or lockouts.

The Knights of St. Crispin, a shoemakers' union (excluding unskilled labor) that was founded in 1867, were equally zealous in their propagandizing for cooperation. They were among the most powerful unions in the world: with over 50,000 members, by December, 1870 they had scores of lodges in Massachusetts, New York, New Hampshire, Ohio, Michigan, Pennsylvania, Indiana, Wisconsin, New Jersey, even California. Like other national labor unions of the period they were decentralized, and so they mostly left it to the initiative of local branches to found co-ops. But it was recommended that every lodge consider starting a cooperative factory and a store. In Massachusetts, by 1869 the Crispins had organized between thirty and forty cooperative stores; in the following years they organized factories in New England, New York, New Jersey, and other states.¹⁴⁷ One factory in Maryland had as many as a hundred workers. The Crispins disappeared in the late 1870s, but the Knights of Labor would go on to form cooperative shoe shops in the 1880s.¹⁴⁸

The methods of financing and organizing all these factories and stores varied. Since the labor movement was highly decentralized at the time, the initiative usually lay with the local branches of unions. These comprised mostly skilled workers, artisans and

¹⁴⁶ Ibid., 73.

¹⁴⁷ Don D. Lescohier, *The Knights of St. Crispin* (New York: Arno, 1969), 50, 51, 52.

¹⁴⁸ Curl, *For All The People*, 75.

craftsmen hostile to unskilled labor and the development of industry because it threatened to deprive them of their livelihood and the pride they took in their work. (Industrial unionism, it will be recalled, did not come into its own until the late 1930s, with the founding of the CIO. Craft unions were the norm at the end of the nineteenth century.) Bakers, printers, blacksmiths, mechanics, carpenters, coal miners, shipwrights, plumbers, shoemakers, foundry workers—these were the sorts of people who formed cooperatives all across the country.

How did they do it? The main obstacle to forming co-ops was and is the need for capital. One common tactic was to require workers to purchase shares of stock, which would earn a small dividend. Perhaps after a failed strike at a capitalist business, a dozen carpenters in a union would get together and decide to start a co-op. Often they wrote letters for advice to labor leaders like William Sylvis, John Samuel and Thomas Phillips, inquiring, for example, as to whether it was better to distribute profits on the basis of shares owned or of labor performed. They might start a retail store as a way to accumulate capital for production. In the 1880s, local and district assemblies of the Knights of Labor oversaw the creation of cooperative businesses, and it became common practice to start a retail store first. Victor Drury, a French immigrant influential in the labor movement, recommended that products be sold in the store at slightly above cost, only until

we could sell at *cost* those commodities which we should produce ourselves as soon as we begin to manufacture. So soon as we could find sale for sufficient of the products of any of the industries we have mentioned to employ a few producers, we should establish a workshop or *centre of production*. For instance, if we sold sufficient bread and pastry to employ four or five bakers, we should immediately establish a bakery... We should then call upon the Trades' Unions to furnish us with the most skilled and capable men in their special industries to direct these *centres of production*.¹⁴⁹

Drury was a member of the Knights of Labor's District Assembly 49 in New York, which organized many cooperatives that were managed by a designated committee. It sold shares in an organization called the Solidarity Co-operative Association, which invested over \$6000 in various enterprises. No interest was paid to the shareholders, nor did they have any control over the management of the firms; instead, the association would buy back the shares later and reinvest 50 percent of its profits in cooperation. By 1887, the Solidarity Association was running eight businesses, one of which had a capital of \$67,000 and employed over one hundred workers.¹⁵⁰

Most of the cooperative businesses of the 1860s and 1870s—like many private enterprises—succumbed to one of the several depressions that rocked the nation in those decades, for example the severe slump of 1873. But the Knights of Labor picked up where the National Labor Union and the Sovereigns of Industry (among other groups) left off, and it was in the 1880s that cooperativism had its greatest successes.

¹⁴⁹ Victor Drury, *The Polity of the Labor Movement* (Philadelphia: Frederick Turner, 1885), 61, 62.

¹⁵⁰ Leikin, *The Practical Utopians*, 83.

The Knights of Labor originated in the late 1860s and early '70s in Philadelphia but slowly expanded into the rest of Pennsylvania and finally became a national organization with 750,000 members. It encompassed many trade unions and was organized geographically rather than by occupation. “The Knights attempted to organize all American productive workers into ‘one big union’ regardless of skill, trade, industry, race or sex and were divided into local, district and national assemblies, with a centralized structure”¹⁵¹—although substantial autonomy was granted to local assemblies, which took the initiative in establishing hundreds of cooperative stores and factories. The national leadership was less energetic on this score than local leadership. The overarching purpose of the organization was, as its longtime leader Terence Powderly said, “to associate our own labors; to establish co-operative institutions such as will tend to supersede the wage-system, by the introduction of a co-operative industrial system.”¹⁵² To this end, the Knights lobbied politically, engaged in numerous strikes, lent their support to other radical social movements, and, of course, organized co-ops. Masses of workers genuinely believed that they could rise from being “rented slaves” to become cooperators in control of their work and wages, living in revitalized and stabilized communities, no longer subject to periods of unemployment. Cooperation was a religion for some of them.

¹⁵¹ Curl, *For All The People*, 88.

¹⁵² Terence Powderly, *Thirty Years of Labor: 1859 to 1889* (Columbus, Ohio: Excelsior, 1889), 453.

In 1880 the delegates to the General Assembly earmarked 60 percent of regular dues for cooperatives; in the following years they also levied a compulsory monthly tax on members and subsequently a voluntary one. But in 1884 the Cooperative Fund was still only \$974.52.¹⁵³ On the other hand, the national leadership was willing to spend \$20,000 over several years to support a coal mine that had been started by eight miners in 1883 after they leased a forty-acre plot. They ran into financial troubles and appealed to the Knights' Executive Board, with the result that this Indiana mine became the first major production cooperative to be run directly by the central organization. As John Curl states, "the Knights intended the mine to be the first link in the economic backbone of the new society they planned to build."¹⁵⁴ However, after buying the land, equipping the mine, and laying railroad tracks to it, the Knights discovered that the railroad company would not connect their switch to the main track for nine months. Later they found out that they would have to provide their own switch engine, which they could not afford. Such problems accumulated, and in the end the Knights leased the mine and finally sold it.

As already noted, more successful than these centralized efforts were the hundreds of projects initiated by local assemblies or unions. Minneapolis in the 1880s was a particularly exciting place for cooperators, who were running 35 or 40 businesses.¹⁵⁵

¹⁵³ Leikin, *The Practical Utopians*, 57.

¹⁵⁴ Curl, *For All The People*, 91.

¹⁵⁵ The information in this paragraph comes from *ibid.*, 96–100, and Leikin, *The Practical Utopians*, chapter 5.

There were eight cooperative barrel-factories, eight building-and-loan associations, two print shops, and one grocery store, shirt factory, house-construction company, library, cigar factory, dry-goods store, laundry, and a 250-acre cooperative colony miles from the city. Most of these businesses were started between 1882 and 1886, when the Knights had a strong presence in the city, though some of the barrel-making factories dated from the '70s. These came to dominate the city's barrel industry; in 1887 they grossed over a million dollars' worth of business and employed 368 journeymen-owners out of 593 coopers in the city. Evidently their methods of capitalization served them well: each of the sixteen original members of the first factory (in 1874) bought a \$15-share initially and paid \$5 to the business every week thereafter, which eventually allowed them to buy a shop near the railroad. New members had to buy shares, which they could purchase from departing members (if there were any). Through these simple means, and the high demand for barrels among millers, the business was able to expand and spawn others, until a veritable cooperative community developed which maintained admirable cohesiveness despite the mixture of ethnicities—German, Swedish, Norwegian, Irish, Italian, and American.

The key to their success, of course, was institutional support. This is always essential to the success of any oppositional movement. A rich network of mutually supporting institutions is necessary, helping each other with finances, publicity, organizational and recruiting work, “moral support,” etc. It is necessary to build a

genuine community outside the mainstream. The Minneapolis coopers had this community, as testified by Albert Shaw, a nineteenth-century historian of the movement:

In Minneapolis there are men who are earning their living in a cooperative cooper shop, paying for their home through a cooperative building and loan association, buying their groceries at a cooperative store, and having their washing done in a cooperative laundry. Some of them perchance enjoy the advantages of membership in a cooperative neighborhood improvement association, obtain books and magazines from a cooperative reading club or library association, and so on. Many of them belong to societies and orders which have as their most practical feature a system of cooperative life and accident insurance.¹⁵⁶

However, the experience of the Minneapolis cooperative coopers is illuminating also with regard to the challenges they faced. For example, they had an ambivalent relationship with the labor movement and the Knights of Labor. On the one hand, the Knights provided institutional support and leadership. Indeed, the main reason cooperation failed in Minneapolis after 1887 was the organizational decline of the Knights.¹⁵⁷ On the other hand, the cooperators were running a business and so did not always have the same interests as the journeymen coopers, the wage-laborers, who were employed in conventional workshops with bosses. At times they acted in solidarity with their fellow workers, while at other times their business interests put them at odds with the labor movement. Some of the cooperators even hired journeymen and machine operators in their shops and so became employers themselves. The Knights actually

¹⁵⁶ Quoted in Leikin, *The Practical Utopians*, 129.

¹⁵⁷ *Ibid.*, 152.

expelled the members of one co-op from the local Assembly for acting too independently vis-à-vis ordinary workers. Such conflicts are, as we saw in the last chapter, always a possibility given the ambiguous nature of the worker cooperative.¹⁵⁸

As the Knights expanded over the continent—especially after 1885, when they won a major nationwide strike against Jay Gould’s railroad company—worker cooperatives followed in their wake, at least 334 of them between 1880 and 1888 (according to one study),¹⁵⁹ in 35 of the 38 states. Many were a response to the depression of 1883–85, when wages were cut on average 15 percent, causing workers to look to other sources for income.¹⁶⁰ The businesses they started were not “factories” as we understand the term, with its connotations of mass production and assembly-line workers, but rather workshops in which skilled craftsmen or semi-skilled workers supervised themselves and each other, sometimes with an almost obsessive concern for democratic procedures. The minutes of general meetings attest to this preoccupation with democracy, given the insistence on having formal votes on almost every conceivable matter.¹⁶¹ Workers were always very reluctant to fire a fellow worker, and it seems to have happened in only the most exceptional cases.

¹⁵⁸ Ibid., 140–151.

¹⁵⁹ See Curl, *For All The People*, 92.

¹⁶⁰ Rayback, *A History of American Labor*, 160.

¹⁶¹ See Leikin, *The Practical Utopians*, 99.

Indeed, aside from their sexism and racism, the attitudes and behavior of cooperators in the Gilded Age seem not to have differed substantially from those of cooperators eighty or a hundred years later, at least with respect to relationships in the workplace itself. There was the same emphasis on freedom and democracy, on realizing the inherent dignity of work, and the same struggle to reconcile cooperative ideals with the pressures of the market and hostility of conventional businesses. There was also a progressive desire to organize women, or for women to organize themselves: in Chicago, for example, women in the Knights of Labor organized twenty cooperatives in the clothing industry. Forty women established one such co-op after being locked out by their employer; they bought shares of stock for \$10 each, distributed the profits equally among the workforce, and worked only eight hours a day.¹⁶²

There were, however, major differences between the respective upsurges of cooperativism in the 1880s and the 1960s, revolving around the fact that the earlier one was part of a broad-based *labor* movement, unlike the later. Thus, the skilled and semi-skilled cooperators during the 1870s and 1880s explicitly used cooperatives as a way to guarantee employment, and arguably they were more ambitious, with their revolutionary hopes for a cooperative commonwealth. Their ideology, of course, was not the educated middle-class countercultural and anti-authoritarian one of the 1960s' youth movements but "laborist," "producerist," devoted to the Jeffersonian ideal of a republic of free laborers, mostly artisans and craftsmen. Some scholars have argued that this fact proves

¹⁶² James Green, *Death in the Haymarket* (New York: Pantheon Books, 2006), 152.

the Knights of Labor were “backward-looking” rather than truly revolutionary—that the future lay in mass production, not skilled labor or artisanry¹⁶³—but this criticism seems partly off the mark. It is true that the Knights were hostile to mechanization, just as workers were in the era of the AFL-CIO, because in both cases it threatened to put them out of a job or to result in the lowering of wages and the deskilling of work. If this aversion to the degradation and mechanization of work is reactionary, so be it. But it is also a source of such revolutionary demands as democratization of production-relations, cooperative organization of the economy, public ownership of industry, destruction of the capitalist class and its sometime-tool the state, and other hopes cherished by hundreds of thousands of laborers in the late nineteenth century.

In reality, the Knights of Labor were radical and conservative at the same time. They were genuinely progressive in their political positions, such as abolition of child labor, support for the eight-hour day, advocacy of public ownership of the railroads, water systems and utilities, support for the women’s movement and “equal pay for equal work,” attempt to organize *all* workers into “one big union,” and so forth. They were conservative insofar as they still exalted the ethos of artisanry and rejected, in their prescriptions for a future economic system, nationwide socialist institution-building, something like the plan put forward by Henry Sharpe when he was president of the

¹⁶³ Needless to say, it is a caricature of the Knights’ position to say that they wanted an economy entirely of small artisanal workshops and small producers. Rather, they desired public control of transportation and communication systems and cooperative administration of mines and other massive industrial facilities. In the 1880s it was not possible for the masses to want to return to the 1830s or ’40s.

Knights of Labor's Cooperative Board in the mid-1880s. He saw that large-scale and long-term cooperativism could not work as long as co-ops remained isolated units in a market economy. Dependence on wages could not be superseded that way; competition would always remain a fact of life, as would, therefore, the downward pressures on wages, the necessity to mechanize and expand, the subjection to the business cycle, etc. Instead, the Knights of Labor had to create their own self-sufficient world of cooperation —“a great industrial union, self-employing, self-sustaining, self-governing.” The members, he said,

should be taught to look upon themselves as a ‘people,’ or, so to speak, as a nation, and the legislative, the executive, the judiciary, the industrial, the police, the insurance, the educational and the charities departments should all be well defined, properly officered and actively employed. It is high time that members be found whose special aptitudes incline them toward one or the other of the departments, and who, finding therein a field for their activities, develop their aptitudes still further and become specialists.

In effect, he was advocating state socialism. While his vision was impracticable and arguably morally objectionable, it had at least one virtue: as Steven Leikin says, it accepted “the organizational realities of the new industrial economy.”¹⁶⁴ It anticipated the elaborate bureaucratic structures of the twentieth-century state, and hence was in no sense “conservative” or “reactionary.” But the Knights refused to take cooperation to these limits. They would not even consent to compulsory taxes, much less to Sharpe's

¹⁶⁴ Leikin, *The Practical Utopians*, 65. See pages 60–66.

vision of centralized authority. Insofar, therefore, as they desired a cooperative society but would not make an all-out assault on capitalism or commit to building a network of alternative economic institutions, they can perhaps be called unrealistic and conservative. Similarly, inasmuch as bureaucracy, statism and mass production represented progress, the Knights, like anarchists and left-Marxists,¹⁶⁵ were indeed ambivalent towards progress.

As it turned out, Sharpe was right. Cooperation succumbed to market forces, but even more to the war waged on it by the business classes. By 1887 the latter were determined to destroy the Knights, with their incessant boycotts, their strikes (sometimes involving hundreds of thousands), their revolutionary agitation, their labor parties organized across the country. In the two years after the famous Haymarket bombing and the Great Upheaval of 1886, in which 200,000 trade unionists across the country went on a four-day-long strike for the eight-hour day but in most cases failed—partly because Terence Powderly, the leader of the Knights, who had always disliked strikes, refused to endorse the action and encouraged the Knights not to participate—capitalist repression swept the nation. Joseph Rayback summarizes:

The first of the Knights' ventures to feel the full effect of the post-Haymarket reaction were their cooperative enterprises. In part the very nature of such enterprises worked against them. The successful ventures became joint-stock corporations, the wage-earning shareholders and managers hiring labor like any

¹⁶⁵ Left-Marxism has much in common with anarchism. Rosa Luxemburg and Anton Pannekoek are classic examples of anarchistic Marxists. Marx himself was susceptible to anarchism, for instance in his celebration of the anti-statist Paris Commune.

other industrial unit. In part the cooperatives were destroyed by inefficient managers, squabbles among shareholders, lack of capital, and injudicious borrowing of money at high rates of interest. Just as important was the attitude of competitors. Railroads delayed the building of tracks, refused to furnish cars, or refused to haul them. Manufacturers of machinery and producers of raw materials, pressed by private business, refused to sell their products to the cooperative workshops and paralyzed operations. By 1888 none of the Order's cooperatives were in existence.¹⁶⁶

Even if the last sentence is an exaggeration, the underlying point is sound: by 1888 it had become evident that a national cooperative movement could not succeed in America, at least not in the absence of sustained, massive and violent attack on the wage-system, far more massive and well-organized than the Knights' movement had been. As Henry Sharpe said, what they were doing was not realistic. Small workshops with little capital and obsolete machinery in an age of rapid industrialization; insufficient institution-building to give financial and material support to co-ops; enslavement to the market at a time when competitors would stop at nothing to suppress working-class moves toward independence. Especially with the weak leadership of Terence Powderly and the mass desertion of former Knights after 1886, as they lost strike after strike, the great dream of building a national cooperative economy was effectively over.

Farmers in the South, West, and Midwest, however, were still building a major movement to escape from the control of banks and merchants lending them supplies at usurious rates; agricultural cooperatives—cooperative buying of supplies and machinery

¹⁶⁶ Rayback, *A History of American Labor*, 174.

and marketing of produce—as well as cooperative stores, were the remedy to these conditions of virtual serfdom. The movement was not dedicated to the formation of worker co-ops, strictly speaking, but it is worth mentioning anyway because of its importance. In the late 1880s and early '90s it swept through southern and western states like a brushfire, even, in some places, bringing black and white farmers together in a unity of interest. Eventually this Farmers' Alliance decided it had to enter politics in order to break the power of the banks; it formed a third party, the People's Party, in 1892. The great depression of 1893 only spurred the movement on, and it won governorships in Kansas and Colorado. But in 1896 its leaders made a massive strategic blunder in allying themselves with William Jennings Bryan of the Democratic party in his campaign for president. Bryan lost the election, and Populism lost its independent identity. The party fell apart; the Farmers' Alliance collapsed; the movement died, and many of the cooperative associations disappeared. Thus, once again, the capitalists had managed to stomp out a threat to their rule.¹⁶⁷

They were unable to get rid of all agricultural cooperatives, however, even with the help of the Sherman "Anti-Trust" Act of 1890.¹⁶⁸ Nor, in fact, did big business desire to combat many of them, for instance the independent co-ops that coordinated buying and selling. Small farmers needed cooperatives in order to survive, whether their co-ops were

¹⁶⁷ See Lawrence Goodwyn, *The Populist Moment: A Short History of the Agrarian Revolt in America* (New York: Oxford University Press, 1978).

¹⁶⁸ One of the innumerable ironies of history is that the Sherman Act was mostly used not against big business but against unions and cooperatives, even though its chief proponents had been workers, farmers and small businessmen hoping to break the power of monopolies. Zinn, 260, and Curl, 118, 119.

independent or were affiliated with a movement like the Farmers' Alliance or the Grange. The independent co-ops, moreover, were not necessarily opposed to the capitalist system, fitting into it quite well by cooperatively buying and selling, marketing, and reducing production costs. By 1921 there were 7374 agricultural co-ops, most of them in regional federations. According to the census of 1919, over 600,000 farmers were engaged in cooperative marketing or purchasing—and these figures did not include the many farmers who obtained insurance, irrigation, telephone, or other business services from cooperatives.¹⁶⁹

From the 1890s to the 1920s, cooperation had its home mainly in the agricultural sector. The sheer number of regional and national organizations devoted to cooperation in agriculture testifies to this. There was the National Farmers Union, the American Society of Equity, the Non-Partisan League in North Dakota, the Farmer-Labor Exchange, the Farmers' Equity Union, the National Grange, Farm Bureaus all over the country—which in 1920 led to the American Farm Bureau Federation—to educate farmers on business methods and cooperation, many regional associations such as the California Fruit Growers Exchange (which became Sunkist), the California Associated Raisin Growers (now called Sunmaid), and the Missouri Farmers Association, and in the 1920s there emerged a variety of Communist farm organizations. Many of these associations had the financial and political support of the federal government, state

¹⁶⁹ Joseph R. Knapp, *The Rise of American Cooperative Enterprise: 1620–1920* (Danville, IL: Interstate Printers and Publishers, 1969), 432.

governments, and business groups, who recognized that the atomistic, competitive model of classical capitalism was totally counterproductive when applied to agriculture.¹⁷⁰ The passage of the Capper-Volstead Act in 1922 was of huge importance for marketing co-ops, since it determined that they did not violate the Sherman Act's prohibition of organizations in restraint of trade. Because of this exemption, marketing co-ops no longer had to worry about the sort of legal harassment they had endured for years.¹⁷¹

Consumer cooperativism, however—not to mention worker cooperativism—was not having much success around the turn of the century. In 1896 the AFL decided to support consumer co-ops, but they did not become a priority of the labor movement. Many immigrant groups ran co-ops in the East and Midwest, and in the West there were several thriving associations, such as the Pacific Cooperative League, the Pacific Coast Cooperative Union, and the California Rochdale Company; but aside from these Western movements, and some Midwestern federations, there was little coordination or communication between co-ops.¹⁷² The Cooperative League of America was founded in 1916 with the mission of coordinating consumer cooperativism (although eventually it would expand its activities to apply to *all* co-ops). It joined the International Cooperative Alliance in 1917, and it exists today as the National Cooperative Business Association.¹⁷³

¹⁷⁰ Ibid., chapters 10 and 11.

¹⁷¹ Joseph Knapp, *The Advance of American Cooperative Enterprise: 1920–1945* (Danville: Interstate, 1973), 26.

¹⁷² Curl, *For All The People*, 140.

¹⁷³ Ibid., 145.

From the 1890s to the 1930s, worker cooperatives were almost entirely ignored by the labor movement. Neither the AFL nor the IWW had much interest in them; nor did the Socialist or the Communist Parties, nor even the Cooperative League. Labor activists seem to have learned their lesson from the fate of the 1880s' co-ops. Not until the Great Depression and the self-help movement would there be a resurgence of a type of producer cooperativism, and this time the movement would be even more spontaneous and decentralized than it had been under the Knights of Labor. Consumer co-ops, too, would make a comeback; they had not fared well during the 1920s.

The self-help cooperative movement, which flourished between 1931 and 1935 but lasted in some form until 1938, originated not in production but barter. It involved the exchange of goods and services, with cooperators sometimes performing labor services on farms in exchange for meals. But productive associations, vaguely similar to worker co-ops, arose after 1934, oriented around such activities as butchering, plumbing, flour milling, logging and sawmilling, carpentry, dentistry, printing, furniture-making, coal mining, laundering, shoe-repairing, etc. Over the course of the movement, more than half a million families were affiliated with 600 self-help organizations in 37 states; about 250 of these were productive associations.¹⁷⁴ The cooperatives thrived particularly around Los Angeles, San Francisco, Seattle, Salt Lake City, Denver, and Minneapolis.¹⁷⁵

¹⁷⁴ Derek Jones and Donald Schneider, "Self-Help Production Cooperatives: Government-Administered Cooperatives During the Depression," in *Worker Cooperatives in America*, 57.

¹⁷⁵ See Knapp, *The Advance of American Cooperative Enterprise*, 289–291.

The production cooperatives differed in at least one crucial respect from ordinary worker co-ops: they relied heavily on government funding and government assistance—\$4,730,000 worth of funding. In 1933 a Division of Self-Help Cooperatives was set up in the Federal Emergency Relief Administration to administer the grants and set the rules that cooperatives receiving money would have to follow. One significant rule stated that no cooperatively produced goods could be sold on the open market. “In effect, a self-help economy was created which functioned separately from the open-market economy. These rules reflected the government’s desire to allow the cooperative sector to operate as long as the free market was not disturbed.”¹⁷⁶ Evidently the government was comfortable with cooperatives insofar as they had a stabilizing influence on society and would provide a safe outlet for discontent.

The economic performance of the co-ops was not quite stellar, but it was not shabby either. Many or most of the workers were in their fifties or older—people who had particular difficulty finding employment—and so were less productive than the average employee in a comparable capitalist business. The cooperatives tended to be relatively small too, and grew but slowly. They were however a very cost-effective way for the government to provide relief to the unemployed, because it seems that, had these co-ops not existed, the government would have spent far more on relief than it did. (Families who were eligible for relief did not apply for it, instead relying on their cooperative income.) In addition, they provided a useful service as “rehabilitation” for

¹⁷⁶ Jones and Schneider, “Self-Help Production Cooperatives,” 59.

the unemployed, who derived psychological benefits from working when otherwise they would have been idle and helpless. Therefore, whatever one thinks of the government's motives in supporting the co-ops, and their systemically stabilizing effects, it can hardly be denied that they performed a valuable function for the families affected.

In the end, the main lesson of the self-help co-ops may be that government assistance can be of great use to cooperators and societal innovators—as it was in Kerala, India—but they should be careful not to become too dependent on it. For then they are subject to the whims of bureaucrats, of policy-makers, of politicians, who may withdraw legislative and financial assistance if the political winds change. Government funding of self-help was not guaranteed and policies changed erratically, not always to the benefit of the co-ops. In any case, the movement lost much of its momentum after the Works Progress Administration was set up in 1935, providing employment for millions and thus obviating the need for the cooperatives.

The government also promoted cooperatives under the aegis of the Tennessee Valley Authority, in the mid- to late 1930s. As is well known, the TVA was conceived as a grand experiment in social reconstruction. It turned out to be quite successful, in no small part because of the fertilizer and electric cooperatives that the government helped set up. Indeed, the TVA served as the “incubator of the federally promoted and financed rural electrification program” that began in 1935, when only 10 percent of the country's farms were electrified. Dozens of electrical power cooperatives had already been set up in the Midwest between 1914 and 1930, but it was only with the Rural Electrification

Administration that the problem was tackled on a large scale. In December of 1935, 789,000 farms were being served by public and private utility systems; five years later, largely as a result of the REA, the number was 1,871,942. By 1940 more than half of rural America was still not electrified, but in the coming decades the job would be completed.¹⁷⁷

Agricultural cooperation thrived during the 1930s, again due to New Deal initiatives. In 1933 the Farm Credit Administration set up Banks for Cooperatives, a program that created a central bank and twelve district banks; it “became a member-controlled system of financing farmer cooperatives, as well as telephone and electric cooperatives.”¹⁷⁸ For the rest of the century, Banks for Cooperatives would prove an invaluable resource. Already by 1939 its financial assistance helped allow half the farmers in the United States to belong to cooperatives.

With World War II and the end of the New Deal, and especially in conservative postwar America, cooperation in all spheres but agriculture plummeted. The political left went off to fight Hitler as the right gained control of the government and the unions. After the war the CIO was purged of Communists, dealing a tremendous blow to the labor movement. Through reactionary legislation like the Taft-Hartley Act, military and police violence against unions, imperialist foreign policy, McCarthyite fear-mongering, and other such devices that created a center-right consensus in the 1950s, the labor and

¹⁷⁷ Knapp, *The Advance of American Cooperative Enterprise*, 346, 347, 373.

¹⁷⁸ Curl, *For All The People*, 187.

cooperative movements were decimated. It was essentially a war of big business and conservative Republicans against the social and political legacy of New Deal America, a war in which centrist politicians and even liberal Democrats were complicit, due in large part to the supposed exigencies of the Cold War.

Nevertheless, all was not quiet on the worker-cooperative front. In Washington and Oregon a number of large cooperatives had been and were still being organized; these were the plywood co-ops discussed in the last chapter. They would go on to become the longest-lived cluster of cooperatives in the United States, lasting from the 1920s to the early 2000s (although dwindling in later years). The first one was called Olympia Veneer, organized in 1921: a bank loan of \$25,000 was secured, and 125 shares of equity were sold at \$1000 each to loggers, carpenters, and mechanics, in order to finance construction. The business did well, and shares were sold at a high price to outsiders. Soon the worker-owners were earning one-and-a-half times the pay of employees in conventional enterprises, due to their higher labor-productivity. Over time the co-op degenerated to something like a capitalist corporation, since non-member employees were hired and non-workers could buy shares. By 1952, 1000 non-owners were employed and the original plant had been sold to a conventional lumber company; in 1954 Olympia was sold to U.S. Plywood Corporation.¹⁷⁹

More plywood co-ops were formed just before World War II, and 21 were organized between 1949 and 1956. Over the course of their lifetime, the size of their

¹⁷⁹ Dow, *Governing the Firm*, 50 ff.

workforces would be between 60 and 500. In the '40s and '50s the cooperatives accounted for 20 to 25 percent of total production capacity in the industry; in later decades their relative share declined as many more conventional firms were created and almost no new co-ops. On the whole, though, they continued to perform very well, as well as or better than their conventional competitors even during severe slumps in the industry. Their decline in the 1990s did not reflect problems with their cooperative organization but rather the overall decline of the regional industry. Conventional mills succumbed too.¹⁸⁰

Why were the plywood co-ops so successful? One reason is that they were formed in the growth period of a major new industry.¹⁸¹ As stated above, the cultural origins of the cooperators surely played a role too: the Scandinavian people have traditionally sought cooperative solutions to problems. Also, the Northwest had had much experience with consumers' and producers' co-ops. These last two reasons point to the importance of a "collective memory," a cultural memory, to the resilience of an oppositional culture.¹⁸² Examples are myriad: the Knights of Labor was defending an artisanal, pre-industrial, Jeffersonian-republican ethos; the Italian working-class anarchists in Northeast urban communities at the turn of the twentieth century had

¹⁸⁰ Ibid.

¹⁸¹ Gunn, *Workers' Self-Management in the United States*, 104.

¹⁸² T. J. Jackson Lears, "Power, Culture, and Memory," in *In Search of the Working Class: Essays in American Labor History and Political Culture*, ed. Leon Fink (Chicago: University of Illinois Press, 1994), 117.

recently emigrated from rural areas in Italy with rich communal traditions they carried over to the New World, and which served as a foundation for radical opposition to industrial capitalism;¹⁸³ in the 1960s, SNCC had phenomenal success organizing a civil rights movement in the South because it tapped into local traditions of participatory democracy, religion, empowerment through music and ritual, small-town mutual respect and dialogue.¹⁸⁴ Even in the 1990s, Mayans in North Carolina who had recently emigrated from Guatemala waged a long battle against their employer Case Farms, nourished and encouraged by their collective memories of rural community, “mutualism,” agricultural cooperation, and immersion in the Catholic church.¹⁸⁵ All these dissidents derived their strength from the “radicalism of tradition” as it came into conflict with industrial society.¹⁸⁶

That fact would seem to have a discouraging implication with respect to the viability of contemporary and future struggles against capitalism, namely that they will not be very “resilient” because the possibility no longer exists of grounding them in “tradition,” a “collective memory,” “precipitates of past historical experience.”¹⁸⁷ These precipitates, after all, have been erased by late capitalism. However, I think the

¹⁸³ See Paul Avrich, *Sacco and Vanzetti: The Anarchist Background* (Princeton, New Jersey: Princeton University Press, 1991).

¹⁸⁴ Charles M. Payne, *I've Got the Light of Freedom* (Los Angeles: University of California Press, 2007).

¹⁸⁵ Leon Fink, *The Maya of Morganton: Work and Community in the Nuevo New South* (Chapel Hill: The University of North Carolina Press, 2003).

¹⁸⁶ Craig Calhoun, “The Radicalism of Tradition,” *American Journal of Sociology* 88, no. 5 (1983): 886–914.

¹⁸⁷ Lears, “Power, Culture, and Memory,” 117.

conclusion is unwarranted. As will become evident in the following chapter, I think a good way to conceptualize radical movements is by dividing them into those that proceed in large part from the “radicalism of tradition” and those that do not obviously draw sustenance from past historical experience but instead grow out of mature capitalism itself. These two categories are of course merely ideal-types, and actual social movements might not always fall clearly under one or the other. But examples of the “non-traditional” kind of movement would be the anti-war, the feminist, the environmental, and the Black Power movements of the late 1960s. Currently, the vast global movement symbolized by the World Social Forum is, on the whole, a clear case of the “mature” sort of anti-capitalist radicalism, the unequivocally progressive sort (as opposed, for instance, to the Knights of Labor, which was in some respects reactionary). These latter-day movements have been quite resilient, some lasting decades and instigating major changes in culture and politics.

Karl Marx had little to say about the traditional, “primitive” sort of radicalism,¹⁸⁸ and in fact the utilitarian, Enlightenment-derived, “progress”-fixated, rationalistic and economic bias of Marxism makes this theory not an entirely adequate framework for understanding them. Historical materialism as a sweeping theory, at least, tends to downplay the significance of “culture” and cultural residues, just as it has little interest in the psychological motivations that actually guide actors, emphasizing instead the latter’s

¹⁸⁸ Eric Hobsbawm, *Primitive Rebels: Studies in Archaic Forms of Social Movement in the 19th and 20th Centuries* (Manchester, England: The University Press, 1959).

structural locations in the economy and the utilitarian *interests* that these locations dispose them to pursue.¹⁸⁹ This framework has its deficiencies, but it is more appropriate to the analysis of “modern” radical movements than “archaic” ones. In particular, it is a powerful tool for interpreting, first, “modern” struggles between capital and labor, with regard to which considerations of culture and tradition are decidedly subordinate to the objective facts of structural location,¹⁹⁰ and secondly, the future evolutionary transition to a post-capitalist society. (See chapter 4.) It is precisely the latter that Marx intended his theory to explain. Archaic cultural residues will be irrelevant to this evolution, which, if it happens, will be propelled overwhelmingly by the economic conditions of late capitalism.

In another sense, however, “collective memory” has always been and will always be essential to every oppositional movement, inasmuch as the movement has to educate itself, remember its past experiences and learn from them, maintain and expand on its institutional innovations, build up economic, social and cultural bases of resistance. The plywood cooperators came from a subculture that had already experimented with

¹⁸⁹ Cf. Axel Honneth, *The Struggle for Recognition: The Moral Grammar of Social Conflicts* (Cambridge, MA: The MIT Press, 1995), 145–151. On another level, though, Marxism as a set of research programs is perfectly compatible with—indeed, tends to encourage—an emphasis on the *concrete experiences* of collective actors, as evidenced by E. P. Thompson’s *The Making of the English Working Class* and Barrington Moore’s *The Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*, not to mention Marx’s own *Eighteenth Brumaire of Louis Bonaparte* and *The Civil War in France*.

¹⁹⁰ We should not forget, though, as some revisionist historians are wont to do, that class structure has always been of central importance even to the old “traditional” struggles. It is precisely the industrial capitalist class structure that artisans, petty bourgeoisie, peasants and others have fought against, while drawing on their cultural heritage.

consumers' and producers' co-ops, which made their new venture that much easier.

Another reason for their success is that the first few co-ops provided a “template” that later organizers could use.¹⁹¹ This, too, is an important lesson for contemporary cooperators.

Another lesson lies in the fate of many of these cooperatives: due in large part to their success, they degenerated into semi-capitalist corporations. Some of them were actually sold to conventional enterprises, but apparently all of them used hired, non-member labor much of the time. As stated in the chapter 2, they did not want to increase the number of worker-owners by creating new shares, because that would have entailed a loss of income for the current members. So the firms that wanted to expand simply hired employees who were not allowed to participate in decision-making and had vulnerable, often temporary jobs. They were effectively second-class citizens in the plants—and they sometimes constituted almost 50 percent of the workforce. This clearly interfered with a culture of cooperation. In fact, what sometimes happened was that when a member retired, his share was not sold to a new worker but instead bought back by the firm, so that each member would have a somewhat higher annual income. The result was that the membership, i.e. the class of owners, gradually shrank as the class of hired labor expanded. For example, during the first five years of Olympia's operation (1923 to

¹⁹¹ Dow, *Governing the Firm*, 57.

1928), 100 non-members were hired, as the number of worker-owners dropped from 118 to 92.¹⁹²

This capitalist mentality was evidenced also in the fact that these co-ops did not participate in cooperative social movements and were founded purely for the sake of providing employment to members. They had no strong ideological commitment to cooperation; they rarely even linked up with one another for political, economic or ideological reasons. Each enterprise was simply “one big family” (with the exception of the hired labor) united against a hostile outside world.¹⁹³ As mentioned earlier, therefore, it is essential that co-ops maintain a connection with social movements if their cooperative identity is not to erode. No great social change will happen if cooperatives simply speckle the economic landscape atomistically, even if there are quite a few of them; they have to actively spread their ideology, spawn new co-ops, maintain ties with the labor movement, fundraise constantly, agitate politically for grants and favorable legislation, look to progressive social experiments being undertaken in other parts of the world and learn from them or contribute to them. Besides, it is likely that the more connections they have with each other, the smaller is the possibility that they will fail economically.

The next great wave of cooperatives after the 1930s adhered to some of these principles, and was in any case the very antithesis of what the plywood mills represented.

¹⁹² Ibid., 51.

¹⁹³ Gunn, *Workers' Self-Management*, 106.

I am referring to the movements of the 1960s and '70s. The perennial question arises: what caused these movements? They seem to have appeared out of nowhere. That is not true, of course; rumblings in the 1950s anticipated them. In the South, black activists in the '40s and '50s were establishing connections with each other, testing the limits of repression, registering voters (voter registration increased fourfold, eightfold, tenfold even by the early 1950s);¹⁹⁴ the NAACP became increasingly active prior to and after *Brown v. Board of Education*, and its membership expanded. Conflicts escalated between whites and blacks as the latter grew in confidence. At the same time, urban centers in the North were incubating the counterculture, notably Greenwich Village and San Francisco, where artists, students, intellectuals and dissidents of all sorts came together in loose communities. In the late '50s and early '60s, these movements reached a critical mass and exploded into the national spotlight.

Ultimately, the explanation for what was happening lies mainly in the advance of the productive forces and their bursting the shackles of certain conservative production relations.¹⁹⁵ In the South, for example, tractors appeared during the First World War; later, flame cultivators cleared land more cheaply than laborers did; a cotton harvester came into use during the 1940s, which did the work of forty cotton-pickers. In short, cotton production was being mechanized. At the same time, “competition from synthetics and cheap foreign cotton made cotton a less valuable crop.” Plantations

¹⁹⁴ Payne, *I've Got the Light of Freedom*, 25, 26.

¹⁹⁵ See the following chapter.

needed fewer and fewer laborers, and so there was less economic need to control blacks, “either through the near-peonage of sharecropping or through violence.” Millions of them migrated to Northern cities, while the rest became more socially assertive—not least because the rise of radio and television, as well as the mass mobilization for the Second World War, lessened their isolation from the rest of the world, gave them visions of freedom and equality. Northern cities became more populous and diverse, which fostered creativity and dissent, as Southern cities became more overtly conflict-ridden.¹⁹⁶

The movements that sprouted from this soil, including the civil rights, anti-war, women’s, students’, ecology, and anti-nuclear movements, translated their concern with freedom and democracy into organizational arrangements that revolved around the “collective.” In a broad sense, a collective is just a small group that embodies participatory democracy; it is a form that can be adapted to many uses, from education and childcare to art or law. It was *everywhere* in the 1960s—Freedom Schools, informal leadership committees, law collectives, communes, underground newspapers, cooperative housing, “food conspiracies,” free medical clinics in Chicago and Oakland administered by the Black Panthers, the latter’s Liberation Schools, free breakfast and clothing programs, free stores in San Francisco, music and art groups, “free universities” offering unorthodox courses, etc. And there were hundreds of worker collectives, and even more consumer co-ops.

¹⁹⁶ Payne, *I’ve Got the Light of Freedom*, 17, 19. I will explore later the somewhat comparable changes that are happening now on a global scale.

John Curl summarizes the evolution of 1960s' worker collectives:

The earliest collective businesses were mostly connected with radical communication media: presses, bookstores and film. This reflected the explicitly political movement from which they emerged. They were followed by food-related cooperatives in the late 1960s, and artisan/industrial collectives and cooperatives beginning around 1970 both in urban and rural areas. These differed from earlier American industrial cooperatives and co-op stores mainly in that they chose worker control through the collective consensus decision-making system, rather than the majority-rule managerial system predominant since the early 19th century.¹⁹⁷

I cannot discuss the sixties and seventies in great detail here. Much of the history is common knowledge or is easily accessible. The rise and partial fall of food co-ops is illustrative and perhaps most worth looking at: "Of all the countercultural organizations, they became the most interconnected, the most developed ideologically and...had the most far-reaching effects."¹⁹⁸ Between five and ten thousand of them sprouted in the late sixties and seventies, at the end of which decade they had an annual volume of about \$500 million.¹⁹⁹ Some of them were controlled by their workers, others by their workers and customer-members. Many began on college campuses but spread to working-class and middle-class neighborhoods as food prices skyrocketed in the 1970s, rising almost 50 percent between 1972 and 1976. The cooperatives' goal was, firstly, to provide healthier, less expensive food to their communities, and secondly, to create a radical alternative to

¹⁹⁷ Curl, *For All The People*, 209, 210.

¹⁹⁸ *Ibid.*, 212.

¹⁹⁹ Daniel Zwerdling, "The Uncertain Revival of Food Cooperatives," 90. The following information comes from Zwerdling's article and Curl, 212–218.

the dominant system. The movement developed dozens of cooperative warehouses around the country to help supply the stores, since most co-ops could not buy in sufficient bulk for established wholesalers to do business with them. Trucking collectives helped connect the system of alternative wholesalers, co-ops, and regional federations on both coasts and in the Midwest.

When one considers the forces against them, it is remarkable how much the cooperatives accomplished. As always, the main obstacle was lack of money. Sometimes organizers had to knock on doors in their communities to fundraise before creating a store, or hold benefits such as dances. When the co-op got started it was often able to sell some food (not all) more cheaply than supermarkets because its members were not concerned with making a profit, and their business had little overhead. Some customers would be recruited for volunteer labor, but most importantly, workers paid themselves very low wages. Without this extreme “self-exploitation,” most co-ops could not have lasted long or offered food at such low prices.

The food co-op movement, insofar as it can be called a movement, declined in the late 1970s. Co-ops could not compete with corporate supermarkets at selling processed foods or meat, or having a high volume of products. They became specialty stores that customers would patronize to buy natural and wholesome foods before skipping over to the local supermarket to buy everything else. Cooperators found that in order to remain in business they had to expand—which meant compromising their principles and led to bitter ideological fights. Even if they were able to expand, which they usually weren't,

they were often still too small to remain financially viable for long, and with the low wages, workers “burned out” after a few years. There was also a chronic shortage of business experience. Financial problems were sometimes not taken seriously until it was too late. Some of these failures could have been mitigated had more cooperative networks been established across the country, but participants in the movement had too many different ideologies and goals to work together in a sustained way. Some had political agendas, others were committed only to running a store. “The co-ops in Minneapolis,” said one participant, “are very isolationist.” This was true almost everywhere.

Surveying the terrain of New Left movements in the sixties and seventies, one is led to several conclusions. Most of these movements seem to have gone wrong in similar ways, due to similar causes. State violence and repression were instrumental in some cases, especially regarding those few movements, like Black Power, that emphasized the class structure. More widespread in its counterproductiveness was ideological sectarianism. The bitter factional infighting that erupted in the late sixties and early seventies drained energy from networking, coordinating dissent. Often participants could not agree on their overall aims, or even their immediate aims. Even more importantly, the movements that attempted to create such alternative institutions as cooperatives and communes suffered from an inevitable lack of capital; in the end, the organizations that survived, whether in the media—like the *Village Voice* and *Rolling Stone*—or in the food

industry, had to follow the rules of the dominant system. Idealism and inexperience lost out to pragmatism and business acumen.

On a deeper level, as will be clear from the following chapter, the fatal flaw in the New Left was that it did not set out to change the dominant mode of production in any comprehensive or competent way. One cannot have a “social revolution” without changing the mode of production and its corresponding class structure. The sixties’ movements focused on politics while neglecting the economy, thus vitiating their long-term goals. They were more interested in “sexy” things like culture, ideologies and politics than the hard work, the decades-long work, of building up a new economy. Of course, this could not have been done anyway; structurally it was impossible at that time, and even in 2010 it will be decades before the transition from capitalism to a more cooperative mode of production, if it takes place at all, will reach a very visible level. Nevertheless, the absence in the 1960s of an alliance between the labor movement and the New Left—indeed, the outright mutual hostility²⁰⁰—points up the latter’s “superstructural” nature, as it points up the former’s bureaucratic ossification and conservatism under George Meany and the old guard.

The fate of the New Left shows us that the way to a new society does not lie with overt ideologizing and sectarianism. It lies with protracted economic evolution, un-“ideological” coordination of sustained economic and political struggles, the slow

²⁰⁰ See Nelson Lichtenstein, *State of the Union: A Century of American Labor* (Princeton: Princeton University Press, 2002), chapters 4 and 5.

accumulation of financial and human resources—nothing so culturally self-conscious and impatient as the movements of the 1960s. They were a product not of the impending demise or decrepit nature of capitalism, as many hoped, but of transformations in production technologies (most obviously in the South), population-movements, the complex of federal, state and local housing and tax policies that fostered “white flight” to the suburbs and left inner cities to rot,²⁰¹ the spread of media that connected distant regions to an unprecedented degree, the partly resultant elevation of the problem of poverty into the national consciousness, the U.S.’s waging of an unpopular war in Vietnam, and many other circumstances.

All this time, mainstream cooperatives were making quiet progress. Credit unions, for example, which had been given legal foundations in the early decades of the century, grew after World War II. By 1969 there were nearly 24,000 credit unions, and a decade later they had 43 million members. Housing co-ops, which date to the beginning of the century, expanded in cities during the 1960s, many of them partly financed by the Department of Housing and Urban Development. Agricultural cooperatives (in marketing, buying and selling, etc.) continued to thrive and merge into ever-larger units, even as the number of farmers shrank. In 1955 there were 8100 farmer cooperatives with 7.6 million members; in 1979 there were 7500 cooperatives with fewer than 6 million members. Most rural people were no longer independent farmers but wage-earners for

²⁰¹ See Robert O. Self, *American Babylon: Race and the Struggle for Postwar Oakland* (Princeton: Princeton University Press, 2003).

agribusinesses, part of the rural proletariat. As for worker co-ops, John Curl estimates that their U.S. membership reached its peak in 1979 with about 17,000 people. There were 750 to 1000 small co-ops and a number of larger ones, including 18 plywood co-ops and a reforestation cooperative called Hoedads with 300 members.²⁰²

The Reagan years were not kind to cooperatives, as they were unkind to the whole labor movement and in fact to oppressed people everywhere in the world. It was a terrible decade. The labor movement remained ambivalent to worker-ownership as manifested in employee buyouts, ESOPs, and cooperatives, opposing the blurring of the line between employees and management. Ever since the AFL had endorsed collective bargaining and rejected worker cooperatives in the late 1800s, this had been the standard line. It began to change in the late 1970s as union officials experimented with employee buyouts as ways of preventing plant shutdowns and saving jobs. But in most cases the traditional adversarial relations between workers and bosses remained despite majority employee-ownership, and often buyouts could not prevent the failure of a plant anyway. Stock ownership plans have become increasingly popular since the 1980s, but usually they have little in common with worker cooperatives, since employees typically do not control the firm even if they own most of its stock. Arguably they are of more use to management than to ordinary workers, being ways of raising capital and of giving employees a direct stake in the company's success (which is supposed to motivate them

²⁰² Curl, *For All The People*, 235–241.

to be productive).²⁰³ Gar Alperovitz may be right, however, that in the long run ESOPs have great transformative potential, as employees demand more control over the companies they nominally own.²⁰⁴

Recessions and a hostile political environment led to the relative decline of consumer and worker co-ops in the '80s and, to a lesser extent, the '90s, but in some areas in the latter decade co-ops began to come together in federations or sponsored the creation of supporting institutions. San Francisco's Network of Bay Area Worker Cooperatives, founded in 1994 to connect dozens of co-ops, is an exemplar of that trend, and it continues to spawn new businesses and affiliate with others. The National Cooperative Bank, chartered by Congress in 1978, provided assistance to cooperatives throughout these years; it currently has \$7.6 billion in assets.²⁰⁵ Unfortunately it does not often provide loans to worker cooperatives, focusing instead on consumer co-ops, housing, ESOPs, community development corporations, and sometimes even fast-food chains like Dunkin' Donuts (which qualifies as a business cooperative under NCB's definition).²⁰⁶

In recent years the prospects for cooperatives in all spheres, all over the world, have become brighter than ever. The United Nations and affiliated institutions have

²⁰³ William Foote Whyte et al., *Worker Participation and Ownership: Cooperative Strategies for Strengthening Local Economies* (Ithaca: ILR Press, 1983), chapter 5.

²⁰⁴ Gar Alperovitz, *America Beyond Capitalism*, 81–89. Over three thousand ESOP companies are already majority-owned by workers, and 40 to 50 percent of these have given voting rights to employees.

²⁰⁵ National Consumer Cooperative Bank, "About NCB," <http://www.nccb.coop/> (accessed May, 2010).

²⁰⁶ Curl, *For All The People*, 252.

repeatedly proclaimed that cooperatives are a crucial component of the plan to meet the Millennium Development Goals by 2015.²⁰⁷ From dairy cooperatives in Bangladesh, water cooperatives in Bolivia (to give people access to safe drinking water), and a revitalized consumer cooperative sector in Russia, to tenant takeovers of abandoned housing in New York City²⁰⁸ and cooperative care of the elderly and disabled in Wisconsin and New York, the movement is making life livable and spreading an anti-capitalist ethos. Institutions have learned the lesson that nothing is more important than to make connections with each other to birth new co-ops.²⁰⁹ In October of 2009, the United Steelworkers Union and Mondragon announced that they were collaborating to establish manufacturing cooperatives in the U.S. and Canada, an agreement that USW president Leo Gerard called “a historic first step towards making union co-ops a viable business model.”²¹⁰ It indicates that the U.S. labor movement, in the footsteps of Canada’s and Europe’s, is finally starting to take seriously the enormous potential that

²⁰⁷ Johnston Birchall, “Rediscovering the cooperative advantage: poverty reduction through self-help” (Geneva: International Labor Office, 2003).

²⁰⁸ Cooperative ownership is the most common form of apartment ownership in New York. Johnston Birchall and Lou Hammond Kettilson, “Resilience of the Cooperative Business Model in Times of Crisis,” 7.

²⁰⁹ For examples, see Luc Labelle, “Development of Cooperatives and Employee Ownership, Quebec-Style.”

²¹⁰ Carl Davidson, “‘One Worker, One Vote:’ US Steelworkers to Experiment with Factory Ownership, Mondragon-Style,” *SolidarityEconomy.net*, October 27, 2009, <http://www.zcommunications.org/steelworkers-plan-job-creation-via-worker-coops-by-carl-davidson> (accessed May, 2010).

cooperatives have as both job-saving devices and means of pushing society in a progressive direction.²¹¹

Cooperatives are faring well in the current recession: “Financial cooperatives remain financially sound; consumer cooperatives are reporting increased turnover; worker cooperatives are seeing growth as people choose the cooperative form of enterprise to respond to new economic realities.”²¹² Cooperative banks, not being driven by profits, had no incentive to give risky loans; 2008 was in fact a record year in many respects for credit unions, some of which are among the largest banks in the world. Regarding other types of cooperatives, there has lately been an increase in their formation-rates, and, as noted earlier, they have tended to last longer than conventional businesses.²¹³ Johnston Birchall predicts that, just as in previous recessions, there will be an increase in the number of worker-takeovers of failing firms, and communities will turn to co-ops to save local economies. One example of this is the Evergreen Cooperative Initiative in Cleveland, Ohio, which in the next few years is expected to create ten worker cooperatives, generating hundreds of “green” jobs. It was inspired by Mondragon and will replicate its federated structure. Millions of dollars in grants have made possible a development fund that already financed two new cooperatives in 2009.²¹⁴

²¹¹ For more illustrations of the rapprochement between cooperatives and unions, see Dan Bell, “Worker-Owners and Unions: Why Can’t We Just Get Along?”

²¹² Birchall and Kettilson, 2.

²¹³ Ibid., 29.

²¹⁴ Andrea Buffa, “Evergreen Cooperatives Forge an Innovative Path toward High-Quality Green Jobs.”

Another example is a project called the Driftless Foods Co-op, in Iowa County, Wisconsin. The goal is to create several manufacturing enterprises in the next few years, including “sustainable poultry processing, hydroponic tomato production, and a regional pet-food line.” Construction has already begun on a vegetable-processing plant. The model being used is Mondragon’s, which entails funding new co-ops through the revenue generated by earlier ones, as well as sharing support centers.²¹⁵

One of the lessons of such developments is that as disadvantaged people and their advocates find traditional avenues of reform closed to them, they will be forced to invent revolutionary new solutions like worker cooperatives. This is what the Latina immigrants in Natural Home Cleaning and Home Green Home Natural Cleaning have done, as well as those involved in the emerging New York City Co-op Network,²¹⁶ and the Evergreen cooperators and United Steelworker future-cooperators. They have all been stymied in their attempts to seek redress through conventional channels. Economic outcasts like these will continue for decades to network with each other outside the mainstream, accumulating resources on behalf of cooperativism, building up an alternative civil society alongside a decaying capitalist order. The system itself will drive them to these extremes; it will produce its own gravediggers as it collapses in old age.

²¹⁵ Bernard Marszalek, “Mondragon comes to the midwest,” JAS Economics, July 3, 2009, http://jasecon.wik.is/Analysis/Mondragon_comes_to_the_mid-west (accessed May, 2010).

²¹⁶ Michael Johnson, “A Network of Cooperatives Gets Organized in New York City: Low-income and immigrant workers well-represented,” *Grassroots Economic Organizing* (GEO) Newsletter, vol. II, issue 5 (2010), <http://www.geo.coop/node/435> (accessed May, 2010).

And the long, tragic history of cooperatives will finally be consummated: it will be rescued and celebrated as a glorious harbinger.

CHAPTER 4

REVOLUTIONARY THEORY AND COOPERATIVES

In 2010 we are confronted with two apparent facts: past revolutionary movements and strategies failed,²¹⁷ and contemporary late capitalism tends toward unsustainability. From the wreckage of the revolutionary tradition we have to salvage what we can, what lessons and insights we can extract. The best way to start is through consideration of the most compelling revolutionary system ever devised, Marxism.

Marx thought that the proletariat would be the agent of transition to a post-capitalist society. His reasoning was so elegant that it has seduced and bewitched generations of thinkers, and even now it is hard to escape from its spell. The pivot of the whole theory is capital's unquenchable thirst for profit, for surplus-value. It seeks always to squeeze more surplus-value out of the worker, to reduce wages as much as possible, effectively to lower the level of the worker's existence as much as it can. It invests profit in labor-saving, money-saving schemes like mechanization, ever-increasing mechanization so as to employ fewer expensive skilled workers and generate more

²¹⁷ If the reader would point to the Russian and Chinese revolutions as counterexamples, I would note that in the long run these succumbed to capitalism (as Marx effectively predicted), and in the short run they did not result in anything remotely similar to what Marxists and other revolutionaries were hoping for (again, as Marx would have predicted, given their circumstances).

surplus. At the same time, it expands its operations and puts weaker competitors out of business. These failed competitors sink to the level of the petty-bourgeoisie or the proletariat as the few surviving capitalists accrue more money and more power. The class of workers and the unemployed thus becomes not only poorer but also larger, while the capitalist class gets smaller and wealthier. Society increasingly takes on the appearance of two polarized classes, one of which is becoming desperate in its poverty and resentment toward the other, and moreover is naturally seeking succor in solidaristic associations through which it builds up its strength. When an economic crisis occurs, as it does every few years due to the laws of capitalist economics, the working-class is impelled through the extremities of its misery to try to overthrow the capitalists and seize state power. It fails a number of times, but at length it will inevitably succeed because of its numerical advantages and its desperation. When this happens, the reconstruction of society along socialist lines will, supposedly, ensue.²¹⁸

I disagree with this theory, as will be evident momentarily. However, Marx argues on another level too—more plausibly, I think—approximately as follows.²¹⁹ Society exists on the basis of an array of “productive forces,” including technology, scientific knowledge, and labor-power. In order for these productive forces to be used,

²¹⁸ I need hardly note that I have drastically oversimplified the theory. Nevertheless, the summary is true as far as it goes, and it suits my purposes.

²¹⁹ I have revised his doctrine in the light of some modern criticisms. He expounds it in the Preface to the *Contribution to the Critique of Political Economy*. Again, this whole discussion will be only as analytically rigorous as necessary; otherwise it would grow to an intolerable length. In the last thirty years, Analytical Marxism has developed a huge corpus of literature to make historical materialism conceptually precise.

production relations are necessary. The relations that develop will, naturally, be appropriate to the level of the productive forces, in that they will make possible the more-or-less efficient use of the latter. Throughout history, most sets of production relations have been essentially conservative: rather than facilitating the development or evolution of the productive forces, they have served only to maintain the approximate level at which the forces already existed. If productive techniques evolved, it was very slowly. This finally changed with the capitalist mode of production, which sprouted on a broader scale than ever before in Europe in the late Middle Ages, in the urban interstices of feudalism. The separation of the producers from the means of production and their consequent necessity of being paid by the economic elite to operate the means of production generated for the first time in history an incentive for this elite to invest in labor-saving technology, and to continually reinvest without end—in other words, to develop the productive forces at an unprecedented rate. The result was that the incipient bourgeoisie accumulated wealth and power, and it inevitably came into conflict with the feudal relations of production and property-relations appropriate to an era hundreds of years earlier, when productive forces were relatively primitive. With the decisive help of artisans, petty-bourgeoisie, and peasants, all of whom had grievances of their own against the autocratic and feudal regime, the bourgeoisie gradually acquired political power as it continued to remake society in the image of capital. But its triumph was nearly inevitable: in the battle between, on the one hand, primitive agrarian productive forces and production relations, and, on the other, dynamic production relations together with

the expansive, powerful, proto-industrial productive forces continually engendered by these production relations, the latter were bound to win.

According to Marx, the fate that befell feudal production relations awaits capitalist ones, because they too will reach a point at which they do not encourage but obstruct productive efficiency. They will come into conflict with a new set of productive forces and the production relations that correspond to them—in other words, the relations that will already be sprouting in the late stages of capitalism²²⁰—and because of the greater productivity and social efficiency of the latter, the capitalist relations will be unable to compete and will wither away. As examples of the inefficiency of capitalist production relations, Marx could point to (1) business cycles and the crises that periodically make useless much of society's productive capacity; (2) wars and the enormous expenditures on unproductive military technology; (3) all the resources poured into advertising and marketing; (4) the tendencies toward financialization of the economy, i.e. the investment of capital not in infrastructure-development but in glorified gambling which adds no wealth to society; (5) the socially irrational distribution of resources, such that, for instance, hundreds of millions of people around the world starve while a few become multi-billionaires; (6) in general, the resources devoted to socially useless competition between atomized units of capital; (7) the absence of incentives for

²²⁰ This hypothesis (and the rest of the sentence) is a revision I have made to his theory. He never argued, as far as I know, that socialist production relations would 'spontaneously' emerge in the late stages of capitalism, only that *productive forces* would emerge that necessitated a transcending of capitalism. See below, where I argue that my revision is necessary in order to salvage his overall theory.

capital to invest in public goods like mass transit, education, and public parks; (8) artificial obstacles to the development and diffusion of knowledge, for instance copyright laws; (9) the corporate-driven destruction of the environment. All these facts signify “fetters” on the development and societal appropriation of existing productive forces.

Just as the bourgeoisie was the class that had an interest in the growth of capitalist production relations, so the proletariat is the class that has an interest in the growth of socialist relations. But there are disanalogies between the two cases, which Marx did not remark on and which threaten to undermine his theory. First of all, the reasons for the supposed inevitability of the two social revolutions are different, according to Marx. The bourgeoisie was going to win because capitalist relations of production had already built themselves up to a substantial level by the seventeenth century (or earlier), and the conservative manorial system of the feudal lords could not compete with the dynamic capitalist system in its tendency to create wealth, new technology, to spur the growth of science which then repaid its debt by facilitating the bourgeoisie’s increased exploitation of human and natural resources. This “snowballing” effect, this unstoppable advance of the productive forces, was the fundamental reason for the inevitability of the downfall of the *ancien régime* (although of course other factors motivated the actors that were to accomplish the final cataclysms, including the peasantry’s resentment of increased taxation for funding ever more expensive and destructive wars, etc.). With the socialist revolution, by contrast, Marx’s reasoning is ambiguous. At times, though rarely, he comes close to suggesting that the proletariat’s victory will, like the bourgeoisie’s, be a

function of the development in the interstices of capitalism of socialist relations of production, which will be more productive than capitalist relations and so will “snowball” until capitalism is overwhelmed, as feudalism was. Much more often he suggests that this will not happen at all, but rather that the workers will simply have such decisive advantages in numbers and determination (because of their abject state) that they will storm the citadel of capitalism and throw it over, only *then* beginning the task of organizing socialist production relations.

Incidentally, both of these scenarios are compatible with the hypothesis that capitalism will reach a point at which it does more harm than good vis-à-vis the development and rational use of the productive forces. They are the two logically possible manifestations of this “fettering.” In the first scenario, capitalism gradually loses its potency, subsides into a rotten old age like feudalism did, as beside it grows up a new set of efficient cooperative relations. And then at the final stage of this process the (nearly) *de facto* is made *de jure*, as the capitalist class is unseated from political power and the new production relations are officially legalized throughout the land. In the second scenario, capitalism remains in *de facto* control until the end, albeit in an increasingly dysfunctional and unproductive way. The impoverished workers rise up *en masse* and undertake the social revolution *at the same time* as the political revolution—whereas in the first scenario, like in the case of the bourgeoisie’s rise to power, the social revolution substantially takes place *before* the political revolution (slowly, gradually), which merely “formalizes” it and removes the final obstacles to its triumph.

The second scenario is what Lenin adhered to, with his attempt to organize the social revolution after the seizure of political power. The first scenario is, more or less, what the anarchosyndicalists adhered to, with their insistence on building up the economic base of a social revolution (by organizing syndicates, unions, labor councils) before unseating the capitalists from political power. In a sense, the anarchosyndicalists were more “Marxist” than Lenin was, just as the first scenario is more Marxist than the second: the basic tenet of Marxism, stated in an oversimplified form, is that the economy is the relative foundation of everything else, including politics, which suggests that the post-capitalist social revolution cannot be politically willed and organized, as Lenin tried and Marx advocated, but must substantially occur before the political revolution, “spontaneously,” as it were, emerging organically from material conditions. The state cannot *will* a new set of production relations *ex nihilo*; Marxism itself implies that the state is not socially creative in that way. The liberatory institutions of socialism have to emerge slowly, through sustained popular struggle; otherwise they are artificial, inorganic, bureaucratic and coercive, since economic conditions are not ripe for them. That is, institutional holdovers of capitalism, involving relations of coercion and domination, will inevitably condition state-socialist reconstruction, as happened in Russia after 1917. Thus, Marx’s advocacy of a proletarian dictatorship that would carry out the economic reconstruction of society was quite un-Marxist.

It is true that if his prediction of the immiseration and massive expansion (relative to the rest of society) of the industrial working-class had been borne out, something like

the second scenario might have happened—although it probably would have failed for the reasons given, just as Lenin’s quasi-Marxist dictatorship failed. What would have happened then is impossible to say. But the prediction turned out to be false: the working-class did not become numerically overwhelming, and it secured sufficient concessions from the ruling class for its revolutionary ardor to abate. It became reformist, committed to improving its standard of living within the confines of capitalism. Indeed, arguably it was “reformist” from the very beginning, in that its demands were predominantly for such concessions as the eight-hour day, higher wages, universal suffrage, and an improvement in production conditions. The reason the labor movement had apparently revolutionary objectives at certain times in its early stages (the overthrow of capitalism, the establishment of a cooperative commonwealth) is simply that capitalists would not grant its essentially *reformist* demands. Had they done so, revolutionary agitation would have had far less support than it occasionally did.

How should we conceptualize the failure of Marx’s prediction of absolute polarization between two classes? Where did he go wrong? On the most abstract level, the problem is that there is a *multitude* of structurally determined tendencies in modern society, each reinforcing and undermining others in a variety of ways. Marx picked out one tendency, toward polarization, and elevated it to the status of an absolute, when in reality it was “relative,” like all tendencies. Society really is of an astounding complexity, far too complex to be thoroughly understood by the human mind. A useful way to talk about it is with the language of *structures*, because what society is is

essentially a complex of interlocking networks of roles (some more defined than others), which are governed by rules (norms). The roles and rules-of-behavior defined in terms of each other (for instance, parent/child, husband/wife) constitute a structure. There are indefinitely many instantiations of indefinitely many structures.²²¹ And these structures are constantly being undermined and reinforced in a variety of ways. More precisely, a structure is undermined (1) by clashing with other sets of roles and rules, or structures, and (2) by conflicting in various ways with the nature(s) of the people who together instantiate it. The human needs and desires of these people are separate from the rule-governed roles adopted, which are in constant tension both with other roles and with the *vivified* nature of their bearers. Rules can conflict with human needs. Speaking, again, in the broadest way, urges of freedom and self-assertion will constantly undermine social structures (founded on power-relations, mutually interlocking duties, etc.). Sometimes these urges in one person will take a similar form to those in another, because the two people have the same location in a structure and thus have similar grievances—and if enough people come together, a social movement may start that aims at altering the repressive structure. In any case, what result from all these structures and counter-structures and structures within structures realized in a temporal world of freedom (and

²²¹ It is worth noting, incidentally, in the context of a discussion of Marxism, that one manifestation of the primacy of the economic is that economic structures in a given society are more strictly defined, more invariant—with strict norms governing behavior, hierarchies, etc.—than other structures. “Cultural” and political roles and norms, insofar as they are defined at all, are (able to be) relatively variable in a given society, less “constraining” and strictly enforced than economic roles, and so they tend to revolve around the latter. This is a fundamental reason for (or manifestation of) the primacy of the economy, though I do not recall encountering the point in any other author.

the unceasing urge for freedom, from repressive rules) and functioning in a matrix of *material conditions* are societal tendencies, counter-tendencies, contradictory tendencies, an impossibly intricate web of mutually complementary and mutually contradictory activities, with the ‘unstructured’ fact of *freedom* there at every instant and every point to provide continuous rupture (in tension with structural continuity).

The structures that define capitalism differ from many others in that they are undermined not only in the two ways mentioned above but also *by themselves*. Their functioning itself generates problems with their functioning. This is what Marx means in saying that capitalism has contradictions: its proper functioning undermines itself, as shown for example by the existence of business cycles, recurring crises, and, in a somewhat different way—more directly related to the two aforementioned factors—the tendencies toward class-polarization and other social inefficiencies, which foster revolts against the dominant mode of production. Marx was wrong, though, in thinking that polarizing tendencies were all-powerful. There are other tendencies toward assimilation of the working-class into the dominant order, toward “pure and simple trade-unionism,” toward the state’s stabilizing management of the economy, as well as the tendencies toward workers’ identification not only with the abstract notion of a social class that spans continents but also with the more concrete facts of ethnicity, race, trade, immediate community, and nation. These identifications make possible the working-class’s fragmentation, which diminishes the likelihood of socialist revolution in the classical sense.

Marxian methodology, however, its “dialectical” methodology, remains sound.

Michael Albert characterizes dialectics as follows:

It is the assertion that real changes are due not to factors outside reality [i.e., a particular ‘system’] and imposed upon it, but to factors within reality from the start and only slightly affected by conditions imposing from without. It is the assertion that history does not change by the effects of some absolute, or in pursuit of some absolute, but rather in accord with its own internal contradictions and their continuously evolving resolutions.

...The science of dialectics is a very general, loose *methodological* assertion, [to the effect that] in order to understand historical situations one must understand those contradictions whose eventual resolutions entail overthrow of the original situation’s defining characteristics. That is, one must understand situations insofar as they, by their very natures, toss up against themselves the forces of their own *dissolutions*.

For Classical Marxists, systems necessarily undergo fundamental changes whenever they embody the contradiction of trying to *perpetuate* themselves while at the same time *undermining* themselves. Thus Classical Marxists interested in understanding and affecting historical situations have a clear methodological imperative: they must constantly uncover how systems simultaneously foster their own continuations and their own demises; *they must study motions of conflicting tendencies and forces precisely in regard to those critical contradictions and precisely so as to find ways to most beneficially help along the factors favoring their revolutionary resolutions.*²²²

Similarly, the Marxist doctrine is sound that true social revolution requires a radical change in the dominant mode of production—since this is effectively the foundation of a society—and that this change will involve the abolition of the definitive class structure of the economy. In late capitalism, the definitive class-relationship remains that between the owners of capital, who amass profit, and the people who do the

²²² Michael Albert, *What Is To Be Undone: A Modern Revolutionary Discussion of Classical Left Ideologies* (Boston: Porter Sargent Publisher, 1974), 56, 57. Italics in original.

work that allows the former to amass profit. No doubt millions of people now have “contradictory class locations,” perhaps owning stock but working in a business they do not own, or working as low-level managers who share some interests with those under them and others with those above them, but the opposition between ownership of capital and ownership of labor-power has not been erased. If anything, it is more widespread than ever, especially if one takes into consideration not only the West but the entire world, where the classical proletariat is still growing (in China, for example) and class-polarization is intensifying (even in the United States). The implication is that in order for there to be a thoroughgoing social revolution, the capital/wage-labor relation has to be transcended. That is, wage-labor has to assert its independence somehow vis-à-vis capital. Marx assumed that such assertiveness would take the form of a violent political rebellion, but I think there are other, more realistic—and more “evolutionary”—avenues available.

First of all, we should remember one of Marx’s key conditions for the long-term success of a social-revolutionary (as opposed to a political-revolutionary) movement: it must advocate a mode of production that is more technically and socially efficient than the prior one. The masses would have little reason to favor it otherwise. The “flip-side” of this condition, for Marx, is that the relations of production that are about to be superseded have turned “from forms of development of the productive forces into their fetters.” Indeed, he says that this is precisely when a social revolution occurs—when the old production relations have become fetters on the productive forces (i.e., on their

socially efficient use and development). This statement, however, is problematic. What exactly does it mean? In a sense, it seems to be a truism: if the “fettering” results in mass poverty and/or discontent, as presumably it would if it occurred on a wide scale, then the hypothesis states only, or effectively, that social revolution occurs when the masses are in desperate straits. On the other hand, this claim is not strictly true; the masses have been in an abject state of misery many times, even in the modern era, without a revolution’s having occurred. In fact, the capitalist dynamic even now is (arguably) massively fettering productive potential, and has been for an untold number of decades, as evidenced in widespread unnecessary poverty, wars, etc. And yet no social revolution has transpired.

Marx thought of history in somewhat “necessitarian” terms. He would probably say that the reason a revolution in the dominant mode of production has not occurred yet is that economic conditions are not ripe.²²³ The economy is not yet “ready” for a transcendence of the capital/wage-labor relation, presumably because—in part—things are not yet bad enough, or capital has not become sufficiently unproductive, wasteful, harmful, to provoke a successful revolution in some form. The economy still functions well enough, is stable enough (however unstable it may appear); capitalism still promotes the development of the productive forces to a sufficient degree for capitalists to remain in power. This, after all, is the necessary causal link—which Marx never made explicit—

²²³ “New superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society.” From the famous Preface mentioned above.

between the *functionalist* concept of “fettering the productive forces” and social revolution: a ruling class with no economic mechanism of efficiently using and improving productive forces that is confronted with a non-ruling sector of the population that *is* efficiently using and progressively improving such forces is bound, in the end, to succumb to the latter’s encroachments, its increasing economic and social power.

Remember, this is why the feudal aristocracy was ultimately doomed in its confrontation with the bourgeoisie. The fact that capital today still occupies the dominant positions of power itself demonstrates—rather truistically—that capitalism’s “fettering” has not quite reached its extreme, the extreme of provoking a social revolution.²²⁴

To be precise, there is more than one causal link between “fettering of the productive forces” and social revolution. Part of the equation, as just stated, is the contrast between a stagnant, unproductive elite and a dynamic group or groups of people who are slowly acquiring economic power (which involves “developing” productive forces in some way). The other part of the equation is the relative poverty, social dislocation and resentment-toward-the-elite of the mass of people who are being harmed by the “productivity-fettering” actions of the elite, and who therefore have motives to overthrow the latter either revolutionarily or evolutionarily and so side with the

²²⁴ To clarify: my argument implies that a mode of production can both obstruct and develop productive forces at the same time, in different respects. This is another fact that Marx never acknowledged. Capitalism is terribly inefficient and unproductive in some ways, but it is still productive and dynamic in other ways, which is largely why it persists. It will not remain dynamic forever, though.

economically progressive groups,²²⁵ who are slowly eroding the power of the old regime. Again, these two conditions obtained during the transition from feudalism to capitalism, when the inflamed masses tended to flock to the banner of the bourgeoisie, at least during key moments, in the latter's battle against the autocracy, which could not compete with the bourgeoisie in regard to development of the productive forces. Hence, there was a successful transition to capitalism. Both these conditions did *not* obtain, however, when the Knights of Labor existed, or the IWW, or other anti-capitalist groups from, say, the 1790s onward: namely, while there *was* mass discontent (condition #2 directly above), there *wasn't* a collective actor that was more economically dynamic, progressive, productive than the bourgeoisie (condition #1), and so the capitalists were able to suppress the uprisings.²²⁶ The *negative* condition existed (mass discontent)—at least to some degree—but not the *positive* condition (an economically progressive collective

²²⁵ Alternatively, they *are* the economically progressive groups. This was not the case in the past, when the bourgeoisie was the progressive group and the peasants, artisans, urban poor, etc. merely sided with them, for reasons of their own, in the fight against the *ancien régime*. But I think it will be the case in the future. See below. Marx agreed with me about the future fusion of the two revolutionary conditions in a single collective agent, but I disagree with him that the industrial proletariat will be this agent. Instead, the agent will be all people—educated, uneducated; urban, rural; poor, rich—who act as if on the understanding that their interests and the interests of humanity are opposed to capital's interests.

²²⁶ Maybe the reader will point to the Russian and Chinese revolutions as examples of successful uprisings against capitalism, and therefore as proof that the “conditions” listed above must have obtained in those countries—or, if they didn't, then as counterexamples to my argument that these conditions are necessary. But these two revolutions, as I stated earlier, failed in the long run. That they “succeeded” at the time was therefore a function mainly of conjunctural factors—world war, incompetent autocratic leadership, unusually competent revolutionary leadership, lucky accidents—not structural factors having to do with the supposedly decrepit nature of capitalism at the time. In other words, they were not primarily revolutions against capitalism, *post-capitalist* revolutions; they were revolutions against a feudal order that was slowly succumbing to capitalism. After all, they were largely the achievement of the peasantry (and soldiers drawn from its ranks), not the proletariat. See my paper “Causes of the Russian Revolution” (unpublished) and Christopher Read, *From Tsar to Soviets: The Russian People and Their Revolution, 1917–21* (New York: Oxford University Press, 1996).

agent to manage the transition to socialism). Capitalism's fettering of the productive forces was in fact not yet severe enough, and, more importantly, there was not yet anything to compete with the capitalist class. That is, there was not yet a new, more dynamic and efficient mode of production emerging in the old capitalist society.

So, to sum up, Marx's linking of the concept "fettering of the productive forces" to social revolution is not as problematic as it seems initially, if interpreted correctly. What he ought to have made clear is that in order for a social revolution to be successful, the old, increasingly obsolete production relations must have a fettering effect *as compared to* a new set of emerging production relations.²²⁷ Otherwise his hypothesis seems vacuous. If there is no such new set of production relations, relatively efficient and productive, emerging in the interstices of the old society, then it doesn't matter how much fettering the old production relations are guilty of; they'll continue to predominate. The ruling class will still be able to maintain its hold on power. In fact, no matter what, it will do so until capitalism has virtually *no* reserves of power left, as the European feudal aristocracy had virtually none left in the early 1900s, when it was still frantically trying to retain its hold on the reins of power. (It took two world wars to destroy all vestiges of feudalism in the West.)

Consider in this connection Marx's hypothesis that "No social order is ever destroyed before all the productive forces for which it is sufficient have been developed,

²²⁷ Actually, as I said earlier, it seems that Marx did not think of this. It constitutes an important revision to the Marxist theory of revolution. (Had it been thought of earlier, many sterile debates in the Marxist literature could have been avoided.)

and new superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society.” Analytical philosophers have rarely taken this statement very seriously, considering it to be blatantly teleological and not very meaningful. But their dismissal is unwarranted. Marx often wrote in a teleological and functionalist idiom, but his hypotheses can always be translated into the scientifically respectable idiom of causality, of causal mechanisms. In this case, the quoted statement can be translated on the basis of my foregoing arguments. One possible translation is as follows. “The overwhelming mass impetus necessary in order to effect a revolution in the dominant mode of production cannot arise until the latter has exhausted its resources, has reached a point of absolute dysfunction such that it cannot efficiently use or develop productive forces any further;²²⁸ however, there also has to exist an alternative mode of production that has reached such a level of efficiency and societal influence that it can withstand the desperate attempts of the old ruling class to destroy it.²²⁹” Admittedly, I have modified the second half of Marx’s hypothesis so as to conform with my belief—which I see no reason for him to disagree with—that, in addition to “new” productive forces, new *production relations* can develop within the framework of the old society, and *must* so develop in order for there to be a successful transition to a new dominant mode of production.

²²⁸ This is effectively condition #2 described above.

²²⁹ This is effectively condition #1. The stringency of these conditions explains why a post-capitalist revolution has not yet occurred.

It's true that it is possible to be overeager and careless in the use of teleological language or explanations, and Marx and Engels were not immune to this failing. Indeed, it can be very hard to avoid this 'teleological' temptation; even people who might consider themselves eminently practical and untheoretical can be susceptible to it. For example, many participants in the 1960s' social movements were convinced that capitalism was undergoing its death-throes then; so were radical activists in the 1930s; so were Marxists at the time of the First World War. But in fact the social unrest of all these eras was merely a symptom of the polarizing tendencies of capitalism (and its pressures toward imperialist expansion, as with World War I). Periodically the exploited majority makes advances at the expense of capital, as in the late 1930s; then capital advances at the expense of people, as in the 1980s. This is just the ebb and flow of economic power-relations. We should be cautious before attributing a "revolutionary" significance to a particular instance of ebbing or flowing.²³⁰ Nor do we have a good reason to think, as Marx did, that there is a necessary goal at the end of the process, a *telos* that historical evolution is tending toward. In history, few things are truly inevitable; there are too many contingencies and too many cross-tendencies intersecting with each other. All we can do is analyze *probabilities*, because there is nothing else.

Consider, as a cautionary tale, Friedrich Engels's eager prophecies with regard to the Knights of Labor. Aware of its experiments in cooperativism, its attempts at industrial unionism, and its revolutionary rhetoric, he predicted essentially that it would

²³⁰ Recall the inane punditry that prognosticated into the distant future on the basis of the events of 2008.

serve as midwife of a revolutionary class consciousness and class-organization that would lead the workers to victory over capitalism. Surely, however, that was not in the cards. There are the obvious reasons: the ruling class had a monopoly over the means of violence; the divisions in the laboring classes, between black and white, skilled and unskilled, Catholic and Protestant, precluded the necessary continent-wide unity; the real demands of most workers were merely reformist—the eight-hour day, higher wages, better production conditions. But there is also another consideration. Suppose, by some miracle, capitalism had been overthrown in the United States in the late 1880s and a semi-cooperative “republic of labor” had been instituted, with artisans in their small workshops connected through cooperative networks, public control of industry, Rochdale-type consumer cooperatives proliferating around the nation. What would have happened then? Capitalists in Europe would have continued amassing profit, investing in mechanization, building up industry and technology, and the artisans, craftsmen and self-governing industrial workers in America would have been unable to compete with them. In the end, America’s proto-socialism would have eroded due to competition from Europe, and a degeneration to capitalism would have taken place, much as it would do later in the Soviet Union. What this would have proven is that America’s proto-socialist adventure, like the USSR’s state socialism, was a historical detour, a dead end, an accident, because the path of “progress”—which, to repeat, consists (on a broad scale) in

the development of the productive forces²³¹—still lay with capitalism. Thus, Marx and Engels misinterpreted class polarization—the sort of extreme polarization that fostered so much nineteenth-century discontent and would foster future aborted revolutions (e.g., Russia in 1917)²³²—by tending to attribute to it *in itself* a teleological significance, a world-historical meaning comparable to the significance of the bourgeoisie’s eighteenth-century struggles against the feudal aristocracy. In reality, a high degree of polarization does not in itself indicate that capitalism is approaching its demise, because successful revolution has other preconditions too, as stated above.

In fact, Marx completely misinterpreted early radicalism, not only the radicalism of the heterogeneous Parisian masses who manned the barricades in 1848 but even the radicalism that would flare up in the Paris Commune or in America in the 1870s and 1880s. These battles, too, were fought by a heterogeneous people, some of them, like the artisans and craftsmen who felt themselves besieged by this terrifying new thing called

²³¹ Lest there be a misunderstanding even at this point: that claim is not ethical but factual. It simply is *true* that, in the modern era at least, the intensive and extensive growth of productive forces has a very high probability of representing, and to an extent determining, the future at any given time. There are also tendencies toward the advance of social equality and freedom, but experience has shown them to be less powerful than the tendencies toward growth of the productive forces, largely because the ruling elites have a strong incentive to deny their subjects equality but little or no incentive (in most cases) to impede the growth of technology, productivity and science. (In fact, the tendencies toward equality and freedom are precisely a result, in large part, of the development and extensive use of technology, e.g. the internet and other media that interconnect the world, as well as of education, which, you’ll recall, “develops” the productive force of labor-power.)

²³² To repeat: the revolution ultimately failed because, while there was sufficient mass discontent (condition #2), Russia had no “mature” alternative mode of production to take the place of the old one (condition #1). I.e., economic conditions were too primitive for a transition to socialism; capitalism was still more productive than a non-capitalist economy, and so the latter could not in the long run compete with the former. Hence the USSR’s collapse in 1991 (although it was decrepit long before then).

industrial capitalism, “reactionary radicals,”²³³ and others proletarians in the classic Marxist sense, but whose miseries could have been more effectively meliorated by reform than revolution. It was not a proletarian army “disciplined, united, and organized by the process of capitalist production”²³⁴ but a disparate mass of the lower classes with disparate interests—some progressive, some reactionary—temporarily thrown together by the sheer chaos of early industrialism. It has been said before that Marx confused the birth-pangs of industrial capitalism with its death-throes; and while this epigram is glib, there is much truth to it. As capitalism matured in the twentieth century, the working-class was “disciplined and united” into explicit reformism, and it became obvious that this class would not be the agent of revolution—certainly not in the way Marx had predicted.

Incidentally, one cannot help remarking on the poignantness of the old struggles for socialism or anarchism, international revolution, in the light of our retrospective knowledge that revolution was almost inevitably not going to be successful (in the long run) however it was undertaken, simply because economic conditions were not yet ripe. It really is an absurd tragedy, a symbol of the senselessness of human existence—millions of people in America, in Russia, in Germany, in France, in Spain and Italy fighting and dying for a dream that would never have come to fruition anyway because, supposing

²³³ See Craig Calhoun, “The Radicalism of Tradition.”

²³⁴ Marx, quoted in Murray Bookchin, *The Spanish Anarchists: The Heroic Years, 1868–1936* (San Francisco: AK Press, 1998), 281.

they had achieved something like it in a particular region, such as Catalonia, and, miraculously, it had not been crushed by the forces of reaction, it would have slowly degenerated under market pressures from the broader capitalist society, pressures on wages—downward for the lower workers, upward for the higher—pressures to mechanize, and the business cycles that inevitably would have seeped in to these little havens of cooperation and disturbed the order of things, and of course after the revolutionary fervor had subsided the usual daily problems of running factories would have cropped up, “alienation” would have returned because industrial work is inherently unpleasant, battles between management and the average worker would have spoiled the revolution. Mondragon’s evolution confirms this diagnosis. So, the irony is shockingly cruel: it is when capitalist industrialization was *starting*, precisely when anarchism was least possible, that workers, artisans, peasants and intellectuals fought with greatest heroism and determination for anarchism (effectively cooperativism). Industrialization was so brutal and so conducive to the lower classes’ radicalization that visions of, and struggles for, a cooperative society were inevitable everywhere. On the other hand, the recent fading of revolutionary dreams itself facilitates the slow emergence of some kind of post-capitalist order because, among other things, it means that there will be no more Leninist, Maoist misadventures, no more attempts to establish socialism *consciously*, by decree, which was never going to work. The Marxist dreams of a single revolutionary *rupture* have become untenable, to the benefit of the revolution.

The only alternative to these dreams is the first scenario mentioned above, of an alternative mode of production slowly maturing within the framework of capitalism. This was always the most realistic scenario anyway, and it offered clearer parallels than the second with the transition from feudalism to capitalism. It is worth recalling in this connection that the industrial proletariat is not the only part of the population with interests opposed to those of capital. In fact, everyone who is a wage-earner or a salaried employee has a more or less pronounced antagonism of interests toward those who make profit by exploiting them, although of course in the higher echelons of the salaried workforce these opposed interests may be less marked than the shared interests. The 'lower down' one is, the sharper the antagonism is. Obviously people do not have to be aware of it in order for the antagonism to exist. But when they're thrown out of work because of capital-movements, or when they're pressured by their employer not to unionize, or when they perceive that the mania for profit is destroying the environment or undermining public education or having any number of ill effects, the essential antagonism is thrust into daylight and people may take action against capital.

In recent years, movements against corporate capitalism and centralized power have been building to an exciting level (although, compared to what they may become, they are still in their infancy). Some are quite sophisticated. For example, the social economy in Quebec has made fantastic progress in recent decades. I will not describe it in detail here, but it comprises over 7000 collective enterprises, including cooperatives and non-profit organizations, which provide an array of services to the population. In

1996 the state invited representatives of all these actors—among which are “citizen’s committees, food banks, community centers, family economy cooperative associations, community health clinics, legal clinics, not-for-profit childcare centers,”²³⁵ housing co-ops, women’s centers, workers’ co-ops, community economic development corporations, labor unions, environmental associations, and innumerable other groups—to participate in a conference on the “economic and social future of Quebec.” The result was the subsequent collaboration between the state at all levels and these civil-society associations, a collaboration that “involve[s], among other things, making it much easier for non-profit associations engaged in social economy activities to acquire the necessary financial resources, through government grants, indirect subsidies, or access to credit; the creation of a social economy office within the provincial government; and the consolidation of an umbrella organization in civil society, the *Chantier de l’économie sociale*, to coordinate strategies for enlarging and deepening the role of the social economy.”²³⁶ Quebec’s social economy is a work in progress, but it is an example of the sort of comprehensive economic initiatives that have become possible.

In the United States, community development corporations (CDCs) and community development financial institutions (CDFIs) have made substantial progress in

²³⁵ Marquerite Mendell, “The social economy in Quebec” (2003), <http://unpan1.un.org/intradoc/groups/public/documents/clad/clad0047506.pdf> (accessed May, 2010).

²³⁶ Erik Olin Wright, *Envisioning Real Utopias* (forthcoming), 144. See also Marguerite Mendell, “The Social Economy in Quebec: Lessons and Challenges for Internationalizing Cooperation,” in *Co-operatives in a Global Economy: The Challenges of Co-operation Across Borders*, 226–241.

the last forty years, so that now there are thousands of them in all 50 states and nearly all major cities. CDCs are

nonprofit organizations dedicated to bringing about the revitalization of a clearly defined geographic area—often an urban neighborhood scarred by decades of disinvestment and concentrated poverty or an isolated and underdeveloped rural area. Governed by boards of directors composed primarily of local residents and other citizens with a strong stake in the community, most CDCs engage in some form of economic development within their service areas.²³⁷

They have been most successful at housing-production, but in recent years have tried to return to the vision of their original founders and engage in “comprehensive economic, social, and political development activities,” including community-owned and -controlled business development and economic revitalization that creates jobs for residents. By 2005, 4600 CDCs had created over 1,252,000 units of affordable housing and generated 774,000 jobs.²³⁸ They rely for funding on nonprofits, foundations, corporations, and all levels of government. CDFIs, on the other hand, are institutions that give credit to communities shunned by traditional lenders; they include community development banks, community development credit unions, microcredit programs, etc. Similar in inspiration to CDCs and CDFIs are community land trusts (nonprofits that hold and lease land to keep it affordable for the community by removing it from the sphere of the market),

²³⁷ Thad Williamson, David Imbroscio, and Gar Alperovitz, *Making a Place for Community: Local Democracy in a Global Era* (New York: Routledge, 2002), 213.

²³⁸ Joyce Madell, “CDCs and the Myth of the Organizing-Development Dialectic,” Madison, WI: COMM-ORG: The On-Line Conference on Community Organizing, Vol. 15, 2009.

community-supported agriculture, community gardens, and, most importantly, municipal ownership. In this case, local governments might own real estate that they lease to private companies in order to finance city services, or they might own electric utilities, public power companies that provide cable and broadband services, environmental businesses (“such as methane-recovery businesses that both provide electricity and promote environmental goals”²³⁹), healthcare systems, etc., all of which provide more efficient service at a cheaper price than private companies even as they contribute far more money to state and local governments than companies do through taxes.²⁴⁰ — While all these initiatives can be criticized from various perspectives and have been so, they are steps in the right direction—away from absentee ownership and private control, toward local public ownership and control.

Participatory budgeting, which first developed in Porto Alegre in 1988 when the Workers’ Party was elected, spread from 200 to 1200 cities worldwide between 2000 and 2006.²⁴¹ Erik Olin Wright describes it as follows:

Without going into details, the basic idea [of municipal participatory budgeting] is that citizens meet in popular assemblies throughout the city to deliberate about how the city budget should be spent. Most of these assemblies are organized around geographical regions of the city; a few are organized around themes with a city-wide scope—like public transportation or culture. At the beginning of the

²³⁹ Community-Wealth.Org, “Municipal Enterprise,” <http://www.community-wealth.org/strategies/panel/municipal/index.html> (accessed May, 2010).

²⁴⁰ Gar Alperovitz, *America Beyond Capitalism*, 90–98.

²⁴¹ Worldwatch Institute, “State of the World 2007: Notable Trends,” <http://www.worldwatch.org/node/4840> (accessed May, 2010).

budget cycle each year these assemblies meet in plenary sessions. City executives, administrators, representatives of community entities such as neighborhood associations, youth and sports clubs, and any interested inhabitant of the city attends these assemblies, but only residents of the region can vote in the regional assembly. Any city resident participating in a thematic assembly can vote in those. These assemblies are jointly coordinated by members of municipal government and by community delegates.²⁴²

The process is quite involved, but it has consistently had high levels of participation and generated positive results. In 2002 one resident observed that before participatory budgeting “there was no sewer, school, health clinic, or transportation. Now, a reservoir has been built with 6 million liters of water, the streets have been paved, and a school opened.”²⁴³ Actually, as reported by the World Bank, “Sewer and water connections in the city...went up from 75 percent of total households in 1988 to 98 percent in 1997. The number of schools has quadrupled since 1986. Porto Alegre’s health and education budget increased from 13 percent in 1985 to almost 40 percent in 1996.”²⁴⁴ There has been a “massive shift in spending toward the poorest regions of the city,” corruption has almost disappeared due to transparency, and a “thickening” of civil society has occurred, with civic groups of all kinds being stimulated by issues of democratic budgeting.²⁴⁵ The

²⁴² Wright, *Envisioning Real Utopias*, 110.

²⁴³ David Lewitt, “Porto Alegre’s Budget Of, By, and For the People,” *Yes! Magazine*, December 31, 2002.

²⁴⁴ World Bank, “Participatory Budgeting in Brazil,” http://siteresources.worldbank.org/INTEMPowerment/Resources/14657_Particip-Budg-Brazil-web.pdf (accessed May, 2010).

²⁴⁵ Wright, *Envisioning Real Utopias*, 111.

idea has even spread to the United States: in 2010, Chicago's 49th ward allocated \$1.3 million according to the principles of participatory budgeting.²⁴⁶

Measures of even greater democratic significance have been enacted in Kerala, India. When Kerala's Left Democratic Front coalition came to power in 1996 it began a program of administrative, fiscal and political decentralization to 1214 local governments. This ambitious campaign took advantage of the 1993 Constitutional mandates to increase local government power as a response to India's developmental failures and crisis of democracy.²⁴⁷ A brief summary gives some sense of the project's scale:

The nested design of the Campaign's core institutions—Grama Sabhas (ward-level assemblies), development seminars, task forces, and local governments—represents a deliberate attempt to broaden avenues for citizen participation. In every year since 1997, local governments in Kerala have formulated and implemented their own development plans. These plans take shape through a multi-stage process of iterated deliberation between elected representatives, local and higher-level government officials, civil society experts and activists, and ordinary citizens. The process begins in open local assemblies, called grama sabhas, in which participants discuss and identify development priorities. Development seminars formed by the grama sabhas are then tasked with developing more elaborate assessments of local problems and needs. The development seminars give way to multi-stakeholder task forces that design specific projects for various development sectors. These projects are in turn submitted to local elected bodies (municipal councils called panchayats) that formulate and set budgets for local plans. Final plans are presented back to grama

²⁴⁶ Josh Lerner and Megan Wade Antieau, "Chicago's \$1.3 Million Experiment in Democracy," *Yes! Magazine*, April 20, 2010.

²⁴⁷ T. M. Thomas Isaac and Patrick Heller, "Democracy and Development: Decentralized Planning in Kerala," in *Deepening Democracy: Institutional Innovations in Empowered Participatory Governance*, ed. Erik Olin Wright and Archon Fung (New York: Verso, 2003), 78.

sabhas for discussion. These local plans are then integrated into higher-level plans (blocks and districts) during which all projects are vetted for technical and fiscal viability.²⁴⁸

The logistics are hugely complex, but the campaign seems to have been successful both at invigorating democracy—it is extremely popular—and at implementing development more effectively than before. This is partly because “popular involvement increases problem-solving efficiency through better and more rapid feedback and increases accountability by multiplying the points of scrutiny.”²⁴⁹ Much greater priority has been given to basic needs like sanitation, housing and drinking water than in the past, and there are now significant interregional differences as opposed to the “one-size-fits-all logic of the past,” which is the logic of bureaucracy itself. Just between 1997 and 1999, 98,494 houses were built, 240,307 sanitary latrines constructed, 50,162 wells dug, 8000 kilometers of roads built, and 2,800,179 people received support for seedlings and fertilizers—all of which far exceeds achievements from earlier comparable periods.²⁵⁰ At the same time, corruption has declined significantly,²⁵¹ as happened, too, when the cooperative KDB was formed.

²⁴⁸ Ibid., 79.

²⁴⁹ Ibid., 96.

²⁵⁰ Ibid., 100.

²⁵¹ N. Ramakantan, “Democratic Decentralization and Empowerment of Local Government Associations in Kerala,” *Commonwealth Journal of Local Governance*, vol. 2 (January, 2009): 128–136.

Returning to the United States, other economic reforms are in the works. In April of 2010, Maryland became the first state to establish a new kind of corporation called the benefit corporation, which differs from others in that it is legally allowed to sacrifice profits in order to promote the interests of employees, communities or the environment (i.e., “stakeholders”). In fact, it is *required* to consider stakeholders’ interests. At least seven other states are trying to pass similar legislation,²⁵² and over 200 companies in 28 states have already become benefit corporations despite the absence of legislation.²⁵³ Another encouraging (unrelated) development is that a nationwide movement is building to establish publicly owned banks. North Dakota has had such a bank, a state bank, since 1919; this is an important reason why, virtually alone among U.S. states, it is on track to meet its budget expenses in 2010. Indeed, it had its largest budget surplus ever last year (\$1.3 billion), and its unemployment rate was the lowest in the country. The reason is that it has stayed away from private banks, generating its own credit through its publicly owned bank.²⁵⁴ Now states across the country, including Florida, Maine, Idaho, Michigan, Oregon, California, Massachusetts, Vermont, Illinois and others, are considering the idea of a state-owned bank, with bills pending and candidates across the

²⁵² Diane Mastrull, “Maryland adopts new socially aware corporation law,” *Philadelphia Inquirer*, April 15, 2010.

²⁵³ Steve Dubb, “Maryland creates new corporate form,” *Community-Wealth.Org*, April 21, 2010, <http://community-wealth.org/blog/index.php/blog/comments/maryland-creates-new-corporate-form/> (accessed May, 2010).

²⁵⁴ Ellen Brown, “Reviving the Local Economy with Publicly Owned Banks,” *Yes! Magazine*, October 14, 2009.

ideological spectrum supporting it.²⁵⁵ Every month, it seems, the idea is becoming more popular.²⁵⁶

Perhaps most exciting of all are the solidarity economies still in their early stages, like Brazil's. The structures of the solidarity economy started to evolve in Latin America in the 1980s and '90s as a response to the ravages of IMF-dictated structural adjustment programs. Worker and consumer cooperatives, self-help organizations, savings and credit associations, collective kitchens, fair trade organizations, housing cooperatives, community currencies and so on are typical structures of the movement. In the last decade they have developed into a global movement with the help of the World Social Forum, which first met in Porto Alegre in 2001 and which provides networking opportunities. The Global Network of the Solidarity Socioeconomy, for instance, was founded in 2001. The micro-level associations that constitute the solidarity economy can be very sophisticated; one example is the fifteen-year-old Brazilian cooperative Fio Nobre, which "evolved from craftmaking to textiles, and now produces shirts, blouses, t-shirts, skirts, pants, shorts, dresses and handbags, as well as accessories like

²⁵⁵ Ellen Brown, "The Growing Movement for Publicly Owned Banks," *Yes! Magazine*, March 18, 2010.

²⁵⁶ See The Public Banking Blog, <http://publicbanking.wordpress.com/> (accessed June, 2010). For more examples of innovative cooperative solutions to economic problems, see E. G. Nadeau and David J. Thompson, *Cooperation Works!: How People are Using Cooperative Action to Rebuild Communities and Revitalize the Economy* (Rochester, MN: Lone Oak Press, Ltd., 1996). An incredible source of information, continually updated, is Mira Luna's blog "Trust is the Only Currency," at <http://trustcurrency.blogspot.com/>.

necklaces,”²⁵⁷ and exports to Europe. Integrated production chains for this and other cooperatives stretch across the whole country.

Governments are getting involved too. In 2003 Brazil’s President Lula established a National Secretary of the Solidarity Economy under the Labor Ministry, and cooperatives receive financial support from the ministries of Agricultural and Social Development. Additionally, the Brazilian government funds university programs that provide local groups with training and support to set up cooperatives or other social enterprises, “similar to business incubators in the U.S.”²⁵⁸ (Cooperative business programs are starting to appear in North American universities too.) It is clear that the solidarity movement, involving millions of people and thousands of institutions across Latin America and the world, is not a mere historical curiosity; it has epochal potential. One participant contrasts it with the dreams of the old anarchists and socialists who looked forward to a cooperative commonwealth: “The old cooperativism,” he says, “was a utopia in search of its practice, and the new cooperativism is a practice in search of its utopia.”²⁵⁹ The contrast is apt. The tragedy of the old cooperativism, from a Marxist perspective, is that consciousness outran material conditions, material possibilities, and so it was doomed to failure; the new cooperativism has placed consciousness at the

²⁵⁷ Mario Osava, “Solidarity Economy Thriving,” *Inter Press Service*, January 15, 2010, <http://ipsnews.net/news.asp?idnews=49991> (accessed May, 2010).

²⁵⁸ Emily Kawano, “Report from the 1st Solidarity Economy Social Forum & World Fair, Santa Maria and Porto Alegre, Brazil—Jan 22-29, 2010,” *SolidarityEconomy.net*, <http://www.solidarityeconomy.net/2010/03/15/solidarity-economy-vision-blossoms-in-brazil/> (accessed May, 2010).

²⁵⁹ Quoted in Ethan Miller, “Other Economies Are Possible!”, *ZNet*, September 9, 2006, <http://www.zcommunications.org/other-economies-are-possible-by-ethan-miller> (accessed May, 2010).

service of people's immediate economic interests, so that a new mode of production is evolving step by step. Utopian dreams are subordinated to economic realities—thus, perhaps, making possible the realization of “utopian dreams” in the distant future.

All these developments, in short, are a response to corporate capitalism's inability to use and develop existing productive forces in a socially efficient way. They are fundamentally anti-capitalist, in that they tend to subvert the normal asymmetric power-relations between capital (and centralized power, be it political or economic) and wage-labor. The pursuit of profit is of little or no relevance to them. And yet the state provides them with financial, legislative and institutional support. Why? Because they are seen as having a stabilizing effect on society. This is the state's primary concern, or rather the primary means of achieving its two overall ends: first, to maintain and increase its power,²⁶⁰ and second—in a capitalist society—to make possible capital accumulation and the reproduction of capitalist social relations.²⁶¹ Capitalists are by no means all in favor of these sorts of cooperative, democratic initiatives, but the state is not a mere tool of individual businesses; it has its own interests and its own “systemic” functions, and it can act with relative independence. Again, the comparison with the absolutist state of early modern Europe is instructive. While the dominant class was the landowning aristocracy,

²⁶⁰ This is an end that every power-structure shares, by virtue of its ‘structural inertia.’ In some cases, though, the particular individuals instantiating a power-structure might choose to pursue ends that undermine the structure's power. As I said earlier, a continuous dialectical tension exists between human freedom and the structural logic implicit in relations between (free) people.

²⁶¹ These two ends do not always go hand-in-hand. Sometimes a section of the state with close ties to capital will attempt to dismantle part of the governing apparatus if that will generate profits for business, as when Rumsfeld privatized functions of the military and Bush tried to privatize Social Security.

the state was capable of acting against the interests of many members of this class for the sake of increasing its own power and maintaining the social system as a whole.

The beautiful irony, however, the quintessential dialectical irony, is that by acting in its own immediate interests, the late-feudal autocratic state was undermining its long-term interests. It was undermining both its own future interests and the aristocracy's, while laying the political foundations for the rise of the bourgeoisie. For instance, in the French monarchy's exorbitant taxation of the peasants (under Louis XV and Louis XVI), it was seeding the French Revolution. In Czar Nicholas II's promotion of industry, he was effectively assisting the emerging classes (bourgeoisie and proletariat) in their ultimate battle against his state. The beauty is that the autocracy more or less *had* to act as it did in order to temporarily maintain its power (although of course it didn't have to be quite as incompetent as Nicholas). It was trapped between Scylla and Charybdis: it needed revenue to compete with foreign powers and control its own population, but by extracting greater revenue through taxation, industry and the encouragement of commerce, it was inflaming and enabling its future conquerors.

A similar situation potentially exists now, or within, say, the next fifty years. The state is becoming increasingly unable to cope with discontent as it has in the past, through welfare programs, monolithic bureaucracy, etc.; it is mired in debt and, arguably, comprehensive New Deal-type programs are becoming structurally untenable anyway.²⁶²

²⁶² See Takis Fotopoulos, *Towards an Inclusive Democracy: The Crisis of the Growth Economy and the Need for a New Liberatory Project* (London: Cassell, 1997).

Something has to replace them. What will it be? The most likely option is something like Quebec's social economy or the Latin American solidarity economy: governmental collaboration with social movements and civil-society organizations to finance and administer new economic and social initiatives. This mutation of the state will, I suspect, be necessary in order for the state to maintain much of its power in the coming decades. But in the long run, the mutation will contribute to a significant erosion of that power, a devolution to more locally based organizations which will, by then, have established such an extensive network of links with each other, links to financial resources, information-centers, scientific institutions and so on, that the state will have lost much of its use. It may perhaps never "wither away," retaining, e.g., some coordinative functions, but the era of the centralized nation-state will have definitely ended.

Certain progressive sectors of business, too, will participate in un-capitalistic ways of reforming society, for much the same reason that the state will (and is): because the reforms are seen to be both inevitable and beneficial vis-à-vis the power of these spheres of business. They will seemingly uphold the broadly capitalist structure of society, just as the government's support of self-help cooperatives helped uphold this structure in the 1930s. Remember, that fact has inspired an important Marxist criticism of cooperatives: they contain discontent within relatively un-threatening bounds. Will this still be true in the future? Or, on the contrary, will a partly "interstitial,"²⁶³ partly

²⁶³ Wright, *Envisioning Real Utopias*, chapter 10.

confrontational, partly state-collaborative process of non-capitalist reform build the foundation for a transition to post-capitalism?

In order for the Marxist's criticism to have force, he has to have an alternative to this evolutionary scenario. And he does. He thinks that a *systemic rupture* is preferable and more realistic. Whether it occurs through a violent insurrection or through the election of a radical socialist party that carries out the reconstruction of society, it is more likely to succeed than is a gradual evolutionary deepening of cooperativism and its offshoots. I have already argued against this position, however. Not only is it incredibly unlikely that the state and the capitalist class would accede to the revolutionary demands of the population without waging a war of apocalyptic proportions (or, conversely, reforming society so as to preempt revolution, as the New Deal was intended to do); it is also unlikely that a socialist state could reconstruct the economy on a democratic basis. States are inherently (1) coercive and (2) power-hungry; it is largely through coercion that they achieve the end of retaining power. Besides, as I noted earlier, a revolution undertaken before cooperative relations were already colonizing society would necessarily adopt the prevailing relations of coercion left over from capitalism. New social relations cannot be freely willed into existence. Would cooperative relations then somehow evolve from state socialism? It is difficult to envision how that could happen, and the Soviet Union provides ample evidence that the experiment is not worth trying.

Ironically, the orthodox Marxist's conceptualization of change tends to suffer from a defect similar to that of the contemporary reformist's. The latter typically

conceives of change in an anti-evolutionary, voluntaristic way: it is a matter of pushing back against massive forces with exponentially more power than the people have, a battle in which the odds are decisively against the activists. The orthodox Marxist, at least, thinks of history (or, thinks he thinks of history) in a dialectically evolutionary way, but his conception of revolution is surprisingly voluntaristic, as revealed in Lenin's practice: he has to *seize the moment*, exert indomitable willpower in order to triumph over all the forces arrayed against him and the working class. But this is not real Marxism.

According to a truly dialectical theory of history, things happen "behind the backs" of collective actors. People, including political leaders, follow their own quotidian interests, whatever they are, in a naïve and un-self-conscious way...and then one day they find to their astonishment that things have not gone as they planned, or new social structures have slowly appeared as if by magic (although in reality due to structural contradictions working themselves out). When self-conscious and willed systemic ruptures are attempted, as with Lenin—and as Marx mistakenly advocated—the result is catastrophe and failure, and finally a return to the normal historical trajectory.²⁶⁴ Such a "rupture" interrupts natural historical evolution. History always evolves in a virtually unconscious way, unconscious at least to the masses who make history. In its broadest outlines it is based on the slow evolution of the productive forces and production relations, an

²⁶⁴ I'm referring, of course, to the USSR's degeneration to capitalism. It is ironic, incidentally, that past revolutionary Marxists fell victim to Marx's adage never to trust the self-understanding of historical actors. Their "revolutionary socialist" (i.e., post-capitalist) interpretation of the movements they led was completely wrong—a fact which, by tending to denigrate the significance of consciousness as compared to "social being," itself upholds historical materialism (not including the theory of the proletarian revolution).

evolution propelled by the masses' following their own interests as conditioned by their locations in social structures (ultimately class structures).²⁶⁵

If the contemporary radical thinks of himself as battling overwhelming tendencies he is going to be disappointed, because such systemic tendencies cannot be stopped. He has to think of himself as *pushing along* evolution, *speeding it up* in some small way, contributing to the self-undermining of corporate capitalism. (See the above quotation from Michael Albert.) In the nuclear age it is, admittedly, true that one or two individuals can potentially upset systemically-driven historical probabilities, but that is because of the “accidental,” external-to-the-dynamics-of-global-capitalism existence of apocalyptic weapons. Similarly, the fact of global warming is external to the capitalist system as a whole, to its internally driven evolution. These are, however, special cases. The latter in particular will no doubt have a tremendous impact on the future, but it is doubtful that its impact will derail the internal tendencies of contemporary capitalism. Indeed, it will surely *accelerate* capitalism's destabilization.

So, arguably, the progressive developments sampled above are not only likely to intensify and spread across the world, but this is the only realistic way of transcending capitalism as the dominant mode of production. In general, the state and certain sectors of business will, after initial years-long opposition, assist and enable these developments (to a limited degree), seeing them as socially stabilizing. As capitalism continues to polarize classes and countries, wreak havoc on the well-being of billions—and as the

²⁶⁵ In a future work I hope to defend historical materialism in detail. For now, I must presuppose it.

world population increases, possibly reaching nine billion by 2050²⁶⁶—and global warming decimates swaths of the earth’s surface and provokes mass migrations, and capitalism’s internal dynamics continue to produce such crises as the Great Recession,²⁶⁷ economic cooperation and coordination will become ever more essential. The productive and social catastrophes of corporate capitalism will engender relatively efficient cooperative relations of production. (And we have already seen how efficient worker cooperation can be (on the level of the firm) even when isolated in a competitive economy.) Precisely how cooperation will interact with capitalist competition is impossible to predict—although it is already so interacting in places all over the world. Particularly in the early stages of the process, before they have established a myriad of supporting institutions, cooperatives and other associations will have to compromise some of their principles in order to compete successfully and survive in a hostile political and economic environment. But as the networks accumulate capital and experience, as well as grudging support from political and economic elites—as happened, too, during the transition from feudalism to capitalism—they will acquire such power that they undermine the structural foundations of the current society. The world-order will come to consist of a mix of cooperative and competitive social relations such that it is no longer

²⁶⁶ United Nations Population Division, “Charting the Progress of Populations,” <http://www.un.org/esa/population/publications/charting/3.pdf> (accessed May, 2010).

²⁶⁷ See Fred Magdoff and Michael D. Yates, *The ABCs of the Economic Crisis: What Working People Need to Know* (New York: Monthly Review Press, 2009), and John Bellamy Foster and Fred Magdoff, *The Great Financial Crisis: Causes and Consequences* (New York: Monthly Review Press, 2009). The crisis of capitalism is structural and long-term, not accidental or short-term. The so-called Great Recession may yet even become a depression; see Paul Krugman, “The Third Depression,” *New York Times*, June 27, 2010.

clear what is the “dominant” mode of production. Eventually this will change; cooperativism will continue “snowballing,” propelled by its own momentum, as capitalism was in an earlier era. Throughout this history the nation-state will be declining—overtly so in relation to the growth of other institutions—because, in part, many of its functions will be taken over by these other institutions. Whatever counterattacks there are from the elite will not be able to stop these processes; capitalism will have lost its earlier competitive advantages over cooperativism, because the latter’s efficiencies, which were in some ways ill-suited to a competitive, atomistic, profit-driven, *hostile* society, will finally be irresistible. It seems likely that even at the end of this process there will remain a role for the market and the price-mechanism—and even for wage-labor, which will probably never be completely abolished²⁶⁸—but exactly what that role will be is impossible to say.

What about the necessity for direct attacks at some stage of this evolution on the major institutions of corporate capitalism? Will the elites simply lie down and accept their fate? In a brief speculative sketch I cannot address such questions in detail. But as I said above, the only way that such confrontations, predicted by revolutionaries since the mid-nineteenth century, could ever have a chance at success is if an alternative efficient, “un-fettering” mode of production has already reached a state of relative maturity and is

²⁶⁸ The world is a complicated place, and different modes of production will always coexist. The capital/wage-labor relation will probably constitute for centuries a more-or-less large part of the world economy. But will it still be the *dominant* mode of production, the one that determines the dynamics of the whole system? That is an open question, but there are good reasons to think the answer is no.

in widespread use. Such a condition is both what guarantees massive support for institutional confrontations and what makes possible their revolutionary success (due partly to this massive support and partly to the superiority of resources controlled by the partisans of the progressive mode of production). But it isn't as if these institutional conflicts will occur only at the "end"²⁶⁹—convulsive battles between the forces of good and evil, as it were. Capitalist institutions will undergo a long series of relatively minor adjustments, adjustments that certainly will presuppose "attacks" on them but not necessarily attacks that the majority of the elite will see as *existential threats*. Or, if the social movements are large enough to be perceived that way, the elite will be compelled to meet them halfway, with reforms.

Again, this is what happened in America in the 1930s. And back then, "conservative reformers" like FDR were right: institutional modifications stabilized capitalism and centralized power. Since then, however, the tremendous evolution of the productive forces has made decentralized international cooperativism and its relatives far more realistic than they were eighty years ago. Information technology is the most celebrated example: the internet has great potential for coordinating resource-distribution across the world, economic cooperation, and it generates anti-capitalist, decentralizing pressures, as evidenced in Wikipedia, open source software, free sharing of copyrighted intellectual property, etc., all of which are more efficient than capitalist property-relations

²⁶⁹ Of course, history will not "end" until the species does, which means that inter- and intra-structural conflict will not be overcome even in a post-capitalist society. There will never be a "utopia."

and bureaucratic power-structures. The raising of the standard of living since the 1930s has given people great access to resources, which is useful for waging struggles against powerful institutions. By means of technology there can now be radical movements of global solidarity, unlike in the past. All the activist networks that pullulate across the world, and the nonprofits, the NGOs, the UN-affiliated groups like the ILO, the Fair Trade businesses, the hundreds of thousands of cooperatives, the progressive political parties—such forces cannot be suppressed indefinitely, and no matter how many “reforms” the ruling class submits to they will never cease their agitation, will in fact continue to grow as the elite continues to shrink (relatively, if not absolutely). Unlike the reforms of the 1930s, therefore, the reforms that power-centers now will have to accept will have (*long-run*) *decentralizing* tendencies; centralized bureaucracies in corporations and even government are becoming glaringly, egregiously inefficient. The welfare state is dying; something more decentralized is going to take its place.

In short, the ruling class is facing a situation like that faced by the states of early modern Europe: it can either facilitate inevitable changes or impede them. It can either reform its dominant institutions and methods of administration, which, apart from empowering new institutions at its own expense, will not satisfy the multitudes and will probably encourage them to intensify their agitation for change; or it can continue to empower corporations and financialize the world economy, which will generate increased

pressures for change—and decentralization!²⁷⁰—and will worsen future economic crises. In either case, in the long run it is doomed. It will try to take both options, but that will fail too. Major structural change cannot be deferred indefinitely when the global economy is crisis-prone and the exploited majority is constantly growing in numbers and in access to resources. “The fraudulence and domination of capital and the exploitation of the working class cannot go on forever. The producers cannot be kept constantly and forever under control.”²⁷¹ It is true that popular education and organization are needed, and this is difficult. But the structural tendencies of modern society themselves ensure that they will happen. Slowly. Year by year, decade by decade.

Cooperatives have an obvious role to play in educating and organizing people. Admittedly, cooperativism in the past had little or no revolutionary potential. But neither did anything else. The productive forces were not advanced enough; any attempted social revolution would have collapsed into capitalism, and did. (The reason, again, is that a global revolution could not be ‘coordinated,’ as it can now (in a protracted evolutionary form). Even if true socialism had been achieved in one region, it would have been subject to market pressures from capitalism in other parts of the world; the ebb and flow of the capitalist economies would have affected it and undermined its egalitarian power-relations. Revolution thus had to *wait*, had to wait patiently, as it were, for

²⁷⁰ Thus, ironically, even privatization, corporate-welfare giveaways, cuts in social programs, etc., might accelerate change in some ways. For instance, the Bush administration’s cuts in federal funding forced local communities to experiment with new sources of revenue, such as municipal enterprises, and so intensified the long-run pressures toward an economy of *dispersed power*.

²⁷¹ István Mészáros, *The Structural Crisis of Capital* (New York: Monthly Review Press, 2010), 170.

capitalism to accomplish its “historic task” of imposing virtual uniformity of advanced productive forces on the world, at the later stages of which process un-capitalist production relations would be “spontaneously” emerging due to their efficient use of the advanced productive forces, such as the internet and collective scientific knowledge.²⁷²) Nevertheless, there is some merit to the criticism that establishing cooperatives in the interstices of society was somewhat counterproductive, since the energy devoted to that could have been devoted to direct confrontations with capitalist institutions, which might have stimulated beneficial reforms. Revolution is not all that matters, after all; one wants to make capitalism, while it exists, more livable for everyone.

As the 21st century progresses, however, interstitial worker cooperation, consumer cooperation, solidarity economies and so on will become increasingly relevant and important for the transition to post-capitalism. They have to coexist with and supplement social movements that *directly* attack capitalist institutions—as well as movements that augment the power of the locality vis-à-vis the nation-state. Interstitial movements, anti-corporate movements and localized democratic movements will all have essential roles to play. Even worker co-ops will, especially in the later stages of the evolution. We have seen that they are perfectly viable; the example of Mondragon proves that, but there are thousands of other examples too. As cooperative federations and associations build up,

²⁷² Even in the twentieth century, the classical relations of competitive capitalism were eroding because of their inefficiency at exploiting the potential of science. The Manhattan Project was not a capitalist enterprise; it was essentially state socialism. The internet was created in universities like MIT, funded by the government. So were computers, satellites, etc. Still, the *system* in which these technologies developed was capitalist, i.e. dominated by relations between capital and wage-labor.

worker co-ops will likely spread at an accelerating rate, which itself will propel further growth. Just as their current rarity reinforces itself, so will their future growth reinforce itself. In the past, it is true, episodes of growth petered out, for instance when depressions savaged profits, and it is possible that the same will happen in the future. But now cooperators have far more resources, more sophistication, more successes and failures to learn from, more means of coordination and communication, and it is significant that even in the current recession they are doing fairly well.²⁷³

Predictions are always hazardous, of course, especially predictions of the demise of capitalism. If capitalism has proven anything, it is that it is extremely adaptable to new conditions. One would be forgiven for thinking that it will last forever, or at least for centuries more. Despite all its current troubles, which will only get worse in the next hundred years (if the system lasts that long), the possibility cannot be discounted that somehow it will muddle through, the unequal power-relations between capital and wage-labor will persist, the dynamic of capital accumulation will continue to be the fundamental determinant of the social system, the multitudes of people in all lands will continue for centuries to be ground under the heel of the corporate capitalist. Still, it does seem as though the present and future crisis of capital, which will last many decades, will be more severe than previous ones, and that the opposition will have far better resources than in the past. Too many crises are converging for the system to persist in anything like

²⁷³ For example, as of July 2009, there had been virtually no job losses among European worker cooperatives. "The impact of the crisis on worker and social cooperatives," CECOP, http://www.cecop.coop/public_docs/RapportCriseEN.pdf (accessed June, 2010).

its current form. It is quite possible that we are witnessing now the embryonic development of a new mode of economic organization within the shell of the old, just as a new kind of political organization, a non-statist one, is arising, Phoenix-like from the ashes of the nation-state.²⁷⁴ Perhaps soon we will even begin to see a recrudescence, in a more sophisticated global form, of the old heroic battles on behalf of cooperation against the robber barons, as the beauty of Catalonian anarchism in 1936—thousands of people joyously birthing a new world—emerges from behind the veil of memories into a world of possibility.

²⁷⁴ The nation-state evolved with commercial and industrial capitalism, in a political and economic symbiosis of “creative destruction”; it is now beginning to disintegrate with corporate capitalism in an anti-statist process of what could be called “destructive creation.” On the former claim, see Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 1971) and Peter Kropotkin, *The State: Its Historic Role* (London: Freedom Press, 1997). In some respects, political and economic concentration will grow for many years—see Ross Douthat, “The Great Consolidation,” *New York Times*, May 16, 2010—but in other respects it will be increasingly undermined.

CHAPTER 5

RED SUN PRESS

It may seem awkward to descend from the lofty heights of the previous chapter to the low terrain of a case-study, but it is precisely on the level of individual firms that a social revolution will ultimately have to take place. Examining a cooperative's experiences, therefore, is relevant to revolutionary strategy, in addition to being intrinsically interesting and useful to scholarship. As stated in the Introduction, the co-op I will look at has been around for over 35 years. It has weathered recessions, political conservatism, and the demise of the radical social movements through which it was born, to become a successful small business.²⁷⁵

Setting the stage

If you take the Boston subway's Orange Line to Green Street in Jamaica Plain, the neighborhood you encounter after disembarking is a pleasant compromise between suburbia and the city. As you leave the station, to the right it becomes relatively urban,

²⁷⁵ Most of the information in this chapter is based on interviews. All names except for those of the cooperatives themselves are pseudonyms.

although Franklin Park is not far away; to the left is a small park and playground, well-kept. In the summer, screeching children race through fountains as nearby an older group plays basketball. Mothers and fathers accompany their children on the playground. It is a scene from a Norman Rockwell painting.

Proceeding along Green Street, past the park and one block of houses, you see a large, somewhat antique-looking building painted in colors that leap out from the browns and grays of the neighborhood. Light yellow and shades of blue (cerulean, periwinkle)—a vibrant contrast to the building’s unremarkable environment. On its paneled surface are painted scenes from a printshop. A panel off to the side pleads for “BIKES NOT BOMBS: BIKE-A-THON” and provides contact information; another advertises “35 Years of Political Posters,” some of which are reproduced. “Central America: Reagan Wages War; Let’s Build Peace”; “Protest Big Business”; “Love Allways: A Musical Celebration in Honor of Gay Couples.” A picture of Che Guevara anchors it all.

This is the home of Red Sun Press, relic of the New Left. As stated in a booklet it published in 1984, the firm prints “leaflets, brochures, posters, stationery, envelopes, and business cards, invitations, announcements, booklets, and books. We offer design, typography, layout, and cartooning...”²⁷⁶ This same booklet has a section that paints in vivid tones the radical anti-capitalist ideology to which the cooperative adheres, an ideology singularly compatible with the reputation and the reality of Jamaica Plain itself. When Red Sun Press moved to its current home in 1983, Jamaica Plain was something of

²⁷⁶ Laura Smith, *What Is Offset Printing?* (Boston: Red Sun Press, 1984), 8.

a haven for activists, students, artists, and others with “alternative lifestyles,” and would continue to be so in the coming decades. It was also in a state of relative decay, due in large part to the postwar exodus of middle-class households from the inner city and the influx of immigrants, who settled beside the white working class. These people lacked the resources to make their needs heard, so the infrastructure of their neighborhoods deteriorated. Red Sun was able to buy a large building in this community for only \$50,000.²⁷⁷

If you step inside this building you’re confronted by a wide central staircase to the second floor and two large rooms to your left and right, occupied by massive printing machinery. The business does offset printing, which is the most common method today, accounting for over 40 percent of print-jobs.²⁷⁸ It is a complicated process “involving huge high-speed machines, 2000-pound rolls of paper, computers, metal plates, rubber blankets and sharp knives.”²⁷⁹ Red Sun also has a small digital printer upstairs, where there are rooms and staff devoted to design, layout, sales, business management, and so forth. In all this there is nothing to suggest that the business is particularly unusual, except perhaps for the myriad posters, flyers, and cartoons pinned to doors and walls

²⁷⁷ Susan Long, interview by author, June 2010, Jamaica Plain, MA, tape recording.

²⁷⁸ “What Is Offset Printing?”, <http://www.whatisoffsetprinting.com/> (accessed May, 2010). Other kinds of printing include letterpress, gravure, digital, engraving, etc.

²⁷⁹ Mark Mine, “How Offset Printing Works,” <http://computer.howstuffworks.com/offset-printing.htm> (accessed May, 2010).

expressing a general aversion to George W. Bush and appreciation of classic revolutionary figures.

When the firm was established in 1974 by three participants in the New Left, there was already another cooperative printing press in the Boston area. It was not uncommon in those years for committed radicals to establish or join small printing presses with which to publish literature for progressive movements; the New England Free Press in Somerville had been founded in the late 1960s. Only about five people worked there at any given time; using the offset printing method they published pamphlets at low rates, sometimes even as low as 10 cents each, for their progressive brethren. The founders of Red Sun Press, who had some limited contact with the New England Free Press, wanted to do the same thing as the latter but in a more entrepreneurial and professional way, so that the firm could become a successful, established business.²⁸⁰

The Free Press is a good foil to Red Sun. It was started by a similar group of activists, but, unlike Red Sun's founders, they refused to do any commercial printing at all. The result was that they had very limited income, usually earning less than the federal minimum wage. The idea—appropriately “communistic”—was that workers would take however much money they needed; for a while the highest-paid member received only \$45 a week. Most members stayed for a few years and worked full-time, abandoning themselves to progressive causes. The Free Press seems not to have been

²⁸⁰ John O'Rourke, interview by author, June 2010, Dorchester, MA, tape recording.

intended to be extremely profitable or to become a business that could provide full careers to its workers; it existed solely as an adjunct to progressive movements. Its members had little business experience, not very concerned, for example, with achieving maximum “efficiency” at the workplace, or with using rigorous accounting methods. They practiced job-rotation for ideological reasons and to make the work more stimulating. A new member did not have to have experience in the industry; he or she would be trained on the job. In short, the Free Press was the archetypal radical collective of the New Left, manifesting all the strengths and weaknesses of that identity.²⁸¹

One “weakness” is that it was at the mercy of the market for progressive literature. Some of its income came from printing pamphlets for use in college courses, but much of it derived from print-jobs for movement organizations. When the latter declined in the late 1970s, the Free Press of necessity declined as well. Only two or three people were working there part-time in 1980; in 1981 they sold their equipment to other alternative presses. The business ended, therefore, not because of any flaw in the cooperative model or severe entrepreneurial inadequacies of the workers, but ultimately because the members had made a decision not to print commercially.²⁸²

The Red Sun Press started out as a business similar to the New England Free Press, but with a greater commitment to financial success and more sophisticated entrepreneurialism. With a \$350 loan from a sympathetic individual, its founders bought

²⁸¹ Ibid.

²⁸² Ibid.

old printing equipment, set up shop in a small room, and proceeded to build up the firm's reputation on the basis of their own volunteer labor. They continued to work in commercial printshops until they could earn a decent living through their collective. So as to charge low rates to movement organizations and accumulate capital at the same time (which the Free Press had not considered a priority), they sought commercial clients as well, who had to pay higher prices than progressive groups. Eventually this dual price-structure was abandoned, but Red Sun has maintained its connections with movement groups and prefers them as clients, sometimes still giving discounts if the client cannot afford the regular price.²⁸³

The cooperative's survival testifies to the fact that idealism and pragmatism are not mutually exclusive.

History

In the early 1970s two of the founders—young, middle-class, politically active, college graduates—who knew of the New England Free Press started to meet in a bar to plan their own printing cooperative, or rather collective. The collectivist ideology of consensus decision-making was important to them, as to the New Left generally. They got hold of a small multigraph press from an individual and moved it to a room at Rounder Records, a record label in Cambridge. They did not stay there for very long,

²⁸³ Susan Long, interview by author.

though. Their next location was a basement belonging to one of the worker-members. Again, a rather brief sojourn. Later they moved to a factory building near Porter Square in Cambridge; then a building in the South End of Boston, and then another in the same area, for which they could only get a two-year lease. Finally, in 1983, they moved to their current home in Jamaica Plain (having bought it in 1981)—a decision to which Laura Smith, one of the founders, credits the long-term survival of the business. The building suited its future needs well, in that it allowed it to expand. For some years Red Sun used only half the building, renting out the other half; now it uses the whole thing. Equally significantly, by not having to pay rent (which would be quite expensive now), the business has saved an untold amount of money since it bought the building.²⁸⁴

Early on, the collective incorporated as a not-for-profit. It could not have incorporated as a worker cooperative because in the mid-seventies the legal form did not yet exist in the United States. Only in 1982 would the first statute for worker co-ops be passed, based on the internal-capital-accounts system described in chapter 2. Until then, worker cooperatives had to adopt or modify existing legal forms and then rework the articles of incorporation and bylaws so that the enterprise functioned as a cooperative. Red Sun's founders chose the form of the not-for-profit so that there would be no owners: the business's assets would belong to the community rather than individuals. This would also facilitate the firm's future survival. As Laura Smith says, "We had the idea of

²⁸⁴ Laura Smith, email correspondence with author, June 2010.

building it for the future and not for our personal selves.” The press has kept the same legal form since it was first incorporated.²⁸⁵

Working in commercial printshops, the members got training in doing high-quality work. This is how they found commercial clients even in the 1970s, by doing high-quality printing, better than the New England Free Press. Slowly they were able to expand; in the late '70s five or so people worked there, men and women. The collective recruited from the activist community and sought people who already had printing experience. Ideologically some of them were apparently quite rigid and radical, cut from the sectarian fabric of the late New Left: for example, a couple of rigid Marxist-Leninists seem to have made the workplace at times a less than friendly and open place, at least to some prospective workers who visited it. To take one example: Susan Long, then a young political activist and press operator who is now Red Sun's business manager, met a few members at a night class in Cambridge, became friends with them, and over the next few years, while working at various commercial presses, was periodically asked to join the collective. Initially she declined, partly on account of the collective's ideological atmosphere. But around 1983 she was approached again, this time because the business was looking for a salesperson. It had grown to eight worker-members, six of whom were

²⁸⁵ Ibid. The terms “not-for-profit” and “nonprofit” do not appear to denote different kinds of corporations. They seem to be used interchangeably, and they certainly denote the same ownership structure (according to which there is no individual ownership of shares). One way to differentiate them, favored by Laura Smith, is that a nonprofit is a 501(c)—tax-exempt—while the term “not-for-profit” can be restricted to corporations with the same ownership structure that pay taxes. But this is just a terminological dispute. The point is that some corporations do not have individual owners, and they have to *apply* for tax-exempt status. They may be turned down. Had Red Sun Press applied to be tax-exempt it would have been turned down because it does not fit the criteria enumerated under section 501(c) of the tax code.

women. Like many people who join collectives, Susan had come to dislike her conventional job—not the press-operating itself but the environment of the private business. She knew little about sales but eagerly accepted the offer, and has remained at the press ever since.²⁸⁶

For a long time the collective could not get loans from institutions but had to rely on family and friends to advance money. Even the Cooperative Fund of New England would not lend to it, because it was not incorporated as a cooperative. (The Fund's policies are no longer this narrow.) Traditional institutions would not lend money because on paper the firm did not look good: for many years it did not make a profit and its members paid themselves little. In these respects its situation was similar to that of the Free Press in the 1970s, although Red Sun was bigger and more successful than the Free Press had ever been. And it would continue to grow after moving into its capacious new home in Jamaica Plain, bought with \$50,000 loaned by individuals. In 1981 it also bought its first big press—because financial projections indicated that with the small press being used then, it could not pay off the loans with which it had just bought the building it would move into two years later. Until then, it had had a series of small presses that did not print anything larger than 11" by 17"-sized pages. The new machine would print 18" by 24". But it was still just a single-color press, printing one color at a time, as opposed to the machine being used now which prints four colors at once and so

²⁸⁶ Susan Long, interview by author. The information in the following six paragraphs comes from this source.

requires far less arduous work. It was also old and used, like all the printing equipment bought before the late 1990s; nevertheless the product looked good.

The success of a printing press, of course, is determined to a great extent by the quality of its printing, i.e. the quality of its equipment. Both Red Sun's printing and its equipment, while high-quality from the start, have improved considerably over the years. Especially in the last fifteen years or so, as it began buying new and fancier equipment, including a small digital printer, its volume of sales has increased substantially. In all, it probably uses about a million dollars' worth of printing equipment now. To buy these newer machines it has appealed to loan companies that specialize in lending for machinery; only once has it taken out a loan from the Cooperative Fund of New England, and that was partly because Red Sun wanted to support the organization.

The 1980s were not a wildly successful time for the company. The workforce remained fairly small at eight or nine people, and little or no profit was made. Business practices were not ideal: the members often did not have a clear idea of the firm's financial position. Wages were not high either. Around 1983, for example, the hourly wage was \$6; everyone received the same amount except workers with children, who were paid more. Things improved in the '90s. The business started buying new equipment; the financial situation was taken more seriously; good financial growth occurred between the mid-'90s and 2001; the workforce increased to as high as 12 members. Red Sun also began receiving government contracts. Wages increased but the pay-scale became less flat: currently the lowest-paid (new members) receive an hourly

wage of about \$15 and the highest-paid, who have seniority, receive \$28. But this is after 15 percent wage-cuts (in November of 2009 and the following February) due to the recession, which has reduced demand. The recession of 2001 affected the company similarly, but it recovered and was doing very well even in 2008. Benefits have remained excellent as well. In the years when the business makes a profit, much of it is distributed evenly to all the workers.

Economically, therefore, the co-op has been relatively successful. Its 35-year survival is an incredible achievement in itself, in an industry where firms both private and cooperative (though usually private) appear and disappear with great frequency. But Red Sun has also, on the whole, managed not to sacrifice its democratic and progressive ideals. From early in its history its members have shown solidarity with the labor movement by belonging to a union. Graphic arts unions, however, refused to affiliate with the collective; they thought its members were communists. (Some in fact were, but the relevance of that is unclear.) Indeed, Red Sun Press had a strong reputation for radicalism in the seventies and eighties. So it had to turn to a radical union: District 65. Formed in 1933 by dry-goods workers in Manhattan, District 65 expanded into industries in manufacturing and retail, periodically affiliating and disaffiliating with international unions and union-federations. It also organized clerical workers, editors, technicians, lawyers, and other professionals. Though based in New York, in the 1970s its representatives came to Boston University to organize secretaries and others; Red Sun

Press decided to join it about this time. In 1987 District 65 joined the UAW (it had been an affiliate since 1981),²⁸⁷ but this had little direct impact on Red Sun.

Practically speaking, the affiliation with District 65 does not have momentous significance. It is mainly an expression of solidarity. But it does mean that the worker-members of Red Sun have to negotiate a contract with themselves periodically, which need not have any relation to the level of wages and benefits that the union negotiates with traditional businesses. Also, if there is ever a dispute between a worker-member and the rest of the cooperative, the union can represent and protect him. Such disputes are rare.

Another way that Red Sun has manifested its progressivism is by recruiting Hispanic men, adding heterogeneity to the workforce. This is not a common practice; most cooperatives and collectives, as stated earlier, are rather homogeneous in cultural, economic and educational backgrounds, which is conducive to trust and mutual understanding. Red Sun did not follow the conventional route in large part because its production manager in the 1980s was a Hispanic activist who wanted to bring in Hispanic people of a more working-class background. In this case, politically active consciousness was not an important consideration in recruiting members. Despite the problems that arose from such heterogeneity (described below), most of the Hispanics (who speak English) still work at the co-op; they get along well with their coworkers.

²⁸⁷ Frank J. Prial, "District 65 Becomes Unit of the UAW," *New York Times*, February 26, 1987.

For a long time Red Sun has belonged to various cooperative networks and federations, such as the U.S. Federation of Worker Cooperatives. In 1988 the Progressive Printers' Network was formed with representatives from fifteen printshops, its purpose being to share information, provide assistance, and take on larger projects as a group. Most of the shops began as collectives or volunteer organizations and are now worker-owned co-ops. For many years they had periodic national meetings to discuss finances, technical press issues, personnel problems and so on, but now that their number has shrunk to seven this is less common. The benefits of belonging to such a network can even be purely social and emotional, but no less powerful for that. For example, in the late eighties almost all of Red Sun's early worker-members left the collective for various reasons (some to go back to school, some to relocate)—all except for Susan Long. Understandably she was a little distraught by these developments, worried that the firm wouldn't survive, that she would be the only one left. That didn't turn out to be the case—new workers were recruited—but for a while the firm's prospects did not look good. In the midst of all this, representatives from some of the printshops came to Boston one week to work with the Industrial Cooperative Association; while in town they visited Red Sun Press, and proved to be of great emotional support to Susan—which, after all, can be necessary and decisive when a business is at a low point.²⁸⁸

From a “democratic” standpoint, however, the firm degenerated in 1993 by ceasing to be a collective in the strict sense. Consensus decision-making was no longer

²⁸⁸ Laura Smith, email; Susan Long, interview; Adam Stewart, email to author, June 2010.

practiced; majority-rule sufficed. The pay-scale also became less flat. The current governance-structure includes a “board of directors” that comprises all the members, which meets monthly; a management team that is supposed to meet weekly; and weekly staff-meetings. The board meeting addresses issues of finance, planning, and other important matters; the management team meets to prepare for the board meeting, to deal with personnel problems, to interview job-candidates, etc.²⁸⁹

The co-op now has nine members and one temp, having laid off a new worker last year because of the recession. Layoffs are rare, and firings even rarer.

Analysis

Having examined Red Sun’s history, let us look more closely at particular facets of the cooperative experience. First, organizational structure. For almost twenty years the business was strictly a collective, with scarcely any governance structure at all. How did this work out? Apparently it was quite successful for at least ten years. One reason is that it was not easy to join the collective. The members did not admit people who they thought might not fit in. Informal leaders emerged, as they almost always do in such situations, and they were important to the collective’s success. Laura Smith remarks that whenever she had to make a “big” presentation in a meeting, she would first carefully talk to each member for his or her views on the subject, so that when she presented she

²⁸⁹ Mary Goldman, email correspondence with author, June 2010.

would have already taken their ideas into consideration. Savvy practices like this made her very influential, and contributed to the success of the consensual mode of governance. Unlike other collectives, Red Sun Press also had a means of firing people, which was important “because in such a workplace one rotten apple can spoil the whole barrel.”

Problems arose, however. Eventually certain members identified as managers and so worked all the time, both as printers and as planners, while others who received the same pay did their printing and went home. The “free-rider” syndrome appeared. Susan Long and Mary Goldman, the two members who have been at the co-op longest, say that meetings twenty years ago simply lasted too long; sometimes it took hours to achieve consensus on a minor issue. “We had to debate *everything*,” Susan recalls. In one case, it took two hours to decide what time of day the garbage should be taken out, because one person would not compromise. Another time, the business was unable to buy a Japanese printer because one man refused to buy Japanese products. Everyone else wanted to, but the requirement of consensus prevented it from happening. Additionally, consensual governance fostered and enhanced interpersonal conflicts and stress. It made the already difficult experience of running a co-op even more difficult, and unnecessarily so.

Susan, the most outspoken member, believes that there is no point at all to having complete democracy. An element of hierarchy is essential. “The idea that a co-op means everybody worries about everything...is nuts.” For one thing, some people have no interest in managerial tasks such as planning. Why (she argues) should they be forced to

participate extensively if they do not want to? For the sake of an ideology? Better to let some people have a little authority over others and adopt roles of “planning” for which they have an aptitude.

Indeed, some workers think that even now, years after abandoning the structurelessness of collectivism, there is room for more consolidation of management. “I think it would make everybody’s life easier,” remarks one person. “Being ultra-democratic at times keeps us from moving forward.” Some complain about the “unprofessional” nature of the business—with regard to how people express themselves, not their work-ethic. Behavior sometimes occurs that would be more appropriate with one’s family than at a business, such as yelling or being mean. Again, this phenomenon, this “unprofessional” *closeness*, is widespread in small, personalized cooperatives.

One practice at the New England Free Press that is not done at Red Sun is job-rotation. People join the co-op to do the job they have been trained at; the printing industry, after all, revolves around tasks each of which requires a certain amount of expertise. However, members do sometimes *change* their jobs, if they have initiative. Susan Long was the salesperson for seven years; then she became the production manager; then she did customer service; and now she is the business manager. Mary Goldman was hired to do art; then she did the camera-work; later she worked with the film, and then learned how to do customer-service. Recently there have been fewer offset-printing jobs, so one press operator is being trained to do digital printing instead. Thus, it is possible to change jobs, though not really to “rotate” them.

Red Sun's size of about ten full-time members works well. To have many more would be difficult because, as Susan states, printing is a "linear" process. "The jobs pass from customer service to pre-press to plate-making, etc." To coordinate twenty or more workers, some perhaps working part-time, could prove to be a managerial nightmare—unless the management team had a lot more authority than it does now. As the business is currently structured, though, this is out of the question. Its size has been fairly steady since the early 1980s at between eight and twelve members; there is little reason to change that at this point.

One of the more unusual features of Red Sun Press, as already noted, is its heterogeneity. Even large companies in Mondragon tend not to be heterogeneous, composed mostly of Basques. The urban Latina cooperatives described in chapter 2 are quite homogeneous; the plywood cooperatives were very homogeneous. And most collectives, due to their rigorous screening process for new members, end up being relatively homogeneous too. But Red Sun has had women and men, young and middle-aged, highly educated and less educated, countercultural and mainstream, middle-class and lower-class, whites and Hispanics. The result has at times been a tense atmosphere. The difference in cultural backgrounds has occasionally led to problems of trust, communication and understanding.²⁹⁰ Reactions to particular issues have differed; people have misunderstood each other's intentions. But what does this amount to? It means that

²⁹⁰ Laura Smith and Steve Mayer, in emails to the author (June 2010). Susan Long confirms their experiences.

Red Sun has had the same problems that all cooperatives have, and most private businesses: failures of communication. Nor has it only been between people of different backgrounds. Heterogeneity may increase the potential for misunderstanding, but not to such a degree that it becomes a “qualitative” difference. The fact is that every business is heterogeneous, just insofar as people are individuals and not copies of each other. This diversity of individuality can be as problematic as a diversity of cultures. In both cases, the way to overcome it is through deeper attempts at mutual understanding, honest communication during meetings. Through such means, Red Sun’s members have worked through their differences.

There is little question that worker-satisfaction at the co-op is higher than at typical private businesses. Especially soon after a worker has joined, the experience can be very liberating. Susan describes her feelings after becoming a member: “I enjoyed it much more than my previous jobs. I remember walking up the stairs in the first couple of years feeling like I was coming to my ‘club.’ I felt *really* good about it.” Even now, young, politically active people who join the firm have an expectation that because it is a progressive co-op, the experience will be wonderful. When they find out that problems do arise, that everything is not ideal, they sometimes seem surprised. It is not easy to run a cooperative, but it can be more rewarding than to work at a conventional business.

For example, Mary Goldman observes that, contrary to what one reads in much of the scholarly literature, working in a co-op is not significantly more stressful than working at a traditional business. “In a conventional workplace,” she says, “some of the

stress comes from having little power over your working conditions and business decisions. In a co-op, some of the stress comes from *having* the power—then you *are* responsible for what happens! Ultimately, having the power is the option I would choose.”

Steve Mayer, who was a member from the mid-'70s to the mid-'80s, did not experience any disillusionment because his expectations were not unrealistic. He had been working for subsistence wages as an organizer for a progressive group. He would go to Red Sun Press whenever he needed some printing done. Red Sun at the time wanted to expand, and Steve knew that he enjoyed printing because he worked part-time at printshops, so he started working for free one day a week at the collective. After he had helped the business expand enough so that he could become a paid member, he quit his old job and worked full-time at Red Sun. He seems to have loved it. “The chance to combine printing with my political commitments,” he says, “seemed too good to be true. I considered myself privileged, even though the pay was ridiculously low and the hours long.” The collective, after all, performed a real service to political movements: ordinary copy shops would refuse to print work that they considered too radical, so movement organizations had to use Red Sun. And, unlike the latter, conventional printshops “*certainly* never donated printing to important efforts, or did an expensive press run with only vague promises of payment in some ill-defined future, or set aside the production schedule to get out info about breaking political events.” (The co-op still performs these

services to some extent.) Steve might never have left the business had his partner not been offered a job in California.²⁹¹

Not everyone was as committed to the collective as Steve.²⁹² For many years there was fairly high worker-turnover, since wages and benefits were low. That has changed since the improvements in remuneration during the 1990s, due to savvy business practices and better equipment that has made possible higher productivity.

Despite its greater “professionalism” and “commercialism” now, the co-op still maintains ties with its community, donating printing to various causes and publicizing political events. Representatives also still go to cooperative conferences and meetings, and to events that publicize co-ops to a broader audience. For example, in the summer of 2009 Richard Jackson, one of Red Sun’s sales representatives, went to the fifth Eastern Conference for Workplace Democracy at Duquesne University to talk about the co-op’s history.²⁹³

²⁹¹ Steve Mayer, email correspondence with author, June 2010.

²⁹² Ibid., and Susan Long.

²⁹³ Carl Davidson, “Worker and Community Co-ops Gather in Rust Belt Pittsburgh to Build Solidarity,” *SolidarityEconomy.net*, August 9, 2009, <http://www.solidarityeconomy.net/2009/08/09/reportback-5th-eastern-conference-on-workplace-democracy/> (accessed June 2010).

Implications

For the purposes of this study, the history of Red Sun Press offers several lessons. It provides further evidence of the viability of worker cooperatives, and of their potential for reducing unemployment on at least a small scale. But the reason the scale is usually small is that cooperatives are forced to be undercapitalized due to external and alterable facts about the American economy, governmental policies and prevailing ideologies. Even if most co-ops remain small, however, their proliferation could provide employment to thousands or hundreds of thousands. According to CECOP, in sixteen EU countries 1.4 million people belong to worker cooperatives, which is a vastly higher proportion than in the United States. And of course policy changes and greater tax incentives could make the number much higher. In any case, Red Sun Press proves that even if a cooperative has to rely on donations and loans from individuals for many years, it can last longer than many comparable private businesses (about half of which survive for five years or more).²⁹⁴

Cultural heterogeneity can potentially pose problems in a co-op, but it certainly need not lead to the business's downfall. Common sense says, however, that in small cooperatives only people who are committed to the same goals as the rest of the membership should be admitted, and there should be means of firing workers. The

²⁹⁴ SCORE, "Small Biz Stats and Trends," http://www.score.org/small_biz_stats.html (accessed June, 2010).

requirement of consensus can also be burdensome; it is important that, in extreme situations, a method be available to bypass the requirement. Generally speaking, majoritarian democracy works better than consensus. Furthermore, it allows members to be less restrictive in admitting new workers. Steve Mayer thinks that recruiting members was probably the greatest challenge in the early years, largely because of the constraints imposed by consensual governance. Especially if a collective is committed to having a diverse workforce, as Red Sun Press was, the need for consensus can be a great handicap.

In fact, even in very small cooperatives it may be necessary to have a “management team.” Worker-owners should not be afraid of this idea because of its supposedly anti-democratic implications; it is a reasonable solution to the problems of free-riding and the inefficiency of consensual decision-making. If everyone is equally involved and committed, then fine, there is no need for anything like a hierarchy. But too often some people are left doing most of the work, who become resentful toward the others. In such situations it seems fair to differentiate roles, to allow the dominant members to spend more of their time on planning and administrative decisions and perhaps to have a slightly higher pay (if the workforce agrees to it). This may signify a mild compromise with cooperative principles, but if it helps maintain the survival of the business it is certainly worth it. In Red Sun Press it seems to have resulted in a more efficient and less conflictual workplace, just as the change from consensus to majority-rule resulted in greater efficiency and less conflict. Both decisions were important for ensuring the co-op’s survival in the last two decades.

As already stated, a particularly important factor with respect to Red Sun's survival was the purchase of the building in Jamaica Plain. A business that cannot have a secure, relatively inexpensive home is probably not going to last long. The collective's frequent moves prior to 1983 were expensive and debilitating, and could not have continued indefinitely.

An encouraging implication of the co-op's history is that "degeneration" is not inevitable, not even the "goal degeneration" discussed in the scholarly literature.²⁹⁵ It is true that Red Sun no longer practices consensual democracy and has a nominal management team, but its cooperative identity has not disappeared under capitalist pressures. It remains political and democratic, even though all its original New Left members have departed (except Susan) and some of its current workers are not political as individuals. Marxist critics may be right that cooperatives situated in a capitalist economy are forced to have a somewhat hybrid identity, but there are nonetheless real differences between co-ops and traditional businesses. Cooperative relations of production, and the relations *in* production (i.e., in the workplace), have little in common with those in capitalist firms, given the absence of exploitation, of severe hierarchies, of antagonistic interests between employees and owners, of bureaucratic dehumanization, and of extreme alienation from one's work. Cooperative work is not always easy or pleasant, but it is relatively *human*, even when subject to pressures from an inhuman economy.

²⁹⁵ See, e.g., Cornforth, *Developing Successful Worker Cooperatives*, chapter 6.

Red Sun Press also proves that successful worker cooperatives are able to get substantial loans from traditional institutions. Officials in banks and loan companies are not ideologues implacably hostile to any organization savoring of cooperation or democracy; they are businesspeople whose main concern is to make a profit. If they see a legitimate opportunity to make a profit, it is likely that they will seize it. The task for cooperators, therefore, is the same as that for all entrepreneurs: to prove they are competent, that they are a good investment. With this understanding, there is no reason for despair.

That, indeed, may be the central lesson of Red Sun Press. With determination and flexibility, anyone, even two or three young people who share a vision, can start a worker cooperative. Eventually dozens of people might thereby find satisfying employment, and a social movement of profound importance will have yet another base of support.

CHAPTER 6

CONCLUSION

The central chapter of this essay is the fourth, which rejects orthodox Marxism and Marxism-Leninism in favor of a theory that places more emphasis on evolutionary change, decentralized and multi-localized pockets of resistance (in addition to broad political movements), as opposed to mass proletarian revolution and the violent seizure of state power.²⁹⁶ The central revision, from which the rest follows, is the reconceptualization of revolution not as a matter of advanced productive forces pressing with ever greater power against obsolete relations of production until finally a sort of “explosion” takes place that liberates these productive forces from their capitalist chains and results in a new, socialist mode of production; instead, simultaneous with the growth of advanced productive forces in the framework of capitalism is the emergence of non-capitalist relations of production relatively appropriate to these highly developed productive forces (in that they make more socially efficient use of them). Conceptualized this way, socialist “revolution” can be a protracted event, potentially a century long or

²⁹⁶ The state will have to slowly adapt itself to new economic realities. But insofar as it remains loyal to capitalism, *eventually* it may prove necessary for socialists to take over the state. Not until the economy has already been largely restructured, though. This conquest of absolute political power may be a relatively organic process, or it may be punctuated by violent conflict. Either way, it is not the kind of thing that radicals should strive for in a still-predominantly-capitalist society.

more, though probably not as long as it took capitalism to evolve from feudalism, because the world is far more integrated now than it was even sixty years ago. Nevertheless, many countries are still just beginning to be hegemonically capitalist, for example China and Russia; this could mean that they will not be “ready” for a (prolonged) transition to socialism for many decades. Or, alternatively, they might be swept up in revolutionary developments in the West, so that their own supersession of capitalism is not terribly delayed. It is hard to tell what will happen.

One cannot even say for certain that any of this will occur. It *probably* will, due to the contradictions of capitalism that Marx and subsequent thinkers have analyzed, and which are getting more acute every year; however, it is impossible to understand the deep structural tendencies of a global system like capitalism until they have been (partially) revealed in the evolution of new structures. This means it is impossible to predict with certainty how society will develop. “The owl of Minerva spreads its wings only with the falling of dusk,” as Hegel said. Ordinary undialectical thinkers would ascribe this inability to understand and explain a given era until it has passed into something else to the fact that only then does one gain “perspective” on it. But this is a superficial explanation; it does not really explain anything at all. The real reason for the truth of Hegel’s dictum is that the internal tendencies, the structural contradictions (and continuities) that constitute the real essence of a society and propel its development reveal themselves only in the new or modified structures engendered by their evolving and contradictory “resolutions.” Until then, being “hidden,” they are extraordinarily

difficult to pinpoint and understand. Still, one can make gestures at understanding, as I have in this essay.

If my revision of Marxism is right,²⁹⁷ then consumer and worker cooperatives, far from being reactionary, will be a key element of any transition to socialism. Both the working class and much of the middle class will have incentives to establish and join them, as these people succumb to prolonged unemployment and find it difficult to get loans from traditional institutions like banks. Credit unions will grow, and they will probably become more involved in the promotion and development of worker cooperatives. Governments too, as I argued, will have incentives to promote cooperatives and nonprofits.

The revision I have made to Marxism also has the advantage of showing a way out of the old radical dilemma between “reformism” and “revolution.” It has sometimes been argued that reformism is counterproductive, even reactionary, because it threatens to undermine the tendencies toward revolution by making the situation of the poor tolerable. The paradoxical result is that revolutionists, who supposedly care about the well-being of the poor, may fight against reforms that would benefit poor people. And internecine warfare erupts among radicals about strategy, about whether to favor systemic rupture or gradualism, and revolutionary energies are exhausted in sectarian squabbles. The answer

²⁹⁷ Incidentally, it need not apply only to systemic social revolutions. Even transitions from an earlier to a later phase of a given system can take place on the basis of the scheme I have described. For example, as I stated in the third chapter, the miniature “revolutions” of the 1960s were precipitated in large measure by the fact that new productive forces, and hence new production relations, had developed in the South in the first half of the 20th century, liberating millions of blacks for their exodus to the North.

to all these doubts is that *the only way* socialism can happen is through “gradual” change. There are no “options,” no other feasible strategies. Progressives must continually press for more changes in institutions, more public control of industry, more government support for the social economy.²⁹⁸ At the same time that people’s lives improve, the hegemony of capitalism will erode. At this point in history there is little danger that reforms will prolong capitalism to any substantial degree, because the system seems to be approaching the point that it is unprolongable. The kind of radically redistributive, urban-regenerating, corporation-dismantling, Third World-assisting, *national* but internationally coordinated reforms that alone could truly stabilize some sort of global capitalist regime are impossible. Besides, if they occurred, the resultant society would have little in common with that of contemporary corporate capitalism, and so a type of revolution would have happened anyway. In other words, the only way to stabilize and prolong capitalism now is to destroy it as we know it. But the only feasible way to do that is to slowly build up a new mode of production and distribution outside the mainstream, because statist, “mainstream” radical reform within the framework of capitalism has become structurally impossible. We are not living in the 1930s anymore.

Along the same lines, my revision allows radicals to transcend the endless debates about “true” class consciousness versus “false” consciousness, about how to educate the working class so that it understands its “true” interests, about the merits and demerits of

²⁹⁸ Not all reforms, however, are created equal. Many, for example health care reform, have no implications with respect to facilitating a new mode of production, and some might hinder (though not prevent) the latter’s emergence.

Leninist elitism, etc. All this becomes superfluous, because when capitalism has really reached the point that it is starting to succumb to socialism, *the only option* for the multitudes will be to engage in alternative, cooperative modes of production. If there are “other options,” or if there is still a danger that the masses will be duped into following an ideology harmful to their class interests, then a revolutionary situation has not yet arisen. Revolution will happen only when it *has* to, when it is not a matter of convincing the masses to follow a particular ideology or of having to “guide” them because of their supposed lack of class-consciousness. *Immediate, transparent* class interests have to coincide with “*fundamental*,” long-run class interests,²⁹⁹ in that the only way to provide the immediate necessities of life will be to work in socialist relations of production. Thus, insofar as activists still have to struggle to “raise the consciousness” of the masses, the transition to socialism is not at hand.

I must confess that, with qualifications, I share Marx’s faith in the broad “necessity” of the contours of historical evolution. It is true that external threats now exist he could not have foreseen, threats of nuclear and biological warfare that can be ignited by a few individuals with access to weapons. Had Hitler possessed a nuclear arsenal, he might have destroyed much of civilization. But these external threats themselves result from systemic tendencies that are not accidental but a function of high probabilities, due to the nature of structural continuities and contradictions. Hitler himself was no accident; in the 1920s “there were hundreds of Hitlers” in Germany, and

²⁹⁹ Erik Olin Wright, *Class, Crisis and the State* (London: Verso, 1979), 88–91.

in a time of economic and social upheaval, characterized by a fear of the militant working class amongst conservative sectors, it was highly probable that one of these figures with mass support would gain power.³⁰⁰ The two world wars grew out of deep structural tendencies in the world economy;³⁰¹ the first was even predicted by Friedrich Engels in 1887, with astonishing accuracy.³⁰² For any such event I would avoid use of Marx's word "inevitable," and certainly the particular political circumstances that determine when and how these major events erupt onto the world stage are not remotely inevitable. Archduke Francis Ferdinand was not inevitably going to be assassinated, but a war essentially similar to the ensuing war was almost inevitably going to happen sooner or later, given the state of Europe at the time.³⁰³ For an event like World War I, it is theoretically possible to trace back its causes through the preceding decades and thereby demonstrate the overwhelming probability of such an event's occurrence. The same is true of a major historical development like neoliberalism in the 1970s, the

³⁰⁰ Such is the argument in Ernest Mandel, "The Role of the Individual in History: The Case of World War II," *New Left Review* I, no. 157, May/June, 1986. See also my paper "A Meditation on Fascism" (unpublished).

³⁰¹ Polanyi, *The Great Transformation*.

³⁰² "Eight to ten million soldiers will swallow each other up and in so doing eat all Europe more bare than any swarm of locusts. The devastation of the Thirty Years War compressed into the space of three or four years and extending over the whole continent; famine, sickness, want, brutalizing the army and the mass of the population; irrevocable confusion of our artificial structure of trade, industry and credit, ending in general bankruptcy; collapse of the old states and their traditional statecraft, so that crowns will roll by dozens in the gutter and no one will be found to pick them up; it is absolutely impossible to predict where it will all end and who will emerge from the struggle as victor..." Karl Marx and Friedrich Engels, *Werke*, ed. Institut für Marxismus-Leninismus beim Zentralkomitee der Sozialistische Einheitspartei Deutschlands, 39 vols. (Berlin, 1958–68), 21: 350–354. 9.7 million soldiers were killed in the war, within the range predicted by Engels.

³⁰³ See James Joll and Gordon Martel, *The Origins of the First World War* (Harlow, England: Longman Publishing Group, 2000).

financialization of the global economy and stagnation of the real economy in the West, the decline of the welfare state, class-polarization and the rise of unemployment in recent decades, etc. *Systemic changes* like this do not depend on accidents or the wills of a few individuals; they are almost inexorably driven by the rule-governed movements of millions of people. In general, the most that one can do is to speed them up, slow them down, bring them to light, and moderate or intensify the harshness of their manifestations.³⁰⁴

Accordingly, it is not entirely “up to us” how the future will unfold. The multifaceted dialectic of capital accumulation and class conflict³⁰⁵ will do most of the work for us, will guide history through us, like Hegel’s “cunning of reason.” People occupying particular locations in class structures will serve in their actions the interests defined by those locations, and if they fail to do so they will be replaced in their positions by people who will. Economic structures will continue to reproduce themselves, but will

³⁰⁴ The issue of “probability” in history—degrees of probability of given phenomena, from very low to very high—poses great philosophical and “sociological” difficulties. (I’m talking about the probability of major systemic structural changes, not day-to-day events.) Without delving into these difficulties, I can hint at their complexity by saying, for example, that I think the Bolsheviks’ seizure and eventual consolidation of power was not remotely “inevitable” even in the context of World War I, although virtually inevitable, systemically determined circumstances generated pressures towards it and ultimately “opened up the space” in which it could occur (in which individuals could take action to bring it about); on the other hand, I think the degeneration of Communism to capitalism *was* virtually inevitable in the long run. But what does “virtually” mean? It means that the world is not a closed theoretical system, more specifically that the internal dynamics of the theoretically defined structures of capitalism and Communism were not the only variables relevant to the outcome of the Cold War. Nuclear war could have happened, for example. Nevertheless, systemic tendencies are overwhelmingly important, because people—especially “on average”—tend to act in accordance with the interests and pressures that define their locations in social structures (particularly economic structures).

³⁰⁵ Other kinds of conflict are less important for social evolution, including racial, gender, religious, and ethnic conflict. This is because, as stated earlier, the most profound changes in society happen on the basis of changes in the sphere of production, which is the sphere of class-relations. (Needless to say, class conflict is usually only implicit, not expressed in class consciousness.)

do so (as they interact with other structures) in conflict-generating, self-undermining, self-changing ways, until new structures have evolved, which will develop in the same conflictual way. With regard to the new structures that are evolving now in the social and solidarity economies, it is primarily in their early stages that individual activists will be able to have a noticeable degree of influence. As the structures mature, they will settle into the “self-reproducing” stage.

One must emphasize again, however, that the struggle for cooperativism has hardly yet begun. It will be an extremely long process, and things will get worse before they get better. The age of the corporation, i.e. of the government–corporation nexus, is not near its end. Capitalism is still spreading; it has yet to consolidate many of its recent conquests in Asia. But as it does so, the downtrodden in the advanced capitalist economies will take the first steps toward socialism. The worse things get, the more necessary will socialist production-relations become. In the long run, the current world-system will annihilate itself in a protracted global conflagration as a newer and nobler world rises amidst its ruins.

In this slow disintegration of capitalism, the task for intellectuals such as the author will be the same it has been throughout history. To quote Gramsci, “Every social group, coming into existence on the original terrain of an essential function in the world of economic production, creates together with itself, organically, one or more strata of intellectuals which give it homogeneity and an awareness of its own function not only in

the economic but also in the social and political fields.”³⁰⁶ So-called intellectuals will continue to attach themselves to revolutionary movements and articulate the interests, goals and strategies of the oppressed, working to speed up change. The task of raising consciousness may not be as important as has often been thought, but it has its uses if relegated to the subordinate role of serving people’s immediate material interests. My hope is that this essay has “raised consciousness” to some degree.

³⁰⁶ David Forgacs, ed., *An Antonio Gramsci Reader: Selected Writings, 1916–1935* (New York: Schocken Books, 1988), 301.

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