

Cooperatives and Socialism

A View from Cuba

Edited by
Camila Piñeiro Harnecker



Cooperatives and Socialism

This page intentionally left blank

Cooperatives and Socialism

A View from Cuba

Edited by

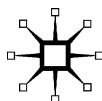
Camila Piñeiro Harnecker



Canadian International
Development Agency

Agence canadienne de
développement international

palgrave
macmillan



Editorial and Selection Matter © Camila Piñeiro Harnecker 2013
Individual Chapters © Contributors 2013

Softcover reprint of the hardcover 1st edition 2013 978-1-137-27774-9

All rights reserved. No reproduction, copy, or transmission of this publication may be made without written permission.

No portion of this publication may be reproduced, copied, or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs, and Patents Act 1988, or under the terms of any license permitting limited copying issued by the Copyright Licensing Agency, Saffron House, 6–10 Kirby Street, London EC1N 8TS.

Any person who does any unauthorized act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

The authors have asserted their rights to be identified as the authors of this work in accordance with the Copyright, Designs, and Patents Act 1988.

First published 2013 by
PALGRAVE MACMILLAN

Palgrave Macmillan in the UK is an imprint of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Palgrave Macmillan in the US is a division of St Martin's Press LLC, 175 Fifth Avenue, New York, NY 10010.

Palgrave Macmillan is the global academic imprint of the above companies and has companies and representatives throughout the world.

Palgrave® and Macmillan® are registered trademarks in the United States, the United Kingdom, Europe, and other countries

ISBN 978-1-349-44735-0 ISBN 978-1-137-27775-6 (eBook)

DOI 10.1057/9781137277756

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources. Logging, pulping, and manufacturing processes are expected to conform to the environmental regulations of the country of origin.

A catalogue record for this book is available from the British Library.

A catalog record for this book is available from the Library of Congress.

10 9 8 7 6 5 4 3 2 1
22 21 20 19 18 17 16 15 14 13

Contents

<i>List of Illustrations</i>	vii
<i>Acknowledgments</i>	viii
<i>Notes on Contributors</i>	ix

Introduction	1
<i>Camila Piñeiro Harnecker</i>	

Part I What is a Cooperative?

1 An Introduction to Cooperatives	25
<i>Jesús Cruz Reyes and Camila Piñeiro Harnecker</i>	
2 Building Alternatives beyond Capital	46
<i>Julio C. Gambina and Gabriela Roffinelli</i>	

Part II Cooperatives and Socialist Thinkers

3 Cooperativism and Self-Management in Marx, Engels, and Lenin	63
<i>Humberto Miranda Lorenzo</i>	
4 Socialist Cooperativism and Human Emancipation: Lenin's Legacy	90
<i>Iñaki Gil de San Vicente</i>	
5 Ché Guevara: Cooperatives and the Political Economy of Socialist Transition	115
<i>Helen Yaffe</i>	
6 Foundations of Self-Managed Socialism: The Contribution of István Mészáros	143
<i>Henrique T. Novaes</i>	

Part III Cooperatives in Other Countries

7 Mondragón: The Dilemmas of a Mature Cooperativism	167
<i>Larraitx Altuna Gabilondo, Aitzol Loyola Idiákez, and Eneritz Pagalday Tricio</i>	

8	Forty years of Self-Management in Popular Housing in Uruguay: The “FUCVAM Model” <i>Benjamín Nahoum</i>	190
9	Solidarity Economy in Brazil: The Relevance of Cooperatives for the Historic Emancipation of Workers <i>Luiz Inácio Gaiger and Eliene Dos Anjos</i>	212
10	Worker Self-Management in Argentina: Problems and Potentials of Self-Managed Labor in the Context of the Neoliberal Post-Crisis <i>Andrés Ruggeri</i>	235
11	From Cooperatives to Enterprises of Direct Social Property in the Venezuelan Process <i>Dario Azzellini</i>	259
 Part IV Cooperatives and Cuba’s Path to Socialism		
12	Agricultural Cooperatives in Cuba: 1959–Present <i>Armando Nova González</i>	279
13	The UBPC: A Way of Redesigning State Property with Cooperative Management <i>Emilio Rodríguez Membrado and Alcides López Labrada</i>	292
14	Notes on the Legal Framework of the Cuban Cooperative Environment <i>Avelino Fernández Peiso</i>	317
	<i>Index</i>	345

List of Illustrations

Figure

7.1	Organizational structures of the Mondragón Group and one of its first-tier cooperatives	177
-----	---	-----

Tables

1.1	Basic differences between capitalist and cooperative enterprises	41
7.1	Summary of intercooperation mechanisms	178
9.1	Fields of collective activity by cooperatives	223
9.2	Performance of solidarity economy enterprises (SEE) in relation to organizational form	227
12.1	Economic performance of CPAs, 1987–1992	283
12.2	Structure of the use and possession of the land in Cuba	285
12.3	Forms of land possession	289
13.1	Differences between CPAs and UBPCs	310
13.2	Evolution of UBPC development	312

Acknowledgments

Our gratitude to Wendy Holm, for her initiative and support in having this book translated. Many thanks also to Rose Ane Berbeo for her dedicated translation work, to Sustainable Cities International and the Canadian International Development Agency for providing the funding, and to all those who helped review it.

Notes on Contributors

Larraitz Altuna Gabilondo is a professor in the Faculty of Humanities and Education Sciences and a researcher at the LANKI institute of cooperative studies, at the Universidad de Mondragón, Basque Country. She has a degree in Sociology and a Master's in Latin American Studies, and his research focuses on sustainability and cooperative culture. Email: Larraitz_altuna@huhezi.edu.

Dario Azzellini holds a doctorate in Political Science and in Sociology from the Benemérita Universidad Autónoma de Puebla, México. He is also a researcher and professor at the Institute of Sociology at Johannes Kepler University of Linz, Austria, as well as an author and documentary filmmaker. He is the author of the book *Commune in Construction* (2010) about local self-government in Venezuela. Email: dario@azzellini.net.

Jesús Cruz Reyes is a professor of Political Economy at the University of Havana. He was awarded a doctorate in Economic Sciences by the Institute of Economy, Minsk, in 1989. His thesis was on cooperativism. He received training in cooperativism from the International Labour Organization, Italy, in 1993, and at the University of Sherbrooke, Canada, in 1999. He has also organized international seminars on cooperatives. Email: jcruz@fec.uh.cu

Eliene dos Anjos holds a master's in Social Sciences from the Universidade Federal da Bahia; is pursuing a doctorate at the Universidade do Vale Do Rio Dos Sinos, Brazil; is interning at the Instituto Universitario de Economía Social y Cooperativa, Universidad de Valencia, Spain; and is a member of the Perola Negra association, which advises solidarity enterprises in Bahia, Brazil. Email: eliene-anjos@yahoo.com.br.

Avelino Fernández Peiso holds a doctorate in Legal Sciences from the University of Havana and is a professor at the Universidad de Cienfuegos, Cuba. With ample legal, enterprise, and academic experience, he has published essays, brochures, and three books on cooperative issues. He is also a founder of the National Union of Cuban Jurists. Email: avelino@ucf.edu.cu

Luiz Inácio Gaiger holds a doctorate in Sociology and teaches at the Universidade Do Vale Do Rio Dos Sinos, Brazil. He coordinates the UNESCO Department of Labor and Solidarity Society, is a member of the Screening Group in Solidarity and Cooperative Economy, and is one of the coordinators of the Network of Latin American Social and Solidarity Economy Researchers. Email: gaiger@unisinobr.br.

Julio C. Gambina is a professor of Political Economy at the Faculty of Law at the Universidad Nacional de Rosario, Argentina. He is also the president of the Foundation of Social and Political Research (FISYP) and a member of the executive board of the Latin American Council of Social Sciences (CLACSO). Email: jcgambina@gmail.com.

Iñaki Gil de San Vicente was born in the Basque Country and is a long-time activist of the pro-independence Basque Left movement and international solidarity. He is a Marxist, and was first published in the late 1970s. He has posted his writing with free access on dozens of web pages. Email: lurgorrieta@euskalnet.net.

Alcides López Labrada holds a doctorate in Economic Sciences on Cuban agricultural cooperative management from the University of Havana and was Vice Minister of Agriculture from 1995 to 1997 and 2005 to 2010 to oversee the cooperative sector. He was a Havana representative of the Agriculture Ministry from 1998 to 2005 and is the director of the Agriculture Ministry Training Center, an advisor to the Villena Revolución Agrícola Polytechnic Institute, and a professor of Economy at the University of Havana. Email: alcides@minag.cu

Aitzol Loyola Idiakez is a professor of the Faculty of Humanities and Education Sciences and researcher at the LANKI institute of cooperative studies, both at the Universidad de Mondragón, Basque Country. She has a doctorate in Sociology and Political Science from the Universidad del País Vasco and works in cooperative training/education. Email: aloyola@mondragon.edu

Humberto Miranda Lorenzo holds a doctorate in Philosophy from the University of Havana and is an assistant researcher and member of the Latin America Group: Social Philosophy and Axiology (GALFISA) of the Institute of the Ministry of Science, Technology, and Environment of Cuba. He is also an assistant professor at the College of Charleston, in the United States and works with the Martin Luther King Jr. Memorial Center in Cuba. Email: galfisa@ceniai.inf.cu

Benjamín Nahoum is a technical director of the Department of Technical Support of the Uruguayan Federation of Mutual Aid Housing Cooperatives (FUCVAM) and teaches Architecture at the Universidad de la República, Uruguay. He is also advisor to Latin American social movements and technical organizations and the author of many books on popular housing and cooperativism. Email: bnahoum@adinet.com.uy

Armando Nova González is a professor and researcher at the Centre for the Study of the Cuban Economy (CEEC), University of Havana, and holds a doctorate in Economic Sciences. He is the author of books and articles on the economy and agriculture in Cuba. He has taught in Cuba, Spain, the United States, Mexico, and Canada, is a member of the University Scientific Council of the University of Havana, and is the president of CEEC's Scientific Council. Email: armando@ceec.uh.cu

Henrique T. Novaes holds a degree in Economics and a doctorate in Science and Technology Policy from the Universidade Estadual de Campinas (Unicamp), Brazil. He teaches at the Universidad Estadual Paulista (Unesp), Marília, Brazil. He is author of *O Fetiche da tecnologia – a experiencia das fábricas recuperadas* (2010, 2nd edition). Email: hetanov@yahoo.com.br

Eneritz Pagalday Tricio is a professor of the Faculty of Humanities and Education Sciences and researcher at the LANKI institute of cooperative studies, both at the Universidad de Mondragón, Basque Country. She has a degree in Humanities Applied to Business and works with the Mundukide Foundation and others in cooperative cooperation. Email: eneritzpagalday@huhezi.edu

Camila Piñeiro Harnecker is a professor and researcher at the Center for the Study of the Cuban Economy at the University of Havana. She has a Master's on Business Administration from the University of Havana, and a Master's from the University of California at Berkeley, United States, with a thesis on the empirical study of cooperatives in Venezuela. She has been a consultant to several Cuban institutions for the cooperativizing of enterprises. Email: camila.pineiro.harnecker@gmail.com

Emilio Rodríguez Membrado holds a doctorate in the Economic Sciences and is a professor of Economy at the University of Havana. He has studied and published on Cuban agriculture and cooperatives for more than 20 years. He received training in Italy on cooperativism and

is a consultant to 17 tobacco cooperatives. Email: emilioro@hotmail.com

Gabriela Roffinelli holds a degree in Sociology from the Universidad de Buenos Aires (UBA), Argentina and teaches Sociology and is a researcher with the Gino Germani Institute of the Faculty of Social Sciences of the UBA. She is also a researcher with the Foundation of Social and Political Research (FISYP). Email: gabyroffinelli@yahoo.com.ar

Andrés Ruggeri holds a degree in Social Anthropology from the Universidad de Buenos Aires, Argentina and directs the “Open Faculty” Extension and Study Program on worker-recovered enterprises. He is the author of various books and articles on worker-recovered enterprises and is completing doctoral studies on “worker self-management in globalized neoliberal capitalism.” Email: andres.ruggeri@gmail.com

Helen Yaffe has a doctorate in Economic History from the London School of Economics. She has lived in and researched Cuba, and is author of *Ché Guevara: The Economics of Revolution*. She has also taught Latin American economic history in universities in London and written for several magazines. Email: helen_yaffe@yahoo.co.uk

Introduction

Camila Piñeiro Harnecker

This book was the result of an urgent need to make a modest contribution to the successful “birth” of Cuba’s new cooperative movement. When the *Draft Economic and Social Policy Guidelines* of the Sixth Congress of the Communist Party of Cuba were issued in November 2010 and they mentioned cooperatives as one of the main forms that non-state employment is expected to take, the Dr. Martin Luther King Jr. Memorial Center in Havana asked me to undertake this task. The Spanish version of this book was launched in March 2011 and a second edition is already in print. In the current context, we consider it opportune and necessary to help educate people about a form of self-managed socioeconomic organization whose principles, basic characteristics, and potential are unknown in Cuba, and which all signs seem to indicate will play an important role in our new societal model.

Although we target Cuban readers, this book may be of interest to anyone who is curious about the changes that are currently taking place here as well as to those thinking about transforming their economies away from the undemocratic, atomistic, greed-based capitalist relations that predominate today and that to a great extent have caused the current global crises. The fact that the United Nations has declared 2012 as the “Year of Cooperatives,” seeking to promote such alternative socioeconomic organizations, might also raise interest in these topics. To delve into the role that cooperatives could play in a society that seeks to overcome the irrationality and injustice of capitalism is to envision an alternative between “efficient” self-destruction and unsustainable utopias, between free-market and authoritarian central planning.

When the cooperative production model is proposed in Cuba as *a* – not the only – form of organizing business administration, it is common to find three concerns in particular: some believe it is too “utopian” and

therefore inefficient; others, basing their opinions on previous forms of cooperatives in Cuba, suspect it will be insufficiently autonomous¹ or “too similar to the state enterprise system”; and yet others, accustomed to direct and excessive state control of business activity, reject it as too autonomous, and therefore as the “seeds of capitalism.” This book is an attempt to address all of these concerns, although they obviously require much more space to do so adequately.

The first concern is addressed to a certain extent with the information provided in Part I about the existence and economic activity of cooperatives in the world today. We see that cooperatives are not an unattainable fantasy that disregards the objective and subjective conditions of sustainable economic activity. In fact, experiences with cooperatives in the Basque Country, Uruguay, Brazil, Argentina, and Venezuela discussed in Part III show that they can be more efficient than capitalist companies, even when taking into account the hegemonic conceptualization of efficiency that ignores externalities, or the effects on third parties of all business activity.

The efficiency of cooperatives is even greater when considering all of the positive effects inherent to their management model, which may be summed up as the *full human development*² of their members and, potentially, of the surrounding communities. The democratic abilities and attitudes developed by cooperative members through participating in management can be used in other social spaces and organizations. Moreover, authentic cooperatives avoid some of the worst negative effects (layoffs, pollution, the loss of values) generated by companies that are oriented toward maximizing profit instead of toward satisfying the needs of their workers.

It is not possible here to analyze the arguments of business administration theorists who hold that cooperatives are inefficient. This criticism generally is based on the fact that democratic decision making takes time, ignoring the equally true fact that it is the principal source of the advantages of cooperatives over other, nondemocratic businesses. Cooperatives are also criticized for not resorting to layoffs, and for their supposed tendency to low levels of investment as a result of maximizing worker income and an aversion to risk. These types of behaviors, however, are not validated by the practices of the cooperatives analyzed in this book. These cooperatives also demonstrate the advantages of democratically managed businesses in terms of the *positive* motivation of their workers; the negative incentive of fear of firing is no doubt effective in arousing certain types of behavior, but is not even close to enough. The tendency for capitalist businesses to incorporate democratic

management methods suggests that they have indeed understood that participatory decision making is necessary to achieve the levels of motivation among workers upon which their success depends.

We hope that anyone who – taking the Cuban experience as a reference – questions the possibility that truly autonomous and democratic cooperatives can exist will have that concern cleared up by Part I, which, by explaining what a cooperative is, suggests the fundamental differences between a cooperative and a state enterprise. In a real cooperative, worker participation in management does not depend on an executive board decision for more worker involvement in decision making; instead, it is a constituent principle cemented in workers' rights, established by the cooperative's internal regulations, and exercised via decision-making bodies and procedures designed and approved by the workers themselves. While the degree of autonomy of Cuba's new cooperatives will depend, of course, on an expected general law on cooperatives and related regulations and how these are implemented, the *Guidelines* seem to indicate that they will be given the same self-management powers that characterize them universally, and without which their democratic administration is not possible. We expect the new cooperatives law to resolve the shortcomings of the existing legal framework for agricultural cooperatives, which are analyzed in Part IV of this book.

The third concern, the idea that cooperatives cannot be a form of socialist business organization because they are too autonomous and therefore irreconcilable with the interests of society, is the one most addressed in this book. Beginning with the first chapter, our aim is to show that real cooperatives operate with a logic diametrically opposed to that of capitalist businesses. Instead of maximizing the individual profits of shareholders, cooperatives are motivated by satisfying their members' needs for human development, which are inevitably linked to the needs of their surrounding communities and of the nation, and even of the "greater human family." Throughout the book, it is suggested that while it may not be possible to involve cooperatives in the national plan or in provincial and municipal development strategies through mechanisms of coercion or imposition, it is possible to reach agreements and coordinate with them so that they orient their activities toward the satisfaction of social needs identified in the planning processes, especially if they are democratic and respond to the interests of the communities that surround them and where their members live.

To defend the relevance of cooperatives for a socialist project, though, we must begin by specifying what we are talking about when we refer to this form of socioeconomic organization. In Part I of this book,

Jesús Cruz³ and I attempt to give the simplest possible definition of a cooperative. To do so, it is important to note that cooperatives worldwide carry out the most diverse economic activities, and a considerable number of people are either cooperative members or benefit directly from their activity. That should not surprise us, considering that self-management and cooperation have existed as long as human beings have. Cooperatives continue to be the most common choice of organization for groups of people who are intent on solving a problem through their own efforts.

The difference between a production or workers cooperative (from now on referred to as “cooperative,” because our emphasis is on this type⁴) and other forms of business organization may be seen by analyzing the cooperative principles⁵ that have contributed to the success of these organizations since the emergence of the first modern cooperatives, which saw themselves forced to achieve effective management to survive amid the more unbridled monopoly capitalism of the late eighteenth and early nineteenth centuries. To the extent that cooperatives have truly implemented these principles in everyday practice, they have been able to use the advantages inherent to this form of socioeconomic organization: those derived essentially from democratic management and that facilitate the articulation of individual and collective interests (common to the group of the cooperative’s members), and even – although less axiomatic – the social interests of the communities with which they most interact.

The practice of these principles is also what helps cooperatives reduce the inevitably corrupting effects of the capitalist environment in which the majority of them have developed. This is an environment that puts individual solutions above collective ones; that hinders the achievement of an atmosphere of equality, generating and reproducing differences in ability and status among the members; that violates the time required for democratic decision making; that punishes genuine acts of solidarity; and that promotes the exploitation of human beings and nature. While this unquestionably restricts the goal of human liberation – of overcoming the obstacles that prevent us from achieving our potential as human beings – which is always latent in genuine cooperatives, this is not an absolute obstacle to them becoming spaces where these principles are exercised and where the values that this practice generates are developed. The experiences of the successful cooperatives presented here demonstrate the economic and ethical/political potential of these organizational principles, above all when they are articulated with other cooperatives, surrounding communities, and social

organizations, and when they promote laws that lessen existing prejudice toward them in the regulatory frameworks and practices of private and state institutions.

As Julio Gambina and Gabriella Roffinelli suggest, cooperatives should be seen as one of many forms of self-managed social organization⁶ that allow us to transcend the capitalist logic of maximizing narrow individual interests. Because it takes no account of human nature and its social and environmental determinants, capitalist “rationality” is actually irrational and suicidal. It is a logic that, as long as it permeates everyday life, not only takes us further away from socialist or communist dreams of complete justice, but also leads toward an irreversible break of the dynamic equilibrium of nature on our planet.

The rationality that motivates cooperatives, like all other forms of genuine self-management, is the need of a group of people to satisfy *common* needs and interests. It is based on their recognition that they share collective interests that correspond to some degree to their own individual interests, and that their collective action allows them to satisfy these needs more effectively. This, together with the conviction that all of the cooperative’s members are human beings with equal rights – and the ability to develop similar or similarly valuable capacities – to participate in decision making, results in democratic management that decides not only who is in charge and how surplus should be used, but also how to organize the production process: what is produced, how, and for whom.

This autonomous management by the collective that forms a cooperative – the ability of this group of people to make decisions independently – is the principal reason that historical experiences of socialist construction have rejected the relevance of cooperatives in socialism, and have relegated them to agriculture or to marginal spaces in the economy. Some see autonomy as breaking with or ignoring the social interests and strategic objectives expressed in the “plan,” and raise the following questions: would it be possible to “couple” an autonomous enterprise with a planned economy? Is it feasible for a cooperative to respond not only to the interests of the group of people that constitute it but also to social interests? When looked at in terms of absolute autonomy and authoritarian (nondemocratic) planning, in terms of the group interests of a collective unit that are considered in advance as being alien to social interests, then the answer is obviously negative. The authors of this book are convinced that the answer is positive. Here, we argue why we think so, although we cannot respond to every single question about how to achieve this.

We should warn that we are not trying to solve a problem that goes back to the very origins of socialist theory. It is a question that is perhaps more conceptual than practical because there are cases of collective and even private enterprises that meet social needs more effectively, and establish decentralized horizontal relationships that are more socially responsible than some state enterprises. What we are looking at here is the form of organizing the work process *in a production unit*, not in an entire economic system. How a socialist society should guide the management of its enterprises or how the fruits of collective work should be distributed in society, therefore, are not issues that we are attempting to address in this initial approach to the question. Some ideas on these matters, however, are presented throughout the book. The “fruits” of cooperative work that most interest us here are the human beings themselves who are “produced” according to the specific way in which the productive process is organized in their enterprise: the subjects who work as partners in a cooperative, who are motivated to give their best to the success of *their* enterprises, and potentially to the neighboring communities.

What distinguishes an associated worker from a wage worker in a capitalist or state enterprise? According to what we see in the experiences of the cooperatives analyzed in this book, a worker who is part of a genuine producer cooperative, or another self-managed form of production, is truly the owner of his or her enterprise and feels that to be so. This worker, along with the rest of the collective, participates consciously and actively in making all strategic and administrative decisions, as well as in their implementation and control. What characterizes a cooperative is not the legal ownership of the means of production (facilities, land, machinery) by the collective or group of people who make up the cooperative, but the fact that the decisions about their utilization are made collectively by all members, either directly or through elected representatives, under the conditions and with the powers that the members decide. It is a concrete form of self-management and the exercise of popular sovereignty, although limited to the cooperative’s collective.

For that reason, for Gambina and Roffinelli, the relevance of worker self-management in different forms, especially cooperatives, for socialist construction depends on the extent to which these serve as a “process of learning about administration that goes beyond the regime of capital.” The value of cooperatives, therefore, lies in the nature of their everyday practice, in the social relations of production established among their members: those of associated workers and not wage workers. In these

organizations, workers are not forced to renounce, in exchange for a wage, their ability to think, to be creative, or to make decisions, and they exercise these powers through democratic methods, with equal rights and duties. A cooperative does not have bosses or subordinates; instead, it has an organizational structure and a technical division of labor that have been collectively designed and approved.

Cooperatives, therefore, can be powerful weapons of struggle for socialist construction, though they are not the only ones, not sufficient on their own, and not without risks and challenges. They are instruments – perfectible and adaptable – that we should not permit to be disallowed, either by statist dogma or by the perception that only private enterprise works. As Gambina and Roffinelli say, “Between socialism and cooperativism a dialectical relationship exists, favored or not by given social and historical conditions.” The extent to which cooperatives are useful depends on the environment in which they emerge and develop, and the relationship they establish within that context.

In fact, as seen in the second part of this book, socialist thinkers who have assessed the usefulness of cooperatives for projects of socialist construction have always done so based on the concrete experiences of cooperatives in their times. Humberto Miranda tells us that while Marx and Engels criticized the cooperatives of the mid-nineteenth century for renouncing political struggle and being limiting to meeting the narrow interests of their members, they did recognize their value – above all, that of the production cooperatives – for showing in practice that it is possible to establish the associated labor relations that Marx and Engels believed should characterize a socialist society.

Lenin recognized the validity of cooperatives not only during his final days, but also from the start of his revolutionary activity. As reflected in the chapter by Iñaki Gil de San Vicente, Lenin saw in cooperatives “one of the definitive solutions for advancing toward socialism” because he appreciated the value of associated labor and of democratic practice in the workplace for producing and reproducing human beings with socialist values. Miranda also points out that, as Lenin saw it, “Socialism is the regime of cultured cooperativists.” Therefore, one of the fundamental and most pressing tasks of the Soviet state was to promote the conditions for members of cooperatives to become *cultured* cooperativists who were conscious of the advantages of participating in the management of their enterprises and at the same time were concerned not only about their immediate, narrow interests, but also the social aspects of their individuality.

Ché Guevara, for his part, studied the kolkhoz, the only type of workers' cooperative that existed in the Union of Soviet Socialist Republics (USSR), in the mid-1960s. Based on his notes on the *Soviet Manual of Political Economy*, Helen Yaffe concludes that Ché saw the kolkhoz as a more advanced form of organizing labor than the family-based or private agricultural enterprise. The institutional design of the kolkhoz, however, created internal and external contradictions that prevented the kolkhoz farms from using the advantages of the cooperative management model.

Ché's critique of the kolkhoz that is most relevant for socialist construction is that, as Yaffe notes, "even if private property within the kolkhoz were eliminated there would remain a contradiction between each individual collective ownership and the social ownership of all the people." Therefore, he regarded the kolkhoz "as introducing a capitalist superstructure into socialist society." In other words, the kolkhoz promoted the logic of the maximization of narrow individual and collective (group) benefit instead of the social consciousness that Ché considered key to any socialist project. "For Che, the major challenge of socialist transition was precisely: 'how to transform individualized collective property into social property,'" Yaffe states.

While Ché considered it important to promote workers' participation in management (including the election of their leaders and proposals for solutions to technical problems that arose), he also believed it was indispensable to establish an amount of state control over all enterprises which was incompatible with the conventional cooperative model of total autonomy. As Yaffe shows in describing the measures Ché introduced in the Ministry of Industries, Ché was focused on finding organizational variants to enable state property to become truly social property through greater worker participation.

In my opinion, it is essential to take into account that Ché carried out this effort within a political and ideological context where control over the economy via the state only seemed possible through the state's direct intervention in enterprise management. It was not until the late 1980s and early 1990s that proposals emerged from Marxist economists like Pat Devine,⁷ Robin Hahnel, and Michael Albert⁸ (and more recently, Diane Elson, Fikret Adaman, and others) that defend the possibility of combining high levels of enterprise autonomy with mechanisms for democratic coordination and planning. According to these authors, it is possible for an enterprise to simultaneously establish a democratic decision-making process and horizontal relations of exchange that are not guided by capitalist logic, materializing the social property of the enterprise both within and outside of it.

Moreover, Yaffe suggests, “It is important, however, not to impose newer concepts of what a cooperative is on Che’s concrete analysis of the *kolkhoz*,” because it actually did not correspond to many of the above-mentioned principles that define cooperatives. Those cooperative principles, which – according to Miranda and Gil de San Vicente – coincide with the communist vision of Marx, Engels, and Lenin, have now been re-appropriated by numerous experiences of cooperatives throughout the world that are seeking to transcend capitalist logic effects on their internal and external relations.

This particular aspect of one part of the global cooperative movement,⁹ this way of carrying out revolutionary cooperativism, has been influenced by the ideas of more recent socialist thinkers, such as István Mészáros. Henrique Novaes explains how Mészáros has reread Marx and has found that Marx’s view of postcapitalist society corresponds to what Mészáros calls “self-managed socialism,” which not only concerns itself with distributing material wealth under certain ideas of equity, but also produces that wealth in a way that is qualitatively “superior” to the capitalist method such that, through self-management, everybody has the opportunity to develop fully as human beings.

According to Novaes, “Mészáros defends cooperativism as a possibility for ‘re-attaching the snail to its shell’ and in that way resolving, to a certain extent, that contradiction” between private property and the social character of labor. Thus, cooperativism as a form of enterprise self-management makes it possible to overcome the alienation of labor that is present not only in private businesses, but also in state enterprises that are managed in an authoritarian way, where worker participation is a mere formality. In other words, Mészáros proposes democratic management of the enterprise as a way to begin addressing the senselessness of workers who intervene directly in the production process and lose control over the decision making related to that process. To be able to entirely solve that contradiction and materialize social property, or “overall control of the labor process by the associated producers,” it is essential to establish democratic planning processes, above all at the local level, in what Mészáros calls “cycles” or “circuits” of production, distribution, and consumption. Therefore, self-management should not be limited to the internal operations of the enterprise but also should occur at the social level, through procedures that differ depending on the scale and characteristics of the institutions and territories involved, of course.

In the third part of this book, the reader will find analyses of current experiences of cooperatives in other countries which, to a greater or

lesser degree, share in this radical vision of overcoming capitalist logic. The cases presented here have been selected to show the different ways that cooperatives can emerge, be organized, and relate to the state. Above all, the focus is on how these cooperatives have implemented the cooperative principle of commitment to the community, which in mainstream spaces has come to be known as “corporate social responsibility,” a concept that unquestionably has been appropriated by businesses that have no intention of going beyond the logic of capital and use it to boost their public image and differentiate their products.

We begin with a chapter by Larraitz Altuna Gabilondo, Aitzol Loyola Idiakez, and Eneritz Pagalday Tricio, which analyzes the origins of what today is the biggest cooperative in the world in terms of sales, a good part of which is from industrial activity. The Mondragón Group or Corporation, which is actually an association of more than a hundred cooperatives, is the seventh largest business group in Spain. Mondragón emerged in 1956, when four people in war-devastated Spain decided to join together to meet their needs and those of their communities by producing electric stoves. The story of Mondragón likewise demonstrates that the workers of genuine cooperatives really do prioritize investment over their monetary income, are capable of great sacrifice, and are well-prepared to develop and implement new technologies.

Without neglecting to recognize its economic and social success, Mondragón has been considered as a bulwark of “light” or apolitical cooperativism, which actually does not seek to transcend capital. This criticism is based above all on the fact that Mondragón uses permanent wage workers and has become a transnational to reduce costs and expand its markets. In 2008, only one-third of its workers were members of its cooperatives. Mondragón has established some 50 production plants in “undeveloped” countries, especially in South East Asia and Eastern Europe, which do not operate like cooperatives, even though it is claimed that they are encouraged to operate as such to a certain extent. One-third of Mondragón’s industrial labor is employed and 15 percent of its income is produced by production plants outside Spain, located in those countries as well as in European countries and the United States.¹⁰

As Altuna et al. suggests, Mondragón has concentrated on growing, and with its “institutionalization” and “bureaucratization,” it has to a certain extent abandoned the radical principles that its founder, Arizmendiarieta, was able to instill in the first generation of Mondragón workers: the priority of labor over capital, and social transformation

within and outside of cooperatives. Evidently, the necessity of subsisting in a capitalist environment has led Mondragón to practically adopt capitalist logic, prioritizing cost-cutting over providing decent employment to Spaniards who are currently unemployed: profit prevails over meeting needs. An adequate balance between the economic and social aspects is no doubt an inexorable challenge for cooperatives in a market economy.

Even so, Mondragón has continued to exercise social responsibility and has not reduced that to only a commitment to providing work. The cooperatives also contribute ten percent of their profits to “social works.” However, to the extent that their decision-making processes have become bureaucratized and social needs have become less evident, the impact of this practice has been less effective, both for developing the social consciousness of members and for meeting real needs. Consequently, some Mondragón cooperatives – perhaps influenced by participatory budget experiences in Latin America – recently began combining their social funds and jointly deciding with local communities what to do with those funds, so that the citizens themselves identify their priorities.¹¹ In this way, they are readopting some of the “comarcal” or regional organization goals of the Mondragón cooperatives from 1964 to 1991.

Despite all of its shortcomings, Mondragón is an irrefutable example of cooperation among cooperatives, which are committed to redistributing another ten percent of their profits among themselves so that those that have greater surpluses share with those who have less. Moreover, in times of crisis the cooperatives that have to reduce operations may relocate their members to other, less-affected cooperatives. As a result of these practices, in the more than 50 years of Mondragón’s existence, only about six of its cooperatives have had to shut down.¹²

The Mondragón experience shows that the success of cooperatives lies in their unity, in using the advantages of cooperation not only within but among them. As Altuna et al. explains, Mondragón’s industrial cooperatives are organized into second-degree cooperatives (or “groups”) and one third-degree cooperative (the “industrial division”). This allows them to coordinate their activities to a large extent, by submitting their management and investment plans to the group’s approval; respecting the principle of noncompetition among each other; prioritizing the acquisition of inputs from each other; establishing joint business services; benefiting from common emergency, investment, and social security funds; and implementing new technologies developed by their own research centers.

Therefore, the analysis of the Mondragón experience suggests that its cooperatives are willing to cede total autonomy over strategic decisions and even management decisions *if* the decision making goes to democratic bodies where they can represent their interests and participate indirectly in those decisions. Income scales, the permitted percentage of wage workers, and the criteria for using profits are decided by the congress of all Mondragón cooperatives. Moreover, the executives of the second- and third-degree cooperatives participate in the governing council of the grassroots cooperatives. Without setting out to do so, Mondragón is thus contributing to clarifying the question of whether it is possible to combine enterprise autonomy and planning, so important in debates about socialism.

In Uruguay, since 1970, the Federation of Mutual Aid Housing Cooperatives (*Federación Uruguaya de Cooperativas de Vivienda por Ayuda Mutua*, FUCVAM) also has been an example of the fact that the strength of cooperatives lies in their unity. As Benjamín Nahoum explains, thousands of families grouped into more than a hundred cooperatives have been able to build more than fourteen thousand homes in that country, despite having lost about 15 years during the military dictatorship.

Like Mondragón, the FUCVAM shows that cooperatives can be more efficient than capitalist enterprises because they can reduce costs, use the advantages of scale while maintaining adaptability, and rely on a source of motivation that comes only from genuinely democratic management. The efficiency of cooperatives is even greater when considering that they also serve as spaces where people can acquire skills (management, teamwork) and attitudes (self-confidence, solidarity) that they otherwise would not acquire. With more than 40 years of experience, the FUCVAM also confirms that cooperatives can be sustainable organizations and that they can constantly be revitalized and correct their course.

The FUCVAM contrasts with Mondragón because of its activism in Uruguayan and Latin American politics. In particular, it has joined alliances of social organizations that defend the right to housing and demand that the state meet its responsibility by guaranteeing or at least facilitating that right. Nahoum tells how the FUCVAM emerged and what the keys to its success are: respect for cooperative organizational principles and values; articulation of resources and interests within the FUCVAM; the use of state loans; and being able to count on technical advice which, instead of taking away leadership from the people, provides them with more leadership tools.

Luiz Inácio Gaiger and Eliene Dos Anjos analyze the “solidarity economy” movement in Brazil, which also has had state support for

its development. While only a small number of these “solidarity enterprises” have been registered officially as cooperatives, their organizational principles and values are essentially the same as those of cooperatives, but are perhaps just a bit more flexible. The rapid growth of that sector in Brazil also shows us the advantages provided by the fact that these socioeconomic organizations have the support of public policies that facilitate them with technical and ethical advice, using the valuable capacities of universities, which generally go to waste.

Gaiger and Dos Anjos suggest that the origin and expansion of the concept of the solidarity economy in Brazil is due in part to the rejection of the image that cooperatives have had in Brazil: the majority of these are associations of private businesses that only call themselves cooperatives to benefit from preferential state support. The solidarity economy is emerging to return to democratic, emancipatory values, including the internal and external solidarity that should characterize cooperatives. Gaiger and Dos Anjos find evidence that the practice of self-managed enterprises like cooperatives promotes equality, in seeking for their members to contribute the same work for similar income, and in eradicating discrimination against those who, because of unfortunate reasons beyond their control (aging, chronic illness, etc.) have less of an ability to be productive. Moreover, by emphasizing the local impact of the enterprise, the solidarity economy highlights the importance of the articulation or intertwining of self-managed enterprises and their communities.

Another type of self-managed enterprise that has become stronger in Latin America, especially in Argentina, Venezuela, and Brazil, is worker-recovered factories. The experience in Argentina, which is evaluated by Andrés Ruggeri, shows how it is possible for a group of people who have worked under the authoritarian model of capitalist management to learn, almost overnight, how to self-organize without bosses – to make decisions themselves and not wait to be told what to do. Although not without their vicissitudes and troubles, 90 percent of the recovered enterprises that existed in 2004 continued to show in 2010 that it is possible to pull owner-abandoned businesses out of bankruptcy.

Ruggeri analyzes the relationship between recovered factories and the Argentine state, indicating public policies that could be introduced to support a sector that has shown it is more than a source of temporary or interim employment, and that it is possible to reinsert people into the economy – not without major difficulties – who are no longer useful to international capital. Greater links with public institutions, consumers,

and other self-managed organizations would allow these enterprises to partly avoid some of the negative impact from the mercantile relations in which they are immersed on the democratic practice and environment of equality and “happiness” or human development that they are trying to create among their workers.

Most recovered factories in Argentina have taken the form of cooperatives. According to Ruggeri, however, the workers’ collectives reject the abandonment of direct democracy by traditional cooperatives, and prioritize assemblies as decision-making bodies. Almost 90 percent of them hold weekly or monthly assemblies, while traditional cooperatives generally hold only annual assemblies. Recovered businesses also have unveiled the myth of the neutrality of technologies, showing in practice that they sometimes make it necessary to establish work procedures and speeds that go against democratic management. They have sought ways to reconcile their values with profitability.

Like the other cooperatives analyzed here, recovered enterprises in Argentina do not see the autonomy that should characterize them as a pretext for ignoring the rest of society. In reciprocating the social support that enabled them to legally recover their factories after long conflicts with the owners, the workers’ collectives tend to provide services to their communities and to orient their activities toward satisfying the needs of those communities.

We could not leave out a look at the experience of cooperatives in Venezuela, another Latin American country that explicitly has set out to direct its project of transformation toward a socialist future and that has experimented with enterprise forms that are neither private nor state. Dario Azzellini explains how the Venezuelan government’s discourse and support have moved from the traditional cooperative model to community enterprises, social property at the community level. Public policy makers in Venezuela proved that when cooperatives operate in a market economy, it is not correct to expect them to spontaneously internalize the interests of communities. Support for cooperatives is currently maintained, but the creation of Enterprises of Direct Social Property (*Empresas de Propiedad Social Directa*), some with the legal form of a cooperative, is sought for those products related to basic community needs, so that enterprises will more directly respond to those interests. Attempts have been made to “socialize” cooperatives by positioning them more closely with communities, thus helping them to comply with their principle of social responsibility.

While policies for promoting self-managed enterprises in Venezuela have not been the best, given that they have provided insufficient and

ineffective support and have contributed to the waste and diversion of public resources, there are positive aspects that should be taken into account by any government that intends to promote these socio-economic organizations. In Venezuela, there is confidence in the ability of people to learn self-management, not only through training programs but above all also in practice. Venezuelan cooperatives are related to various state enterprises, and to a lesser extent, to other forms of self-government or self-management in public administration: the Communal Councils and the Communes.

These experiences with cooperatives in the world that claim – to a greater or lesser degree – the revolutionary and emancipatory essence of cooperativism show that these organizations can be tools, though doubtless insufficient and perfectible, for making progress in overcoming the capitalist logic of maximizing individual benefits and in establishing the socialist logic of meeting the needs of human development while being respectful of nature. Obviously, cooperatives in and of themselves, even when they are part of cooperatives as large as Mondragón, do not have the strength to overcome capitalist logic alone: an overall societal change is necessary. However, cooperatives and other forms of self-management can serve as invaluable spaces for people to experience in the here and now the social relations that should characterize future postcapitalist society, and to reproduce the socialist values that they generate.

It is within this context of the development of cooperativism in the world, in its most revolutionary forms of solidarity enterprises, community economy, and social property, that we should rethink the role of cooperatives in the Cuban socialist project. To do so, we must start with an analysis of the current situation of cooperatives in our country.

The fourth and last part of the book is devoted to the experiences of cooperatives in Cuba, which have been limited to the agricultural sector. Armando Nova gives us an overview of the cooperative forms that exist today in our country: the Credit and Services Cooperatives (*Cooperativas de Crédito y Servicios*, CCS), the Agricultural Production Cooperatives (*Cooperativas de Producción Agropecuaria*, CPA), and the Basic Units of Cooperative Production (*Unidades Básicas de Producción Cooperativa*, UBPC), analyzing their origins and precedents. He systematizes valuable information about their weight in Cuban agriculture and their economic results, demonstrating that they generally have performed better than state enterprises.

Those statistics suggest certain worrying situations that cannot be addressed in this compilation, but that deserve our attention: private

farmers (most of them associated with CCSs) seem to be more productive than the CPAs; the latter have shrinking memberships, demonstrating the challenge of new generations taking over, and, in recent decades, very few CPAs have been created. It also remains to be assessed whether there has been a cooling of democratic practice in Cuban agricultural cooperatives, democratic practice being an essential aspect that distinguishes them from other enterprise forms.

With respect to that, it is important to analyze the degree to which the regulatory framework, both explicit in laws and regulations and implicit in directives from state institutions, impacts the principle of autonomy that a cooperative requires to be democratically self-managed. The chapter by Avelino Fernández Peiso provides a critical analysis of the current legal framework for agricultural cooperatives, indicating the principles that characterize them as well as their internal and external legal relations.

As Fernández thoroughly argues, Cuban cooperatives have been conceived to a great extent as state enterprises and not as self-managed groups of people. Thus, their real capacity for truly democratic, collective management should be analyzed – in other words, their ability to make decisions and to access the resources necessary to implement them. It is in this sense that there is a lot of value in Nova's recommendations to grant Cuban cooperatives more autonomy, facilitate horizontal relations between them and other actors, and promote second-degree cooperatives.

In the particular case of the UBPCs, the problem of insufficient autonomy is even more serious. Emilio Rodríguez and Alcides López analyze the conditions that gave rise to the creation of the UBPCs based on the subdivision of state agricultural enterprises. That, along with the non-observance of cooperative principles, has marked the not very encouraging functioning of this "cooperative" form, which was the most widespread before the recent distribution of idle state lands,¹³ and which has diminished in number since its emergence.¹⁴ Therefore, the UBPCs demonstrate – although the same could be said about the CPAs and the CCSs – that direct state control over enterprise management is not the most effective way to be in command of the utilization of the nation's productive resources, at least not for these activities, and that cooperatives require at least some autonomy in order to be successful.

Nevertheless, the case of the UBPCs is instructive because it consists, according to Rodríguez and López, of a "redesign of state property" that combines productive units administered under a management model close to that of the cooperative, on the one hand, with a state enterprise

as the decision-making center of the network, on the other. Starting with an analysis of the origin and evolution of the UBPCs, the authors examine the current situation of these organizations and propose an Integrated Management System that would allow them to most satisfactorily comply with the cooperative character that inspired them.

Despite the abovementioned shortcomings, and without overlooking the need to perfect agricultural cooperatives' performance and regulatory environment, all Cuban authors who have contributed to this book defend the need to expand cooperativism to other sectors, but acknowledge the necessity to learn from the experience in agriculture and make sure that mistakes are not repeated. In my opinion, in addition to cooperatives that may emerge spontaneously among people who decide to form them once that is legally possible, we should also consider promoting the cooperativization of state enterprise units whose activities are not strategic¹⁵ for the provinces and municipalities where they are located or for the nation in general.

For strategic activities, other forms of management can be used that truly materialize the participation of workers in decision making while also allowing – given they are not counterposed objectives – more direct state intervention that will guarantee they respond to the social interests established in strategies and plans, such as forms of comanagement, workers' councils, or at least autonomous working groups. Thus, a state enterprise – that is, one that is administered by representatives of government ministries or regional (provincial or municipal) governments – will be more effective to the extent that it operates internally like a cooperative and that it strengthens its links to productive sectors and to the communities it serves.

In what are now state productive units of goods and services that are not considered strategic, workers should be able to decide *in a voluntary and informed manner* to create cooperatives that lease and/or buy the means of production, according to what is most convenient for both parties and considering long-term social interests. The effectiveness of the management of these social resources by the collective that comprises the cooperative can be controlled indirectly through responsibilities expressed as determinant clauses in the lease contracts and an appropriate regulatory framework, as well as other measures that safeguard social interests such as democratic coordination and planning at the local level, social interests that will be defined and controlled more effectively by democratically managed local governments.

Therefore, before shutting down a state enterprise unit, it would advisable to take into account whether its workers are interested in forming

a cooperative that would lease the premises and buy or lease other means of production. In that way, both the workers and the state win: the workers would not be left unemployed, and the state, in addition to taking in the corresponding taxes, would not be left with unused productive capacity. Analyzing the experiences of recovered factories in other Latin American countries suggests the currently ignored value of the abilities and innovative endeavors of workers. It also points to the most important limitations that recovered enterprises find in attempting self-management, suggesting which state institutions can take action to alleviate their problems and thus how to contribute to their success.

Similarly, before laying off workers¹⁶ who are involved in “indirect” or support activities (security and protection, food service, cleaning and maintenance, administration, sales, etc.) that are unquestionably excessively costly for most Cuban state enterprises, it would seem more prudent to make it easier for them – perhaps together with those who carry out similar activities in other enterprises and would meet the same fate – to create cooperatives that provide services to state and non-state enterprises. The measures taken in Venezuela to promote that the state prioritizes the contracting of goods and services with cooperatives, as well as other support policies, can also help us both to identify possible actions and to avoid the errors committed there.

The Cuban state can ensure that, as occurs in other countries, non-state enterprises (cooperatives or private) see their relations with the state as something advantageous. State institutions should not demand that cooperatives provide them with services at prices that do not generate the profit margins necessary to reproduce their productive cycles, as occurs now with agricultural cooperatives; instead, they should implement policies that help cooperatives reduce their costs, so that they can offer lower prices. They also should not be charged excessive taxes, because in addition to increasing their costs and therefore their prices, it would encourage people to carry out simpler or illegal activities, and thus contribute less to the socioeconomic development that Cuba needs.

Instead of reducing the social responsibility of new non-state enterprises to simply contributing taxes, priority should be given to implementing policies that would guide these enterprises toward orienting their activities for directly meeting social needs, such as decent jobs, healthy consumption, the dissemination of clean technologies, environmental protection, and the like. Likewise, to avoid the problem of a concentration of wealth, which explains the high taxes applied

to private businesses in Cuba, what should be promoted above all is that the new non-state sector should *preferably* adopt the cooperative management model, where benefits are distributed equally among the members and should in some way contribute to the surrounding communities.

It is worth noting that for the new Cuban cooperatives not only to be successful but also to materialize their potentiality for social responsibility, it is necessary to create a propitious regulatory and institutional environment. In the first place, it is urgent to have a general law on cooperatives, with its corresponding general rules, as announced in the Communist Party *Guidelines*. As is the case in Venezuela and other countries committed to the social and economic development of their nations, these and other regulations should reflect a commitment on the part of the Cuban state to prioritize cooperatives in relation to other non-state forms that are based on individual work or on the hiring of wage labor. That preference should be materialized in fiscal and credit policies and, no less importantly, in government preferential contracting with cooperatives.

To ensure that any cooperatives formed comply with their principles and are not fronts for conventional businesses that only seek to take advantage of the preference they enjoy, it is vital to create an oversight institution. That institution, decentralized in provinces and municipalities, also would be a very useful tool to promote education about cooperativism and assist in the creation of cooperatives, as well as to facilitate their integration with each other and their relations with state institutions.

The importance of having a policy for education on cooperatives also should not be underestimated. If a desire really exists to promote the expansion of these organizations in Cuba, then the education system, non-formal channels, and the mass media should play a fundamental role in educating Cubans about their special characteristics and advantages.

Moreover, to promote the materialization of cooperatives as genuine social property and their compliance with their social responsibility, it is crucial for municipal governments to create spaces where they – and other non-state forms in the area – can participate in designing local strategies, policies, plans, and budgets, so that their potential can be used and so they are motivated to contribute to community development. It also would be advisable for these governments to be responsible for overseeing the operation of wholesale markets to supply the new non-state forms and other actions vital to their success.

If cooperatives have been able to expand and be successful in the world, all the more reason for them to do so in Cuba, because they would have people who are better prepared to democratically manage their enterprises, with relatively high levels of education, self-confidence, equality, and solidarity, and in many cases who are already participating in “informal” self-management processes. Also, having a state that would favor the cooperative sector, that would accompany it and guide it without impositions, would give Cuban cooperatives an advantage that others are demanding elsewhere in the world.

The consolidation and expansion of cooperatives in Cuba would allow us to increase enterprise productivity and cut state expenditures, while avoiding the concentration of the means of production and increased inequality that will certainly happen if private enterprises gain strength. By joining and cooperating with others, cooperatives are better prepared to achieve optimal economies of scales while maintaining organizational flexibility. The employment provided by these organizations will be more stable and dignifying, since members will have the opportunity to develop their capacities for self-management and provide for themselves. Also, cooperatives will be easier to supervise and to orient toward the satisfaction of community needs in more direct ways than just tax contributions.

While the cooperative management model unquestionably is not the only way to organize business activity, nor the most appropriate for all economic activities, and depends on the concurrence of the wishes of a group of people willing to work as a team and to make decisions consensually, it is based on precepts that are essential to any socialist project. The relations of associated labor that are established among the members of cooperatives and the positive effects of that form of democratic management are indispensable, while not sufficient, for advancing toward a society where association, cooperation, and solidarity predominate.

If what defines socialism is the predominance of social property in the form of freely associated labor guided by a plan that responds to social interests, and not just redistribution of material wealth, then cooperatives – and to the extent that the conditions for them to carry out their social commitment are created – are not a transitional but a constitutional enterprise form for any socialist project. If, all in all, the point is to achieve people’s active participation as an essential means for satisfying people’s needs for overall development, then cooperatives are a prefiguration of the future in the present.

They allow us to promote the democratic abilities and attitudes, creativity and solidarity-based values upon which any socialist project

is based, *without* neglecting the economic determinants upon which its sustainability depends. Therefore, it is important for Cubans to embrace cooperatives and self-managed enterprises in general, not only as instruments for increasing productivity, but also as a consubstantial part of the socialist future that we refuse to renounce.

Notes

1. By "autonomy," we mean the ability to make decisions independently. As we will see, no form of social organization in the world is completely autonomous, because its choices are determined in some degree by its environment.
2. I use the term full or overall "human development" to clarify that I oppose the progressivist and economicist mythology that reduces development to an abundance of material goods, without taking into account that development also has its ethical and spiritual aspects, where people can fulfill themselves professionally and as human beings with a social nature.
3. A biographical sketch of each author who participated in this compilation may be found in the beginning of the book.
4. Cooperatives may be classified into production or workers cooperatives (when their members join together to work collectively) and consumer cooperatives (when they form for the collective acquisition of goods or services).
5. Basically, as explained in the book's first chapter, a cooperative should: be open to the entry and exit of members, and flexible in its internal organization; be democratically managed; be based on the economic participation of its members; be autonomously managed; prioritize education and information for its members and the public in general; establish mechanisms of cooperation with other cooperatives; and be committed to surrounding communities.
6. Other forms of business self-management are comanagement (where the workers share in management with the legal owners of the means of production or the company's stock), partnerships of professionals (groups of professionals who individually provide services but share part of their income for buying common services or goods, generally with limited responsibility), associations, and so on. There are also forms of self-management outside of the business sector, such as self-management in regions, communities, and local government.
7. See Pat Devine, *Democracy and Economic Planning*, Cambridge: Polity Press, 1988.
8. Michael Albert and Robin Hahnel, *Looking Forward: Participatory Economics in the Twenty-First Century*, Princeton, NJ: Princeton University Press, 1991.
9. Marcelo Vieta calls it "new cooperativism." See his prologue, "New Cooperativism," *Affinities*, 4 (1) (2010), available at <http://journals.sfu.ca/affinities/index.php/affinities/article/view/47/147>.
10. Antxon Mendizábal, "Claves del desarrollo del grupo cooperativo de Mondragón," 2010, unpublished.

11. See the “Bagara” initiative, at <http://goiena.net/blogak/bagara>.
12. Interview in June 2010 with Miguel Angel Laspiur, who was director of financial management of the Mondragón Corporation from 1992 to 2008.
13. Nova says that private farmers – generally organized into CCSs – will go from holding 18 percent of farmland to more than 35 percent, while the UBPCs will go down from 37 percent to 30 percent, the CPAs will remain at nine percent, and the state will go from 36 percent to 26 percent.
14. According to Alcides López, in defending his doctoral thesis in January 2011, while only 136 CPAs have disappeared since their creation, for an average of three annually, 474 UBPCs have dissolved, for an average of 24 annually.
15. The “strategic” character of an enterprise’s activity should be defined according to the strategies of the province and municipality in which it is located and those of the nation. Activities related to meeting basic needs of consumption (food, health, education, housing, transport, clothing) could be considered strategic.
16. As part of the current changes in Cuba, a process of layoffs (*proceso de disponibilidad*) has begun – although at a very slow and careful pace – by which workers who are considered redundant in their workplace are relocated with the support of their unions to other state jobs or encouraged to create their own businesses.

Part I

What is a Cooperative?

1

An Introduction to Cooperatives

Jesús Cruz Reyes and Camila Piñeiro Harnecker

According to the International Co-operative Alliance (ICA),¹ more than eight hundred million people in the world today are organized into cooperatives spanning a diverse array of economic activities.² To list just a few examples, one out of every three working-age Canadians is a member of at least one cooperative, and that is also the case with one out of three in France, one out of four in Argentina, one out of five in Germany, one out of five in India, one out of ten in Costa Rica, and one out of ten in Colombia.

Regarding the economic importance of cooperatives, according to the ICA (2010), in Western Europe the immense majority of agricultural producers are organized into cooperatives, controlling more than half the market for agricultural products. In fact, cooperatives in Finland produce 96 percent of dairy products, 50 percent of eggs, and 34 percent of forestry products. In France, they control more than 40 percent of agricultural and nonagricultural food production. In Uruguay, cooperatives produce 90 percent of milk and 30 percent of wheat. Twenty-two percent of New Zealand's gross domestic product (GDP) was generated by cooperatives in 2007. And in 2009, cooperatives accounted for 5.7 percent of Brazil's total GDP (37.2 percent of its agricultural GDP) and close to 5 percent of Colombia's GDP.

However, these figures should be taken with a grain of salt because a considerable number of enterprises that identify themselves as "cooperatives" do not actually practice the principles of cooperativism. Some stray from that ideal due to internal and external factors. Others only call themselves cooperatives to obtain access to benefits granted by state policies that promote these forms of associative enterprises. In addition, a large number of cooperatives throughout the world are formed for the purpose of product distribution – rather than production – and

financial services (i.e., credit unions), and some are possibly too big to practice democratic management.

Even so, the role of cooperatives in the world is significant, and their activities benefit some three billion people, about half the world's population, according to 1994 United Nations (UN) estimates (ICA, 2010). The impact has been so great that the UN declared 2012 as the "International Year of Cooperatives."³ Beneficiaries are not just low-income people; they also include people from middle- and high-income groups who choose to consume conscientiously and responsibly, and/or to produce in relationships of association and cooperation instead of subordination and competition.

The cooperatives that have achieved the most success and sustainability have joined second- and third-degree cooperatives. One of the best-known is the National League of Cooperatives in northern Italy (founded in 1886), which united the largest number of cooperatives in its time, most of them in industrial or artisan manufacturing. Currently, the Mondragón Corporation is the largest cooperative group in the world, the number one business group in the Basque Country, and the seventh largest in Spain. Mondragón is made up of more than a hundred cooperatives that operate mostly in finance, industry, distribution, and knowledge.

Venezuela became one of the countries with the most cooperatives in the world – an estimated thirty thousand to seventy thousand – after the Hugo Chávez government established policies for their promotion. However, few have become firmly consolidated. In addition to factors such as inadequate support from the state, they have remained isolated, failing to benefit from the advantages of cooperation. In fact, the most outstanding case in that country is the Central Cooperative for Social Services of the state of Lara (*Central Cooperativa de Servicios Sociales de Lara*, CECOSOLA), which was created in 1967 and unites some 80 consumer and production cooperatives, taking advantage of the benefits of integration.

In Cuba, three types of cooperatives exist today, all of them in agriculture, for a total of approximately 6,300 in 2009, according to figures from the National Office of Statistics (*Oficina Nacional de Estadísticas*, ONE). However, a significant number of them do not actually operate as cooperatives because they do not have the necessary autonomy to make basic decisions on issues such as the supply of their inputs and the distribution of their products – and cooperative education has been scarce.

Today in Cuba and in other countries, efforts are underway to find alternatives to state and private capitalist enterprises, alternatives that

are more participatory, more solidarity-based, more just, and, in short, more effective (achieving simultaneously efficacy and efficiency) for the socioeconomic development of their people. This does not mean that cooperatives are the only choice, or that they should replace other enterprise forms; they are simply one more option, with advantages and limitations. Cooperatives are the most widespread enterprise alternative in the world – not the only one – and have proven their effectiveness and sustainability, although that is not always the case, of course.

This chapter is focused on explaining what cooperatives are, with an emphasis on production cooperatives. It begins with an outline of the conditions that led to the emergence of the first cooperatives, and that continue to motivate and bring about their creation. Exploitation, marginalization, and alienation inherent to the capitalist system originate and aggravate problems that affect everyone and that can only be solved through collective action. Cooperatives are one of the tools for that.

The functioning of this type of associative business is described by analyzing the organizational principles that should be implemented in every genuine cooperative. The specific characteristics of cooperatives are made more evident when compared with capitalist businesses. In concluding, the chapter indicates the potential advantages of cooperatives over other types of organizations.

What is a cooperative?

A cooperative is a group or association of natural and legal persons (including other cooperatives, for cooperatives of a higher tier, which are discussed below) who have joined together voluntarily to fulfill *common* economic, social, and/or cultural needs and aspirations by means of a jointly owned, democratically controlled, autonomous, and open enterprise. In fact, a cooperative's means of production may be legally owned by external entities – including some of its members – who decide to lease it to the cooperative. Therefore, what is important is not the legal owner of the means of production (assuming this owner is willing to lease under reasonable, stable terms), but the fact that the members have these resources at their disposition and are able to manage them democratically with a common goal.

A cooperative is simultaneously an association and an enterprise, a business. However, it is an enterprise in which the associative and social dimension guides its operation. Also, a production cooperative is an enterprise in which each worker has the same decision-making power;

that is, it is independent of how much he or she has contributed to the cooperative's capital. This is an enterprise of persons, not capital.

Cooperatives as actors in a “solidarity” or “social” economy

Cooperatives are said to form part of the “third sector” because they are neither state- nor privately owned; they are collectives. As mentioned previously, what is important is not the legal ownership of the means of production, but the fact that cooperatives are democratically managed by a collective, not by representatives of the state or private individuals or institutions.

However, that collective management should not respond only to the interests of the cooperative's members: cooperatives are expected to be committed to the local development of the communities where they are located, or where their members live. That is, cooperatives should be democratically managed by their collectives, but in a socially responsible way, responding to social interests. In fact, they are also considered to be part of what is known as a “solidarity economy” or “social economy.”

Cooperatives as a form of “self-management”

Cooperatives are part of a larger group of self-managed organizational forms, which may be identified by the fact that the workers themselves democratically manage their enterprise. Self-management means to take it upon ourselves to solve problems to meet our needs with our own labor, creativity, and effort, managing our resources democratically and in the interest of all. Self-managed organizations are not limited to the economic sphere; they also exist in the public sphere, in local governments, and in political organizations.

That is, cooperatives emerge when a group of people unite to solve a common problem, choosing to provide a solution to their problem through collective instead of individual efforts. They recognize the advantages of cooperative work, and the superiority of relations of cooperation that are established when the management of an enterprise is truly democratic.

Different types of cooperatives

The most relevant criterion for classifying a cooperative is the activity of its members. That activity may be the production of goods and services or the consumption of goods and services; some cooperatives are mixed, and are involved in both types of activities. Cooperatives

may produce any good or offer any type of service, and in turn may consume any type of good or contract any type of service.

According to the activity carried out by their members, cooperatives may be classified as

- *cooperatives for the production of goods and services.* These are groups of natural or legal persons that unite to jointly produce goods (agricultural, industrial, etc.) and services (food, repair, transportation services, etc.).

When most of the workers are members – that is, only a minority are hired workers – the organizations are also known as “workers’ cooperatives” or “associated labor cooperatives” to emphasize that they are based on the collective work of a group of persons who also own the enterprise.

- *Cooperatives for the consumption of goods and services.* These are groups of natural or legal persons that unite to jointly obtain goods of any type (generally consumption goods, but also intermediary goods or production inputs, for those comprised of cooperatives or other enterprises) as well as services of any type (the most common being savings and loans).

These enable members to enjoy the benefits of wholesale buying and obtaining goods and services at lower prices. Consumer cooperatives also make it possible for their members to acquire goods and services of assured quality and with the specifics (technical, ethical, etc.) that they desire. Workers in consumption cooperatives are not necessarily members.

- *Mixed cooperatives.* These are groups of persons or cooperatives that unite to jointly produce certain goods and services and, at the same time, to jointly acquire certain goods and services.

Cooperatives also may be classified according to their level of integration. Groups of people, or of legal entities that are not cooperatives, are considered as “first tier” or “primary” cooperatives. Cooperatives formed by a group of cooperatives are “second tier” cooperatives, or “groups” or “unions.” In their turn, cooperatives formed by second-degree cooperatives are “third tier” cooperatives, also known as “federations” or “confederations.”

More recently, “multi-stakeholder” or “multi-participant” cooperatives have been created, where more than one type or category of members (workers, consumers, and providers of capital or inputs, and even representatives of social interests) can participate in decision making. These are basically forms of comanagement among these different groups that share common interests and are willing to work together to achieve common goals. The most known cases are “solidarity cooperatives” in Canada and “social cooperatives” in Italy.

The origin of cooperatives

The essence of cooperatives – organizations in which work is done collectively and without bosses – has existed since the origin of human beings. As Engels explained, the human species emerged, basically, as a product of labor.⁴ What made the first humans different from primates was their ability to work, to imagine something and make it happen by transforming nature. In most cases, that labor consisted of activities that were carried out collectively, by a group, in societies where private property did not yet exist.

Thus, in primitive communities, the first human beings worked collectively and cooperatively. Subsequently, even though other forms of organizing labor – such as slavery, feudalism, and capitalism – have predominated, cooperative labor has continued to exist in different ways.

With the advance of capitalism’s individualistic ideology, cooperatives and other forms of self-management have been promoted by certain religious and political groups (above all, utopian communists), which have championed collective solutions over individual ones, recognizing that the latter always end up disregarding the interests of others and corrupting the human essence.

The first modern cooperatives emerged with the terrible effects of the Industrial Revolution in England in the late eighteenth century: extremely long workdays⁵ in abysmal conditions, with no rights in the eyes of the bosses, and with pay much lower than what was needed simply to eat. In addition, workers faced high prices and adulterated products.⁶

Apparently, the earliest cooperatives were first formed as cultural, educational, and journalistic institutions that attempted to instruct workers and ease the burden of misery imposed on them by a capitalist society. Many of them were consumer cooperatives that sought to meet the needs of workers, principally for food, by taking advantage of the aforementioned benefits that these associations provide to their members. For example, in 1760, a group of millers formed a cooperative

that bought wheat and milled it, and then sold the flour at cheaper prices, breaking the monopoly on flour sales.⁷ Production cooperatives also were formed, mostly in agriculture.

A large number of the first modern cooperatives that appeared in the late eighteenth century and early nineteenth century suffered economic failures, principally because they did not take into account the importance of effective business operations. They sold products at cost or gave them away for free, without ensuring that they could cover their costs and maintain at least a reserve fund for emergencies. An excessive emphasis was placed on the short-term social aspect of the organization, without ensuring the organization's economic reproduction and thus its sustainability.

Moreover, in most cases, they were created with money contributed by wealthy individuals, and thus, when those funds dried up, the cooperatives collapsed. While these projects did benefit their members, they had not come out of the efforts or contributions of the members. In some cases, these cooperatives failed because they operated on land or in facilities that was leased without sufficient legal guarantees, and the owners of that land or facilities could decide to stop renting to the cooperative members whenever they wanted.

In addition, cooperatives were heavily influenced by pre-Marxist utopian socialists (especially the ideas advocated by Saint Simons,⁸ Owen,⁹ and Fourier¹⁰) who criticized capitalism from an ethical/moral standpoint, disregarding the antagonistic contradictions between the working class and the capitalist class and the consequent political implications. That is, they did not value the importance of political organization and integration for cooperatives, which would have made them better able to defend their rights and increase their possibilities of success.

Meanwhile, the bourgeoisie that controlled commerce organized to use every means possible to crush the consumer cooperatives that affected their interests. The success of the first consumer cooperatives provoked the ire of the large merchants, who succeeded in achieving a ban on public officials participating in these cooperatives.¹¹ Similarly, agricultural production cooperatives were thrown off the land where they operated.

The first modern cooperative to gain recognition

On October 24, 1844, the Rochdale Society of Equitable Pioneers, also known as the Rochdale Pioneers, was officially registered; it is best

remembered as the first successful modern cooperative. It was formed by a group of 28 weavers from a cotton thread factory in the working-class district of Rochdale, Manchester, who had decided to unite to create a consumer cooperative.

The group planned to open a cooperative warehouse where the members and their families could buy quality basic goods at accessible prices. They agreed that each member would contribute money to a common fund for approximately one year until they had the minimum necessary capital (the equivalent of \$128) to rent a locale where their “cooperative warehouse,” or consumer cooperative, would operate.

The cooperative bought basic goods at wholesale prices and then sold them to members at prices just above cost. At first the cooperative was only open for one afternoon weekly, due to the low volume of its operations. However, by the fourth month, it was open five afternoons weekly.

The Rochdale cooperative’s members included communists, chartists, trade union leaders, and others who had decided to jointly solve their common problems. Many of them had participated in struggles against the bosses of the textile factory where they worked.

They established seven principles for the cooperative’s operation which were decisive to the organization’s success, making it a model for the future:

1. Open membership.
2. Political neutrality.
3. One member, one vote.
4. Limited interest on capital.¹²
5. Cash sales.¹³
6. Earnings that “return” to members.
7. Education and training.

These principles reflected the context of the Rochdale cooperative’s emergence, as well as its emphasis on economic aspects and its indifference to the need for social transformation.

However, this first successful cooperative was the inspiration for many consumer cooperatives that were subsequently created in England, France, and Germany. In fact, according to diverse estimates, by the early twentieth century a total of 1.7 million Britons were members of consumer cooperatives.

The creation of Rochdale is said to have been the beginning of a stage of cooperativism that is characterized by an emphasis on profitability

and an abandonment of the ethical/moral struggle against the capitalist system. Different tendencies have always existed within the cooperative movement, some even promoting the “capitalization” of cooperative members by dividing their assets into stocks to be equally distributed to the members. On the other hand, the most radical tendencies have always championed the intrinsic value of human beings, the importance of political organizing by workers, and the need to overcome capitalism and not be limited to operating within its rules and logic.

Basic principles of cooperatives

Time has shown that successful cooperatives take certain organizational principles into account. The International Co-operative Alliance recommends the following seven principles.

Open and voluntary membership

Any person, without regard to gender, race, social class, or political or religious opinion, may apply to be a member. The person should be capable of producing or, in the case of consumer cooperatives, utilizing services. It is also important that the applicant is willing to accept the responsibilities of being a member, which should be included among members’ duties in the cooperative’s internal regulations and in formal and informal work norms.

Just as cooperatives should be open to accepting the applications of potential new members, they may also decide to expel members. The criteria for making these types of decisions should be clearly established in the cooperative’s internal regulations.

The decision to include or expel a member should be made by a general assembly of all members. These are generally among the most important decisions covered by the general rules (applicable to all cooperatives) and individual cooperatives’ internal regulations, and therefore require more than a simple majority to reach an agreement.

It is important to note that in some countries, a worker who is hired by a cooperative has the right to apply to be a member after a certain length of time (six months, according to Venezuelan law, for example). In other countries, wage workers may be hired for an indefinite period of time, but may not make up more than a certain percentage of the total cooperative membership (in the Basque Country it is 20 percent, although this is not complied with by the Mondragón Group, which in 2008 had close to thirty thousand members and some sixty thousand wage workers).

Democratic management by the members

The members of a cooperative participate actively in all decisions related to the cooperative's management, either directly, in general assemblies, or indirectly, through democratically elected representatives. Likewise, members should participate directly in at least the strategic and most important nonstrategic decisions, such as the election of representatives and executives, production plans, budgets, distribution of surplus, wage criteria, and the approval or cancellation of membership.

When decisions are adopted in general assemblies, all members – no matter how much they have contributed in capital or labor – have the same voting right: one member, one vote. In higher-tier cooperatives (groups or federations), different democratic representation procedures are used so that each member cooperative can participate in decision making.

Obviously, not all of a cooperative's decisions should be made in general assemblies with the participation of all members, especially as the membership grows. Cooperatives can create executive committees that are charged with making certain decisions (purchases, sales, maintenance, etc.) that represent the interests of the whole membership. These committees, as well as the cooperative's directors and executives, should periodically report on their activities, and may be recalled by a general assembly if their performance is considered unsatisfactory.

Cooperatives may establish different organizational structures with executive and representational functions, according to what the members decide. Nevertheless, the general assembly should always be the highest decision-making body.

Economic participation of members

The economic participation of a cooperative's members is twofold: they contribute capital to the cooperative, and they benefit from the results of their management. Members contribute indirectly to a cooperative's capital by equally contributing their labor power or productive capacities: skills, creativity, effort, and dedication. Therefore – and especially in production cooperatives – each member is expected to contribute his or her maximum labor to the cooperative, according to his or her ability. It is important to note that, unlike nondemocratically managed enterprises, cooperatives do have the mechanisms and incentives to guarantee that workers also contribute their ideas, and formal and informal knowledge.

If a member has resources (equipment, tools, land, a locale, etc.) that he or she wishes to contribute to the cooperative, an agreement can be reached on the terms of use. The owner may rent, sell, or donate them.

Generally, cooperatives stipulate that membership requires the contribution of a certain amount of money to the group's assets – the same amount for everyone. This “member's contribution” to the “social capital” of the cooperative may be gradually discounted from the income that the member receives for his or her work. It helps to strengthen members' commitment to the cooperative.

On the other side of economic participation, cooperative members “participate” in obtaining the results of their management, basically in three ways: *advance payments*, *returns*, and *social funds*.

The *advance payment* is what each member receives monthly (or sometimes weekly or biweekly), generally in the form of monetary income. In a traditional business, this would be “wages,” but here it loses that meaning because to the extent that the cooperative's management is truly democratic, the wage-labor relationship is replaced by one of associated labor: workers are not selling their labor power in exchange for a wage.

Returns are what each member receives at the end of the fiscal year, if the cooperative has any surplus after meeting all of its tax, financial, and legal obligations (such as paying into obligatory funds, which are mentioned further on), and if it has been decided that part of the surplus will be distributed among the members. These first two benefits are obtained on an individual basis, and the total that each member obtains depends on the labor that he or she has contributed, and/or any other criteria for distribution that has been democratically established by the members.

The third benefit is collective because a cooperative's *social funds* are used by the group of people that makes up the cooperative. In some countries, general laws on cooperatives stipulate that cooperatives must maintain certain mandatory social funds, setting a certain percentage of net profits that must be contributed to each after taxes. For example, according to Venezuelan law, cooperatives must allocate 10 percent of their net profits after taxes to an emergency fund, another 10 percent to a social protection fund, and an additional 10 percent to an education fund.

In addition to legally mandatory funds, cooperatives may establish other funds that they consider necessary, such as an investment fund. The cooperative can have these or any other funds that its members decide to create for their collective benefit, to ensure that the cooperative will be able to deal with any contingencies and be prepared to face the future. In addition, the cooperative will be able to provide members with access to education, social assistance, food, housing, and other

benefits that meet their common needs. The criteria for using these funds are also democratically decided by the cooperative's members.

Autonomy and independence

Cooperatives are autonomous, independent organizations in the sense that they can enter into agreements with other organizations (state, private, other cooperatives), but under terms that maintain the members' democratic control. That is, members should retain the ability to make management-related decisions.

Thus, a cooperative's autonomy is not just for its executives and representatives, but for all of its members, collectively. Therefore, those responsible for a cooperative's management should be careful when interacting with other, nondemocratically managed organizations, so that the operational logic of those organizations is not imposed on the cooperative.

This aspect of cooperatives is one of the most controversial, above all when a government sets policies to promote the creation of cooperatives and/or to ensure that they contribute to the social development of their communities or nation. The state and other actors obviously should provide cooperatives with support because those external entities can contribute significantly to the success of cooperatives – like with any other enterprise – as long as those entities are careful not to intervene in the cooperative members' decision-making process. Instead of direct intervention, the state can use mechanisms of indirect control, such as regulations and conditional clauses in its contracts with cooperatives. Cooperatives should enter into those contracts voluntarily, conscientiously accepting the social responsibilities they establish. On the other hand, state and other institutions interested in providing cooperatives with support while maintaining the ability to exercise some direct influence in the cooperatives' decision making, can encourage the creation of multi-stakeholder cooperatives where they are one of the participants in the board.

It is important to note that cooperatives that decide to be part of the higher-tier cooperatives, or "integration bodies," ought to cede part of their autonomy. For example, cooperatives that are part of the Mondragón Group must contribute a certain amount of money to obligatory and nonobligatory funds established by the group's governing council, comply with an established scale of advance payments, send reports on their management, and meet other requirements as a condition of membership. Therefore, the autonomy principle of cooperatives does not necessarily involve total autonomy from other economic actors,

but those commitments are voluntary and are expected to promote the interests of the cooperatives.

Education, training, and information

It is crucial for a cooperative's members to be educated not only in job-related technical subjects, but also about the overall production process and the skills and attitudes necessary for effective democratic decision making. This is essential to the participatory nature of cooperatives' management model. To be able to make the most appropriate decisions about their cooperatives, members must first be prepared. First, they need to be informed about the cooperative's situation and any options to be considered. Second, they should have the ability to analyze that information and reach a consensus about the best decisions.

A cooperative can more effectively benefit from the potentials and advantages of democratic management if its members are well-informed and trained, both to make use of democratic procedures and to make the most effective decisions. Therefore, it is important for cooperatives to have an education fund that allows them to raise the competence of their members to the optimal level. While this is crucial for the success of traditional businesses, it is even more so for a cooperative or any democratically managed enterprise.

On the other hand, cooperatives also need to inform and educate the institutions with which they interact. Given that a cooperative is an enterprise with characteristics different from those of a capitalist or traditional state enterprise, the institutions it deals with should know that they cannot negotiate with it under the same conditions as other types of enterprises. As mentioned previously, a cooperative's representatives cannot make decisions in the name of the cooperative that have not been previously agreed upon or are not within a previously defined range of acceptable options.

In addition, cooperatives are expected to contribute to the expansion and consolidation of the cooperative movement by informing and educating the public in general about the benefits of cooperativism. The more cooperatives there are, the more possibilities they will have for relating to each other according to their principles, strengthening the values of cooperativism.

Cooperation among cooperatives

Historically, the most successful cooperatives are those that have been able to associate with other cooperatives, establishing relations

of cooperation. Cooperatives can enjoy the advantages of economies of scale if they are horizontally integrated with other similar cooperatives to increase their joint productive capacity, obtain lower-cost inputs, and procure sales contracts that are impossible for them to acquire on their own. Cooperatives also may engage in vertical integration with other cooperatives, to ensure access to inputs and to the distribution of their products under favorable conditions, and so that earnings are shared more fairly among the members of the production chain.

Moreover, cooperatives can come together to join forces and provide themselves support services, such as access to financing under favorable terms, guaranteed technical assistance, and even political or interest representation. Thus, cooperatives can associate in second-tier cooperatives, on a territorial (within a given territory) or sectoral (within a given productive sector) basis.

Cooperation between cooperatives also is a tool for the stronger or luckier cooperatives to help weaker or disadvantaged ones, implementing the solidarity that should characterize these organizations. That way, their coordinated efforts allow them to be more effective, both in economic and ethical terms, and consequently, in meeting the material and spiritual needs of their members.

Interest or commitment to the community

According to the ICA, cooperatives should work for the sustainable development of their communities, guided by policies that are accepted by their members. However, this may be the principle that is least observed by cooperatives.

Nevertheless, in some cases, the benefits of cooperatives' social funds have a scope that is larger than their memberships, acquiring a truly social character by bringing benefits to their surrounding communities. For example, a cooperative may finance a childcare center, a cafeteria, housing construction, or other services that collectively benefit cooperative members, and to which people in the community may also have access.

Many cooperatives implement their commitment to social responsibility through their productive activities, by providing quality goods and services that help to meet pressing local needs. Some strive to grow or to promote the creation of new cooperatives as a way of providing new sources of decent jobs. Cooperatives also should reduce to a minimum any negative effects on the environment caused by their production activities or by the consumption of their products.

In our opinion, for cooperatives to effectively implement their social responsibility, they must establish mechanisms or spaces of coordination with the communities they intend to benefit. That would make it possible to ensure that their economic activities really do contribute to meeting social needs, and to identify other actions that can support community development.

Other principles

The previously mentioned cooperative principles are implemented by cooperatives in different ways according to their realities: the characteristics of their members and their surrounding circumstances. Cooperatives implement these principles more or less rigorously, ignoring some or adding others. More recently, there is an effort within the international cooperative movement to add an eighth principle which establishes a commitment to environmental sustainability.

The cooperatives of the Mondragón Group observe the ICA's seven principles and two more: "retributive solidarity" and "social transformation." Mondragón promotes the idea that retribution for its cooperatives' performance should not just be according to labor. Given that the value of labor is assessed according to the logic and laws of the market, that value does not necessarily reflect the cooperatives' real work (capacities, creativity, and effort). Thus, cooperatives that earn the most have the obligation of sharing with those that earn less; however, those that earn less also have the obligation of improving their management, and cooperatives that are repeatedly unprofitable are not accepted. Meanwhile, the principle of "social transformation" reflects the socialist ideals of Mondragón's founder and leader, but its implementation has been quite limited, for a number of reasons.

An analysis of successful cooperatives suggests other principles that are important to take into account for a cooperative's success. For example, a cooperative can avoid wasting energy on conflicts among its members by having genuinely democratic management and forming values, but it is also important that its members know each other well before they create the cooperative. That way, it is easier to establish trust and communication.

With respect to that, it is important for cooperativists to know that they have common unmet needs, and that by cooperating, they can fulfill those needs in the most optimal way – not just economically or materially, but also spiritually and morally. That is, individuals who decide to be part of a cooperative should be aware of the need to unite not just to solve a temporary situation but also as a way of life, one that

places value on aspects that they cannot develop in other enterprise forms.

From a pragmatic standpoint, members should make some sort of contribution to the cooperative's social capital, as mentioned previously. Commitment to the cooperative is expressed in the sacrifice that the member must make to cede part of his or her advance payment to be part of the cooperative's social capital. It is also a way of making it clear that the cooperative really belongs to all of its members because they all must make the same contribution.

Finally, we should not lose sight of the Rochdale cooperative's principles, which highlight the importance of the cooperative being economically sustainable. That is, to the extent possible, the cooperative should not operate with losses or with debt to recover. Social commitment should not be understood as donations or sales below cost that end up compromising the cooperative's future.

Cooperatives versus capitalist enterprises

Cooperatives should differ substantially from capitalist – that is, nondemocratic – enterprises. If an enterprise that is considered to be a “cooperative” actually implements cooperative principles, it will follow a management model that is substantially – not just superficially – different from that of an enterprise controlled by one person or a group of persons (stockholders, the owners of the enterprise's capital) who hire the labor power of one or more workers – that is, a capitalist enterprise. [Table 1.1](#) contains a summary of the principal differences between a capitalist enterprise and a *production* cooperative.

It is important to note once again that the crucial difference between the capitalist enterprise and the cooperative is not the *legal* owner of the means of production or “capital,” but who controls its use and management. Both capitalist enterprises and cooperatives may be the legal owners or not (lease-holders) of the means of production they use. Of course, in order to analyze any business, it is important to be familiar with the contractual relations between the ultimate, legal owners of the means of production and those who have the right to use them, but this chapter will not take up that aspect because it is not specific to cooperatives.

With respect to that, it is important to note that the cooperative management model (the organizational methods of democratic management that characterize or should characterize all cooperatives) is not something that a cooperative's members receive as a gift: it is a right

Table 1.1 Basic differences between capitalist and cooperative enterprises

	Capitalist enterprise	Cooperative enterprise
Control over decision making	Held by stockholders, who are not necessarily workers	The collective of members, all of whom are workers
Allocation of surplus	Decided by stockholders	Decided by the members
Workers' income	Decided by stockholders	Decided by the members, the workers themselves
Workers' democratic rights	May have a voice through unions, but have no vote	Each member has a voice and a vote
Principal objective	To maximize stockholders' profits	To meet the needs of the members
Owners' main motivation	Individual benefits	Collective benefits, material and spiritual

that belongs to them by law. That law may be a country's general law or regulations on cooperatives, and/or the cooperative's internal regulations. Thus, from the relations of power that are established among members guided by cooperative principles – that is, from collective property materialized in collective management – organizational methods and everyday practices emerge that respond to the requirement that decisions should be made democratically by all members, to the extent that they are willing to exercise their rights.

Likewise, the fact that a cooperative's principal objective is to meet the needs of its members – instead of maximizing profits, which is the case with capitalist enterprises – is something that is strengthened by its management model. That is, the members' emphasis on satisfying their own needs is not a mandate established by decree; instead, it emerges naturally from their own democratic management of the enterprise.

Here it is important to note that because decisions are made by the collective, meeting individual needs means meeting the group's common needs, which in turn are democratically constructed out of individual needs. In other words, the collective needs that are prioritized are nothing more than the articulation of members' individual needs. Therefore, to a great extent, the individual and collective well-being of members merges into a single whole, although there will always be individual interests that are not shared by the rest of the group.

The individual/collective well-being that a cooperative's workers propose as their objective is not reduced to access to material goods. It

also takes into account the opportunities that all cooperative members should have for individual human development, both professional (the need to feel capable, and exercise and expand their capacities) and spiritual (the need to feel useful, to offer solidarity). In this way, cooperative workers are not just driven by having higher income if their enterprise performs better. They are also motivated by knowing that they can decide how their cooperative's surplus will be distributed and reused, and how to organize production in a way so that they will obtain optimal results by using each member's capacities (skills, ideas, effort).

Potentials of cooperatives

The cooperative management model is not a panacea. In order to work, it requires "cooperativists," or people who are willing to put the cooperative principles into practice. They must fulfill their responsibilities and exercise their rights collectively for a common objective and not just for narrow individual interests. In order for an enterprise to operate as a cooperative, its workers should participate actively in decision making, and democratic participation requires a set of skills and attitudes that have not been very well developed in our societies: critical thinking, tolerance for different ideas, and consensus building, etcetera.

However, these and other requirements for a cooperative's success, as well as its limitations for contributing to building a more humane, socialist society, should not lead us to ignore the major potentials of cooperatives, especially when compared to traditional state and capitalist enterprises.

Most cooperatives in the world are small and medium enterprises (SMEs), just of a particular type because of their distinct management model. However, there are consumer cooperatives (such as credit unions in the United States) and second- and third-tier cooperatives (such as CECOSOLA, Mondragón's finance and distribution divisions) that have workforces and sales on a par with major companies and corporations. But even the "big" cooperatives can enjoy the advantages of economies of scale while retaining the benefits of small enterprises: they are associations of small or medium enterprises that work in coordination while maintaining flexibility.

Thus, cooperatives have all the potentials that SMEs have. First, they can be a major source of employment because they require a larger workforce to produce the same levels of goods or services. This might seem inefficient, but it is not necessarily the case. Without question, it is important to make optimal use of prime materials, especially

nonrenewable resources, which is why it is not efficient to produce certain goods and services on a small scale. However, for the production of many other types of goods and services, the supposed inefficiency of the SMEs is not really true when the narrow concept of efficiency is expanded to include considerations of social and economic effectiveness: to produce to meet real needs. Moreover, the advantages of SMEs are evident when the appropriate value is given to the right to a decent job, which every human being should have, and if the goal is not to compete with capitalist levels of exploitation of labor and the environment.

Another previously mentioned advantage of cooperatives is their capacity to adapt to change, both in the type of inputs they use and the demand for their products, all without shedding members. Given that the essential strength of SMEs lies in the capacities of their workers rather than their technology, they have greater flexibility for modifying or adding new lines of production, and offering new products that satisfy the many and diverse preferences of consumers.

Cooperatives, as expressed in one of their principles, also can contribute significantly to local development in their communities. Like any SME, they can pay whatever taxes are established so that local governments have the funds they require to meet community needs and implement local development projects. In addition, according to that same principle, cooperatives should not limit their social responsibility to meeting their tax obligations like any SME. They should also orient their production to meeting the most pressing needs of their communities, without exploiting or promoting habits for consuming “junk” or lavish products. Because of the solidarity-based nature of their internal relations, cooperative members are expected to more easily internalize social interests. However, for that to happen, democratic planning procedures are required, including the diagnosis and prioritization of local needs, as well as coordination between producers and consumers.

Consequently, cooperatives have more advantages than other SMEs for local development. These potentials derive from the “social relations of production,” or the labor relationships that are established within them: the relation of associated work substitutes the relation of capital-wage labor imposed by capitalists on the workers they hire.

To the extent that a cooperative implements its organizational principles in everyday practice, especially democratic management, its workers will participate actively in management-related decision making. By doing so, these individuals not only will feel like the owners of their enterprise, but they also effectively will be the owners in the sense of being able to control their cooperative democratically, along with the

other members. Therefore, members develop a sense of belonging and commitment because they do or do not benefit from their own decisions and their implementation of and control over those decisions. They are therefore motivated to increase the productivity and quality of their work, as well as their competence, and to contribute any idea or knowledge that might improve the cooperative's performance.

In this way, unlike capitalist enterprises, cooperatives can fully enjoy the advantages of cooperation,¹⁴ without being limited by the logic of private property or the subordinate relationship of labor to capital. The advantages of cooperation are even more beneficial for cooperatives when they horizontally and/or vertically integrate with other cooperatives.

Therefore, in many cases, cooperatives – if they have their own or external management expertise, and favorable macroeconomic conditions are created – may reach optimal levels of effectiveness because they are better prepared to use the advantages of decentralized and integrated or coordinated economic management. This may be seen in the global tendency to reduce the size of enterprises and give workers more participation in their management, without renouncing the advantages of economies of scale, through horizontal and vertical integration. Also, cooperatives may attain greater levels of effectiveness because their workers have control over management and are motivated to make the most of that – because the extent to which they satisfy their needs depends on the success and sustainability of their cooperative.

We should also note that another factor that is no less important for analyzing the potentials of cooperatives in Cuba – as seen in the organizational principles of cooperatives – is that the cooperative management model appears to be the most appropriate for small and medium enterprises in a society committed to building socialism, especially when cooperatives truly internalize social interests. The advantages of the cooperative management model become more evident in the process of seeking to promote relationships of association and cooperation between people, and in opposing wage labor as unjust and inadequate for the socialist objective of full human development.

Notes

1. The ICA has been the umbrella organization for uniting and promoting the cooperative movement throughout the world since 1895. See International Cooperative Alliance, <http://www.ica.coop>.
2. ICA, "Statistical Information on the Co-operative Movement," 2009, accessed November 18, 2010, <http://www.ica.coop/coop/statistics.html>.

3. See UN Resolution No. 136 "Cooperatives and Social Development," December 18, 2009, <http://www.un.org/esa/socdev/social/cooperatives/year.html>.
4. Frederick Engels (1876), "El papel del trabajo en la transformación del mono en hombre," in *Obras Escogidas*, Vol. 3, Moscow: Progress Publishers, 1981, pp. 66–79.
5. The first law on the length of the workday was the 1850 Factory Act, which authorized a workday of 6 a.m. to 6 p.m. from Monday to Friday and from 6 a.m. to 2 p.m. on Saturday, with breaks for meals. However, it was normal for employers to violate the law, and workdays were much longer than 18 hours.
6. Engels [1842] (1953), "The Condition of the Working Class in England," in *Marx & Engels on Britain*, Moscow: Progress Publishers.
7. F. Bedarida (1976), "El socialismo inglés de 1848 a 1875," in *Historia general del socialismo*, Vol. I, Barcelona: Destino, pp. 555–61.
8. Henry Claude de Rouvroy Saint Simons (1760–1825) was a French aristocrat who strongly criticized private property and the exploiting classes, particularly landlords. He was a firm supporter of creating associations of persons for regulating all social activities, including production.
9. Robert Owen (1771–1858) was the son of a poor artisan who became the director of a factory in New Lanark, England, which he made into a model of good operations, with measures to benefit the workers (a shorter workday, housing, health, and other services). Owen firmly believed that creating associations without capitalists would help improve the situation of workers and transform society. He founded a colony in the United States called Harmony, which was unsuccessful.
10. The son of a French merchant, Françoise-Marie Charles Fourier (1772–1837) argued that private property had not always existed and should be substituted by harmony between people. He demonstrated that workers were not free because they were forced to work. He suggested that people should live together in "phalanxes," where labor in industry and agriculture would be combined, and that the money for founding these communities should be contributed by the capitalists.
11. M. Tugan-Baranovsky, *Cooperation*, Minsk: Pensamiento Publishers, 1988.
12. Members who had contributed capital did not receive extra income; what was important was their contribution in labor.
13. Without credit, and at prices that covered total costs.
14. According to Karl Marx in *El Capital*, Vol. 1, Havana: Ciencias Sociales, 1973, p. 281: "When numerous laborers work together side by side, whether in one and the same process, or in different but connected processes, they are said to cooperate, or to work in cooperation."

2

Building Alternatives beyond Capital

Julio C. Gambina and Gabriela Roffinelli

The people of Latin America are on a new course, challenging the late-twentieth-century ideological consensus of neoliberal doctrines. As the twenty-first century began, mass mobilizations slowly began to change the relationship of forces. Popular uprisings (Ecuador 2000, Argentina 2001, and Bolivia 2003) exploded in opposition to the fanatical implementation of neoliberal policies, gaining enough force to overthrow governments and change the prevailing neoliberal climate.

By disproving the “end of history” decreed by imperialism’s spokesmen, the people of Latin America and their mobilizations have made it possible to return to the debate about social emancipation with a socialist perspective, especially the formulation in Venezuela of “21st Century Socialism.”¹ The process now underway in Latin America will take a path of transformation only if the people converge in common struggle with an anticapitalist and socialist² perspective.

Building alternatives

The new historical era shaping up in Latin America and the Caribbean as the twenty-first century gets underway has revived the debate about emancipation and new forms of social development. In this context, it is relevant to take a fresh look at economic experiences with aspirations for social transformation, and a fresh look at socialism.

At the same time, the ongoing international economic and financial crisis could represent an opportunity for Latin American countries to build the type of integration that benefits the people, and that could initiate a partial disconnection from the world capitalist system.

Every country has a formulation for identifying its local process, and with that, we would like to emphasize that the current experience in

the region still has a national character, aside from certain initiatives that aspire to global or regional articulation, such as the Bolivarian Alliance for the Americas (*Alianza Bolivariana para las Américas*, ALBA) and others promoted by Venezuela in its privileged association with Cuba; but also, others inspired by Brazil for recreating a role of regional leadership. On the institutional level, there is still a long way to go for the articulation of a common proposal under a unified leadership with an emancipatory perspective.³

Experiences of the twentieth century have taught us that it would be a profound error for leftist forces to support a form of Latin American integration that is dominated by big capital in the hopes of inserting emancipatory content later, perhaps in a second stage. From a class-based perspective, the integration project led by Venezuela, Bolivia, Cuba, and Ecuador is largely based on social justice, involving a return to public control over the region's natural resources and the basic means of production, credit, and commercialization.

Likewise, a genuine emancipation process should aim to free society from capitalist domination by supporting "forms of property that have a social function: small private property, public property, cooperative property, communal and collective property, etc. Latin American integration implies the establishment of a common financial, legal and political architecture."⁴ These should be forms of associated property oriented toward the production of use-values. They should radically alter the self-contradictory internal dynamics of the dominant social order, which imposes the brutal subjugation of human needs to the alienating needs of capital's expansion.

Cooperativism as a solidarity-based form of association

In this context of building regional and global alternatives, the cooperative movement and other associative, community, and nonprofit-based forms can make an important contribution to organizing the production of goods and services for meeting the needs of the most vulnerable sectors of society. Our hypothesis is that between the cooperative movement and the socialist ideal, something could take place that we call *elective affinity*, defined by sociologist Michael Löwy as "a very particular type of dialectical relationship that is established between two social or cultural configurations, and that cannot be reduced to a direct causal determination or 'influence' in the traditional sense."⁵

A dialectical relationship exists between socialism and cooperativism that benefits from or is affected by certain social and historic conditions. In fact, that dialectical relationship was never definitively configured. On the contrary, at different times throughout history, we can find examples (we might say they are predominant) of how that relationship practically disappeared, and cooperativism and revolutionary socialism took very different roads.

In the early days of cooperativism in nineteenth-century Europe, workers organized cooperatives as a response to the harsh living and working conditions imposed by the Industrial Revolution. Their original sources of ideological inspiration, so-called utopian socialists such as Robert Owen and Charles Fourier, were imbued with profound anticapitalist sentiments. The social injustice that surrounded them led them to design and put into practice alternative social organizations, which were resounding failures.

From the start, these mutual aid and solidarity-based organizations were oriented toward building alternatives with a perspective of socialist change. According to Marx and Engels, these utopian socialists had designed their organizations based on the “undeveloped state” of class struggle, and therefore they did not understand the social antagonisms involved, and hoped

to improve the condition of every member of society, even that of the most favored. Hence, they habitually appeal to society at large, without the distinction of class; nay, by preference, to the ruling class. For how can people, when once they understand their system, fail to see in it the best possible plan of the best possible state of society?⁶

Marx and Engels harshly criticized the utopians for rejecting political action, especially revolutionary action. “They wish to attain their ends by peaceful means, necessarily doomed to failure, and by the force of example, to pave the way for the new social Gospel.”⁷

Nevertheless, Marx emphasized that the great merit of cooperatives during his time was that they demonstrated how the production process does not need to be managed and controlled by capital.

The value of these great social experiments [cooperative factories] cannot be overrated. By deed instead of by argument, they have shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the

existence of a class of masters employing a class of hands; that to bear fruit, the means of labor need not be monopolized as a means of dominion over, and of extortion against, the laboring man himself; and that, like slave labor, like serf labor, hired labor is but a transitory and inferior form, destined to disappear before associated labor plying its toil with a willing hand, a ready mind, and a joyous heart.⁸

In *Capital*, Marx described cooperation among many workers as having a heteronomous aspect; that is, it was organized and controlled under the “despotic” management of capital; this is what made the audacity of “these social experiments” important. For Marx, workers who autonomously formed production cooperatives were demonstrating that they could recoup their forces, self-organize, and manage their own ability to cooperate for production.

In [Chapter 13](#) of *Capital*, Marx says that the coordinated labor of many workers in the same space generates a new type of power, “a stimulation of the animal spirits” that increases each worker’s productive capacity. Each worker thus becomes part of a single combined or collective worker. In planned cooperation with others, workers shed their individual difficulties and develop their abilities as social animals.⁹

Cooperation achieves a productive force that is augmented for several reasons, but principally because it increases the mechanical potential of labor, restricts the spatial scope of labor (given that it brings many workers together in the same physical space), and expands the field of action (by economizing expenditures and concentrating the means of production). By increasing each worker’s productive capacity, cooperation makes it possible to produce more goods in less time. However, who takes possession of this heightened productivity of the workforce? And who plans production using cooperation? Is it the workers? In the capitalist system of production, the answer obviously is no. It is capital that plans and brings together wage workers. “Hence wage-laborers cannot cooperate, unless they are employed simultaneously by the same capital, the same capitalist, and unless therefore their labor-powers are bought simultaneously by him.”¹⁰

Thus, Marx observed that under the capitalist system of production, workers cannot work in cooperation autonomously. They can only do so in heteronomous conditions, under capital’s management, a “despotic” management that seeks to exploit the workers’ cooperative labor for its own benefit. The unity of workers as a “single productive body” comes from the outside, from capital, which brings them together and keeps

them united. The capitalist represents an outside will that submits the workers to his own goals.

In *Capital*, Marx indicates and describes the predominant situation in capitalist society, which is cooperation under capitalist management and expropriation. However, at the same time, he celebrates the initial attempts¹¹ of workers to appropriate their own potentials, demonstrating that the despotic management of capital can be replaced successfully by the democratic management of workers themselves.

Marx refers to this several times in his work, such as a footnote in [Chapter 13](#) of *Capital*, where he ironically notes that a British newspaper, *The Spectator*,

finds that the main defect in the Rochdale co-operative experiments is this: "They showed that associations of workmen could manage shops, mills, and almost all forms of industry with success, and they immediately improved the condition of the men; but then they did not leave a clear place for masters. *Quelle horreur!*"

In his analysis of the events in France in 1871,¹² Marx more openly lays out his ideas about the role cooperation would have in a society that aims to build socialism. Under socialism, social production would be "a harmonious and vast system of cooperative work." The Paris Commune had decreed that all industry, including manufacturing, would be organized into cooperatives, but did not stop there; it also ordered the creation of a Great Union of all of these workers' cooperatives. Both Marx and Engels¹³ said that if this union had been developed at that time (necessarily assuming the Commune's victory over its enemies), it would have led obligatorily to communism.

Marx said,

Yes, gentlemen, the Commune intended to abolish that class property which makes the labor of the many the wealth of the few. It aimed at the expropriation of the expropriators. It wanted to make individual property a truth by transforming the means of production, land, and capital, now chiefly the means of enslaving and exploiting labor, into mere instruments of free and associated labor. But this is communism, "impossible" communism! Why, those members of the ruling classes who are intelligent enough to perceive the impossibility of continuing the present system – and they are many – have become the obtrusive and full-mouthed apostles of co-operative production. If co-operative production is not to remain a sham and

a snare; if it is to supersede the capitalist system; if united co-operative societies are to regulate national production upon common plan, thus taking it under their own control, and putting an end to the constant anarchy and periodical convulsions which are the fatality of capitalist production – what else, gentlemen, would it be but communism, “possible” communism?¹⁴

Therefore, the experience and organizational model of cooperativism can help to make cooperation a valuable tool for the struggle of the toiling classes in capitalist society to overturn the existing order and, at the same time, to build a socialist society. The values and practices of cooperation, such as solidarity, self-management, democratic participation by members, nondiscrimination, and equality in decision making, become a valid tool for building a more just and egalitarian society. The solidarity-based and democratic social practice promoted by cooperation is oriented toward satisfying human needs and not putting a value on them; therefore, cooperation contributes richly to the social process of building a profoundly humanist society.

If we return to the ideals, values, and practices of cooperation in the same way that Marx (and subsequently Lenin) did, we can orient ourselves toward building a form of socialism that breaks with the despotic rule of the law of value. It is not a question of building market socialism – as some proposed in view of the crisis of “real socialism” experiments of the 1980s, which resulted in merely centralized, statist, technocratic bureaucracies – where the production of commodity values would continue to prevail. On the contrary, it is a question of organizing a production system that takes “human needs into account: needs that are real and historically in development, both of society as a whole and of individuals in particular.”¹⁵

Consequently, a democratic, participatory, solidarity-based, and cooperative society cannot be built by fostering the development of the market as the official distributor of available resources, that is, by indirectly allocating all of the social labor in the different branches of production through the mediation of the universal equivalent¹⁶ and price fluctuations. That monetary and mercantile mediation involves a process that is carried out “behind the backs” of the direct producers, coercing and obliging them to follow the logic imposed by the market. This functioning “behind the backs” of human beings implies their complete lack of control over their living conditions, which, through the power of the market, have taken on a life of their own, and have become irrationally autonomous – an autonomy that is turned against the social

producers. In that case, the contact and reciprocal relations among social subjects are limited to the mediation of things, leading to what Marx called *commodity fetishism*, which evidences that lack of control and autonomy from the producers that is achieved by the market.

The logic of cooperation in production and distribution tends to “clash” with the logic of commodification. This will only end when distribution occurs without the mediation of money and without being subject to the hegemony and control of capital. The logic of cooperation will become hegemonic in a society that has advanced toward a transcendent reorganization, one that goes “beyond capital.” Such reorganization would be guided by the well-known Marxist principle of distribution, which holds that in an advanced socialist society, people will work according to their abilities and will receive from the general social product according to their needs. Mészáros reminds us that “this principle is often interpreted with bureaucratic bias, ignoring the emphasis that Marx placed on the self-determination of individuals, without which working according to their ‘abilities means little.’”¹⁷

However, the tendency expressed by the logic of cooperation is not necessary or inevitable. The economy does not function on its own. Only when a political force intervenes with a radical perspective of subverting the mercantile order and developing social cooperation, through democratic planning of the distribution of all social labor in all branches of production, will it be possible to overcome the heavy historic burden of the market, its irrationality, and the subjective conditions it generates and reproduces.

In this sense, Löwy says,

Far from being “despotic” in and of itself, democratic planning is how all of society exercises its own freedom: the freedom of decision, and freedom from the alienated and objectified “economic laws” of the capitalist system, which determine the lives and deaths of individuals, and their confinement to the economic “iron cage” (Max Weber). Planning and the reproduction of labor time are the two decisive steps by humanity toward what Marx called “the kingdom of freedom.” A significant increase in free time is, in fact, a necessary condition for workers’ democratic participation in democratic discussion and in administering the economy and society.¹⁸

The way to ensure equitable and rational distribution of a society’s available resources cannot be mercantile allocation through price fluctuations after exchange. That allocation would be trapped in the *alienating*

structural limitations of the capitalist order, which produces commodities to sell (obtaining their “value”) and not use-goods for satisfying human needs, both of the *stomach* and of the *spirit*. Marx says that in the capitalist social order, it is only at the point of exchange that

the products of labor acquire an objectivity of value, socially uniform, separate from their objectivity of use, sensorially diverse. That division of the labor product into use-object and value-object is only effected, in practice, when the exchange has attained sufficient extension and relevance so that useful objects are produced for exchange, because in their very production, the character of the value of these objects is taken into account.¹⁹

Therefore, capital’s objective logic in producing values for exchange contradicts the noncapitalist logic of the *equitable and rational* distribution of society’s available resources.

On the contrary, equitable and rational distribution can only be achieved by genuine socialization before exchange, via democratic planning by freely associated producers. The rational organization of production and distribution

must be a task not only for “producers,” but also for consumers, and in fact, for all of society, including its productive and “unproductive” population, which includes students, young people, housewives, pensioners, etc. A real “association of free human beings (*Menschen*), who work with the means of production in common (*gemeinschaftlichen*).”²⁰

The socialization of the economy that occurs through democratic planning serves as a guarantee that cooperation in production can serve as a lever – within a broader socialist project – to eliminate commodification and its consequent irrationality, or “lack of control” by society. In a society without a market and without bureaucratic planning, it is the large majorities who will make the decisions about how much and what is produced, with the goal of meeting the needs of the whole population, which in its turn, will provide the “objective bases for the disappearance of the production of commodities and monetary exchange.”²¹ As the philosopher Mészáros says, it is a question of

instituting a socioeconomic and cultural order that is non-antagonistic, rational and humanely managed, fully conscious of the fundamental

meaning of "economy," such as the truly serious economization of resources in the interest of sustainable human satisfaction, within the framework of overall planning led actively by all individuals.²²

This is part of the unfinished debate in Cuba in the early years of the Revolution led by Ernesto Ché Guevara about overcoming the law of value in socialism. It continues to be a pending issue that involves eliminating mercantile relations of exchange, which requires certain resolutions that social practice has not yet resolved.

Mercantile forms are historic (they emerged previous to capitalism), and it is appropriate to question the historic prospects of a form of exchange that developed society's productive forces to unimaginable degrees, developing capitalism and the state and institutional forms that explain today's depredation of nature and society.

Is it possible to build alternatives beyond the logic of mercantile exchange and the law of value? In Cuba, this was discussed. Bolivia is now formulating a proposal that, if achieved, could result in new theoretical syntheses that are based on returning to ancestral practices and values.²³ All of this involves more than an assessment of those two countries and processes; it entails the possibility of having a discussion in the present about matters of extreme importance for social development. The Bolivian process is taking place within capitalism; nevertheless, what is being proposed could be considered revolutionary.

As we can see, it is not just a question of discussing the market based on a proposal for different relations of production among producers. The issue at hand is the form of producing, distributing, and consuming. Moreover, it is not enough to formulate an alternative. The construction of another social order must be proven in practice.

However, let us agree that the relationship of exchange expresses an exchange of equivalents, and that, therefore, the problem is not just the law of value, but also the capacity for exploitation explained in the law of surplus value.²⁴ It is the nonequivalent exchange of labor power for wages that generates the production of surplus and private appropriation of the social product. The problem, then, lies in the conditions of the exchange of labor power for wages, which is the economic basis for building capitalist society. That social relationship of exploitation is what defines the nature of civil society, and upon it rests capital's overall domination over labor and society.

In our opinion, association based on workers' autonomous cooperation is a social practice for the economic organization of society that involves an alternative strategy to that of domination, which is what

takes place in the wage-labor relationship. We view that practice as being within the realm of emancipation, because it is a social practice exercised for freedom from the subordination that signifies the hegemonic mode of producing and reproducing living conditions and life itself.

The transformative subjectivity of “another economy”

The autonomous and cooperative organization of subjects has shown that it is possible to organize the labor process and the fulfillment of common needs (such as housing, credit, public services, etc.) through forms that are based on cooperation, democracy, and the active participation of all. On the contrary, in capitalist societies, labor has lost its capacity for being a vital and creative activity for human beings. It creates estrangement, or alienation, among human beings; it alienates workers from the products of their labor and from production as an activity. This is the direct result of a social order that produces wealth socially, wealth that is then appropriated privately and without any rational control, based on the subsequent trial-and-error process of mercantile exchange.

Organizing the labor process autonomously, without “the despotic management of capital,” produces important results for the attainment of a counter-hegemonic collective subjectivity. In Marx’s words:

According to the economic laws the estrangement of the worker in his object is expressed thus: the more the worker produces, the less he has to consume; the more values he creates, the more valueless, the more unworthy he becomes; the better formed his product, the more deformed becomes the worker; the more civilized his object, the more barbarous becomes the worker; the more powerful labor becomes, the more powerless becomes the worker; the more ingenious labor becomes, the less ingenious becomes the worker and the more he becomes nature’s slave.²⁵

Marx added that this alienation (“estrangement”) between workers and the product of their labor is also expressed in the form of production. Workers feel like they are external to their labor; that is, they are not reaffirmed in their labor, but negated; instead of being happy in their labor, they feel unfortunate. “The worker therefore only feels himself outside his work, and in his work feels outside himself.”²⁶

Many statements by workers who take on the production of goods and services through autonomous cooperation attest to having had

that sentiment in the past. Previously, when they worked for a boss or were in another relationship of dependence, real life began when the workday was over. From the moment they undertook management and control of the production process, they felt like their relationship to their labor changed, and they began to recognize themselves in the fruits of their everyday efforts.

Workers who undertake the control and self-organization of the labor process under democratic and participatory forms begin to break down their alienation from the objects produced by their labor and from capitalist social forms of production. Cases of popular cooperatives entail great symbolic potential because they show on a daily basis that workers who are associated and who freely cooperate (without an imposed management, or bosses) can develop autonomous social relations.

We want to emphasize, above all, the importance of producing signs and symbols,²⁷ given that the shaping of a popular imagination that is favorable to an anticapitalist path can be transformed into a solid basis for thinking about an alternative – even socialist – society. A socialist perspective cannot exist without being viewed as a possibility in the popular imagination, and that requires the previous construction of people's power, and the awareness that socialism is built through that power. Popular organizations like cooperatives also become producers of signs and symbols. They have important symbolic potential.

The term “another economy” entails a general and significant change in the current hegemony over social values. Centuries of human exploitation have created a culture subordinated to the logic of surplus value, capitalist domination, and the consequent asymmetries in the ownership of the social product (material and immaterial). Fostering alternative forms within capitalism, including attempts to build socialism, counteracts the dynamic of capital's hegemonic initiative.

The problem is transforming that force of resistance into the principal agent of everyday social construction. It is obviously a concrete question, expressed in the reach of “another economy” and its new social relations. However, it also – and especially – involves an acknowledgement by a large number of people that another society is being built, another economy, another system of social relations. The necessary process of transformation includes a conscious materiality, which presents the challenge of building economic initiatives and endeavors and, at the same time, working for an awareness of that transformative process.

The occupation of factories by Argentine workers following the 2001 crisis was a learning experience in managing production and distribution, where workers with no management experience were faced with

the need to administer resources and processes. Strictly speaking, they did not have to face that challenge alone because they received solidarity and professional assistance from individuals and/or groups of professionals and technicians who were willing to be part of those workers' self-management experiences. The takeovers and self-management of those factories became a process of the mutual enrichment of workers and professionals involved. This also has been seen in diverse forms of cooperation in various other economic activities.

Because of the tendency for a repetition of behavior and habits that reproduce hegemonic practices, we would like to emphasize the importance of building conscious subjectivities in convergence with economic projects, which we call "conscious materiality." Due to the lack of economic resources and human skills, the usual practice is "to do what can be done, however it can be done," with an emphasis on doing, and making assessments and corrections along the way, building something new in that process of trial and error.

Without precluding the encouragement of popular initiatives just as they are, we would like to stress the importance of planning the educational or cultural aspects, in order to ensure the success of initiatives that are a priori proposals for transformation. Thus, the systematization of education is an essential part of any proposal for "another economy" that is to be effective.

Notes

1. In December 2004, during the First World Meeting of Intellectuals and Artists in Defense of Humanity, held in Caracas, Venezuelan president Hugo Chávez Frías described Venezuela's project as "21st Century Socialism." In a mid-2006 speech, Chávez said,

We have made a commitment to lead the Bolivarian Revolution toward socialism and to contribute to the path of socialism, socialism of the twenty-first Century, which is based on solidarity, fraternity, love, liberty and equality. It is a civilization that is qualitatively different from bourgeois civilization. How is it different? In its institutions. Hence, being a revolutionary today means fighting to replace the institutions of the status quo, which means: 1. [Replacing] the market economy with an economy of democratically-planned value; 2. [Replacing] the classist State with a public affairs administration at the service of the majority and 3. [Replacing] plutocratic democracy with direct democracy. This is the New Historical Project of the Majorities in Global Society, which we call "21st Century Socialism" or Participatory Democracy. The conquest of these institutions is the strategic guide of the struggle. The transitional stage is the transformation of the status quo in the light of this strategic guide. (Cf. Hugo Chávez Frías, "21st Century Socialism," <http://www.aporrea.org/actualidad/a12597.html>, March 13, 2005).

2. Given that the term socialism lost all legitimacy after the experience of the Eastern European countries, as Cuban intellectual Fernando Martínez Heredia says,
a critical assessment of socialist experiences that have existed and exist is an indispensable exercise to be able to use the concept of socialism...if the purpose is to understand and utilize the concept, and above all to better examine what options humanity has for responding to the grave dangers, miseries and difficulties that are overwhelming us. (Cf. Fernando Martínez Heredia, "Socialismo," <http://odapensamiento.blogspot.com/2008/07/socialismo.html>, July 17, 2008.)
3. Cf. Julio Gambina, "Los cambios políticos y las perspectivas de 'otra economía' para los pueblos," paper presented at the 10th Conference on Globalization and Problems of Development, Havana, March 3–7, 2008.
4. Eric Toussaint, "El segundo aliento del Foro Social Mundial," <http://www.rebelion.org/noticia.php?id=81688>, March 4, 2009.
5. Michael Löwy, *Redención y utopía. El judaísmo libertario en Europa central*, Buenos Aires: El Cielo por Asalto, 1997, p. 9.
6. Karl Marx and Frederick Engels, "The Communist Manifesto," in *Selected Works*, Vol. I, Moscow: Progress Publishers, 1969, pp. 98–137.
7. *Ibid.*
8. Marx, "Manifiesto Inaugural de la Asociación Internacional de los Trabajadores," in Marx and Engels, *Obras Escogidas*, Vol. 1, Moscow: Ediciones en Lenguas Extranjeras del Instituto de Marxismo-Leninismo, 1955, p. 395.
9. Marx and Engels, *Capital*, Vol. 1, Moscow: Progress Publishers, 1996, p. 326.
10. *Ibid.*
11. It is considered that the first such enterprise was the one created in Rochdale, England, in 1844, on the initiative of a group of 28 weavers who decided to create a consumer cooperative.
12. Marx, "La Guerra Civil en Francia," in *Obras Escogidas*, Vol. 1.
13. Cf. Engels, introduction to "La Guerra Civil en Francia," in *Obras Escogidas*, Vol. 1, 1891, p. 501.
14. Marx, "La Guerra Civil en Francia," pp. 546–7.
15. István Mészáros, "Socialismo: la única economía viable," <http://www.herramienta.com.ar/revista-herramienta-n-36/la-unica-economia-viable-primera-parte>, October 2007.
16. Money represents the universal equivalent form in which the value of commodities is expressed.
17. Cf. Mészáros, *El desafío y la carga del tiempo histórico. El socialismo en el siglo XXI*, Caracas: Vadell Hermanos Editores & CLACSO, 2007, p. 204.
18. Löwy, "Ecosocialismo, democracia y planificación," in *Viento Sur*, <http://www.vientosur.info/articulosweb/noticia/index.php?x=1858>, June 24, 2007, p. 3.
19. Marx, "La Mercancía," in *El capital*, Vol. 1, Buenos Aires: Ed. Siglo XXI, 2009, pp. 89–90.
20. *Ibid.*
21. Ernest Mandel, Alec Nove, and Diane Elson, *La crisis de la economía soviética y el debate mercado/ planificación*, Buenos Aires: Imago Mundi, 1992, p. 40.

22. Mészáros, *Socialismo o barbarie. La alternativa al orden social del capital*, Mexico City: Paradigmas y Utopías, 2005, p. XVI.
23. Bolivia's new Constitution refers to "Good Living" [(*Sumak Kawsay* or *Vivir Bien*)], a category that opposes Western capitalist patterns of consumption (asymmetrical among and within countries) and production (insensitive to the destruction of the environment). "Good living" is a category yet to be defined; it is based on the social organizing principles of some indigenous communities.
24. The law of value explains the exchange of "equivalent" products. According to that law, for example, the price of a commodity equals its "value," just as wages express the "value" of labor power. On the other hand, the law of surplus value provides evidence of exploitation since a higher value (than total wages) is created in the process of production. This problem can be seen in the three cycles of capital. In the money cycle of capital (M-C) and in the commodity cycle of capital (C'-M'), it is clear that equivalents are exchanged; however, in the production cycle of capital (C-C'), what takes place is the conservation of constant capital and the appreciation of variable capital (which includes workers' wages).
25. Marx (1844), "Trabajo enajenado," in *Manuscritos económico-filosóficos*, Barcelona: Altaya, 1994, p. 111.
26. Ibid.
27. Signs and symbols are categories that allude to a society's ideological formation. We ascribe particular importance to the formation of a subjectivity in the popular imagination for thinking about a socialist society.

Part II

Cooperatives and Socialist Thinkers

3

Cooperativism and Self-Management in Marx, Engels, and Lenin

Humberto Miranda Lorenzo

A certain consensus exists in literature regarding human beings' tendency for cooperation or self-management. Iñaki Gil de San Vicente refers, for example, to ancient Egypt, the Phoenicians, and Rome, and how manifestations of cooperative associations have existed since then.¹ In mid-nineteenth-century Europe, the Rochdale Pioneers² cooperative was founded with its "seven principles," along with the attempts of Saint Simons, Owen, and Fourier to organize utopian societies largely founded on self-management.

The dynamics of late-eighteenth-century and nineteenth-century Europe led Marx and Engels to think about the potentials of cooperativism and self-management. They appreciated the possibilities of cooperation in the struggle against capitalism. However, they always called attention to two things: that cooperativism and self-management were more important for production than consumption, and the danger of the influence of the capitalist property and production system on self-management experiments.

In their work, Marx and Engels noted only that a postcapitalist society would have a strong tendency toward economic and political self-management – that is, self-government. Their ideas about the withering of the state were based not only on the logic of class struggle, but also on the tendency for self-management, which was gaining extraordinary force during their time. "Producing without bosses" continues to be one of the dreams of human emancipation. This withering process was what Engels described as the transition from control over people to the administration of things.

Lenin, for his part, paid special attention to cooperatives as the seeds of socialism. In particular, he noted that once the state was socialist, production in cooperatives would become something obvious, dispelling

the skepticism with which people tended to view it. If all production were organized into cooperatives, he affirmed, "We would by now have been standing with both feet on the soil of socialism."³

However, the New Economic Policy (NEP)⁴ remained unfinished; Lenin died too early for the Bolshevik Revolution. The historical circumstances that followed, Stalin's leadership, and the bureaucratization of society led the Union of Soviet Socialist Republics (USSR) down paths that were quite distant from self-management.

The 1919 Hungarian Revolution was crushed, and the debate it generated about the free association of producers was silenced, or in the best of cases, postponed. The method of constructing socialism that prevailed made any transition using self-management impossible.

However, as Lenin used to say, "Facts are stubborn things." This past decade of struggle in Latin America has placed the self-management debate back on the table. The Brazilian Workers' Party (PT) and the Uruguayan Broad Front (FA), which hold power in local governments,⁵ have put self-managed work methods into practice, especially in using the participatory budget process, showing great progress on a local scale.⁶ Factory takeovers and groups of workers (employed and unemployed) in Argentina have produced interesting experiences and are showing signs of a certain return to Marx's concepts about organizing and deepening self-management.

In Venezuela, cooperatives and other self-managed association have been an important part of the Bolivarian Revolution process. The idea of endogenous local development is not new, but in Hugo Chávez's Venezuela, it has been revitalized and is taking on a new, more advanced, more radical, more anticapitalist content. Chávez's concept of twenty-first-century socialism places an emphasis on self-management, and is contributing significantly to the debate about building power from the bottom up through self-management.⁷

A broad movement can be seen in the region today, although with a heterogeneous and uneven nature, in various self-management cases. They point to a new way of approaching self-management as a potential strategy for developing self-government by the people. With a critical, innovative perspective, they are returning to the most radical variant of the self-management experience, building a political and socio-economic alternative.

Self-management and cooperatives

Throughout history, self-management has been a response to capital by labor, a response that tends to propitiate a form of organizing production

and people's lives beyond the framework of the employer/worker relationship produced by the system of exploitation, domination, and alienation in which capitalist society determines human relations.

From the point when human society was organized according to the logic of capital, the struggle has been to end alienation; it is a struggle for human emancipation that has become a fight for survival, for life, against what Franz Hinkelammert calls the tendency to the pauperization of human beings under capitalism.⁸ From that perspective, self-management is inseparably united with a qualitative improvement in the living conditions of our species, a reduction of our suffering, and an increase in our joys.

From that same perspective, cooperation, mutual aid, and self-management by associated producers, etcetera, are not the result of an idealistic and abstractly ethical tendency, but of a very conscious need and desire to increase our collective joys and reduce collective suffering.⁹

Self-management, especially since the nineteenth century, has been linked to the organization in cooperatives of both workers and consumers. And while self-management should not be reduced to cooperativism (and vice versa), it is essential to analyze the two in the context of their historic relationship.

This being said, we should note the difference between a production (or workers') cooperative and self-management. While it is true that the two terms are closely related, they should be distinguished in a very important sense. When referring to "cooperative," we are referring to a specific type of property of the means of production that implies a particular manner of producing (workers' cooperatives) or of obtaining goods (consumer cooperatives). "Self-management" is a concept that includes a type of individual or group attitude and conduct that is a way of life, and not limited to the production process.

Self-management is most commonly associated with cooperative production. Without denying the rich experiences contributed by the cooperative movement throughout history, this association reduces a comprehensive, emancipating paradigm to an economic framework. Reduced in that way, it would not make much sense to suggest self-management as a possible alternative for overturning the foundations of capitalism. This is one of the main theoretical questions that emerges in the discussion about self-management. That is why it necessary for the concept self-management to include other aspects of association that are aimed at creating a culture of self-management.

For example, one of the most important books about self-management, by Roberto Massari, restricts self-management to the framework of

production, referring to it as “a model for building socialism in which the principal levers of power and the centers of decision and control over the productive mechanisms would be held by the direct producers, the democratically-organized workers.”¹⁰

On the other hand, Adriano Brivio defines self-management more generally. He “de-economizes” it when he says,

It is a process in which an individual or group develops the ability to identify its interests or basic needs, using an organization to defend these interests and needs by expressing them effectively in everyday practice based on autonomy and in coordination with the interests and actions of other groups; this concept, of course, implicitly includes planning, participatory democracy and sustainable development.¹¹

Here, self-management is proposed as a process that combines economic, political, psychological, and emotional factors – a real process of social/human interaction. In this process, people take charge of their lives; they “assault” the decision-making process, balancing their individual and collective needs.

Self-management needs to be understood as an attitude toward life, as a form of social coexistence. If we cannot overcome the economy trap, reducing all forms of domination to economic exploitation, the other forms of domination will continue on course. In our analysis, we must go “beyond” production, beyond the separation between economics and politics that has been fostered in capitalism.

This separation, in its turn, is at the root of the distortions of Marx’s ideas about the economy as the ultimate factor, which also has brought about a view of communist society as an infinite source of production resulting from an inexorable development of “productive forces,” reducing these to technological factors. In fact, the models of Schweickart, Ollman, Roemer, and others¹² are based on the argument that socialism should be more efficient than capitalism – that is, more “economic.” This is a theoretical trap. To follow the logic of “progress,” “development,” and “economic growth,” etcetera, is to follow the pattern of capitalist growth; it is to never leave the webs of the capitalist market, the increasing rate of profit, the myth of Sisypheus.¹³ If we follow those economist paths, the rock that we are dragging up the hill will fall on top of us again in the end.

Instead, we should understand self-management as a way of guiding human activity that takes place in and through interaction between

(and within) human collectives, especially in the context of class struggle. Its objective is for people and human groups to be the masters of their own destiny.

This course of human activity assumes independence and autonomy in the organization of production and in the political projection of subjects and social groups that are more or less radically against the capitalist system. It also involves collective, active, and conscious participation in the decision-making process at different levels.

In terms of what “should be,” self-management, a quality and process that is inherent in human beings, should feature three principal traits:

1. Active, conscious, and free participation in each and every process involving human beings.
2. Active, conscious, and free participation in the decision-making aspect of each and every process that affects the lives of those participating.
3. Autonomy in participation and decision making, with autonomy understood as the process of individual empowerment in and through interaction with human collectives in every sphere of life, and likewise understood as individual responsibility to the human collective with which (and through which) the individual interacts.

Cooperation and solidarity in human history

In a letter to Lavrov in 1875,¹⁴ Engels refuted the myth that human beings have an intrinsic tendency to fight, destroy, and exploit each other. He strove to demonstrate that, on the contrary, from very early on people have had a propensity for collective organization, protection, and mutual aid.¹⁵

In fact, evidence exists of cooperatives and self-managed associations in ancient times, in places such as Egypt and Babylonia. Records exist of at least a tendency in that sense, as Iñaki Gil writes:

Focusing more on cooperativism, one form of cooperation, those who have delved into the past say that by the 15th century B.C., the Egyptians had cooperative associations for economic administration; they also say that the Phoenicians developed a type of cooperative for mercantile and shipping insurance in the 15th century B.C. We can refer to “proto-cooperatives” for savings and loans during the Chou dynasty in China in the 13th century B.C. But it was in Babylonia, in 550 B.C., where we discover cooperatives that were very similar to

today's, cooperatives for the exchange and sale of agricultural products – *undestabing* – which also were societies for providing soft loans to the poor, and for defending them from money-lenders.¹⁶

Self-managed organizations existed throughout the Middle Ages, and the role they played at that time should not be underestimated, especially because of their later influence on the anarchist and cooperative movements in general.

The consolidation of industrial capitalism brought considerable development to the organization of cooperatives in England. However, it was not until February 1819 that English tobacco workers who had been on strike for 11 days organized production themselves. This was a turning point in the cooperative movement. For the first time, workers consciously took over their factories and began to produce without bosses.

The modern cooperative movement began to develop as such, and systematically, with Robert Owen, the top exponent in Britain of a form of socialism that rejected class struggle and advocated economic reform through the cooperative organization of production and consumption and labor pools, among other things. Owen had begun working as a spinner at the age of 9, and by the time he was 20, he was the manager of a textile factory in Manchester. He acquired stock in a textile mill in New Lanark, Scotland, where he implemented his ideas about the impact of external conditions on human behavior.

In 1824, Owen raised fifty thousand sterling pounds and bought eight thousand hectares of land and workshops to create a self-managed cooperative production community. The first members of New Harmony arrived the following year, and the harmony disappeared from the first moment of collective experience. According to Emile Armand,

Cooperative production was a failure; interpersonal relations among the 900 members degenerated into radically opposed factions; internal communal work, from the kitchen to the lavatories, generated multiple disputes; Owen's personal authoritarianism added fuel to the fire of these conflicts, and only the education system survived.¹⁷

By 1827, the experiment was over. Owen washed his hands of it, and it fell apart.

However, the failure of New Harmony did not undo the impact of Owen's ideas. In 1824, the London Co-operative Society was created, followed in 1827 by the Brighton Co-operative Society, and in 1829,

a cooperative was founded that was devoted to spreading the ideas of “Owenism” through a newspaper, the *British Co-operator*. Between 1830 and 1832, the number of cooperatives in England rose from three hundred to five hundred.

Cooperatives and the surmounting of capitalism

In 1832, Owen created an “equitable labor exchange system” that issued “labor notes,” which were supposed to express the time invested in production plus the cost of materials and machinery, without taking into account the labor relations established during the production process. This alternative project worked for a few months while artisans and workers at small factories accepted their supposed equivalent pay. Euphoria broke out among social reformers who believed they had found the magic formula for peacefully instituting Owenian cooperativist socialism.

Meanwhile, the violence of the bourgeoisie had subdued the nascent labor movement. According to Iñaki Gil, nine hangings and 457 deportations had checked the impetus of workers’ and farmers’ struggles, which is why Owenism appeared at the time to be a realistic peaceful alternative for gradual change through a form of cooperativism that could transform capitalism from within. However, those dreams evaporated a few months after the “labor notes” experiment began. The bourgeoisie applied the axiom of “hit ‘em while they’re down,” destroying the movement in 1834 with just six deportations, a case known as the “Tolpuddle Martyrs” in the Owenian press.¹⁸

One of the important lessons of this experiment in antisystemic change is the inadequacy of fairly redistributing wealth while maintaining the foundations of the capitalist production model. History, including the Owen experiment, points to collapse. Capitalist production is incompatible with fair distribution, at least in the way that it has been conceived and implemented in the last century.

That does not mean that antisystem options cannot be used within the system. In fact, it is necessary to explore in that direction, too. However, it is becoming clear that any alternative must aim at the very heart of capitalist society – that is, at surmounting the system of relations, practices, and patterns of social interaction established in production.

In Owen’s time, the debate over cooperativism, trade unionism, and socialism was focused on two tendencies that still exist today: the Owenian (or interclass¹⁹) tendency and a more radical, classist one. During the first third of the nineteenth century, a current of “utopian economists” had emerged, considered, in large part, as the “theoretical

fathers of Marxism." It could be said that their utopian socialist ideas were more radical and coherent than Owen's, and the cooperativism associated with his ideas, because they were critical of capitalism.

William Thompson, one of the top exponents of utopian socialism, emphasized the need for trade unions to create cooperatives that would be decidedly oriented toward the spread of a complete system of communist life, in which workers would be "co-proprietors, co-producers and cohabitants." In 1830, Thompson published *Practical Directions for the Establishment of Communities*, in which he said:

Society, as it is currently organized, suffers above all from scarcity and instability in the employment of the working classes. What is the primary cause of this underemployment?

It is a lack of sales and markets. The products made cannot be sold and then are sold cheaply at a price lower than the cost of production; thus, the makers cannot provide permanent and remunerated employment. The only evident recourse is a secure market for the majority of essential products. Instead of seeking in vain for foreign markets the world over, where they are overloaded or flooded by incessant competition among hungry producers, let us create a voluntary association of the working classes. They are sufficiently numerous to be able to assure a direct and mutual market of the most essential goods in terms of food, clothing, furnishings and housing.²⁰

Charles Fourier, for his part, imagined a society composed of federated cooperatives which, according to Iñaki Gil, "he detailed meticulously, with pinpoint precision, but which did nothing to stop the worsening living and working conditions of the oppressed classes."²¹ Fourier's system was based on a universal principle of harmony, applied to four areas: the material universe, organic life, animal life, and human society. For Fourier, this harmony could prosper only when "the limitations that conventional social conduct places on the full satisfaction of desire have been abolished, permitting a free and complete life."²²

The ideal harmonious state was to be achieved by dividing society into cooperative communities or "phalanxes" of about sixteen hundred people each, who would live in a "phalanstery," an enormous communal building located in the center of a large agricultural area. Detailed rules would be drawn up to regulate the life of each individual in the phalanx. Work would be assigned according to talent. Private property would not be abolished, but as rich and poor mixed, visible differences between them would disappear. Fourier's phalansteries were not a viable

or enduring experience, but their inspiration and spirit were invaluable for shaping Marxist ideas.

In 1844, a major historic milestone for cooperativism appeared: the Rochdale Society of Equitable Pioneers. This cooperative operated under the well-known “Rochdale principles,”²³ which became the pillars of an interclass, apolitical form of cooperativism.

These principles have been the basis of a very strong form of cooperativism that tends to play by the rules of the system. Its greatest exponent today is the Mondragón Corporation or Mondragón Group, which is so immersed in the logic of the market that it is now investing like a transnational corporation in countries such as Morocco and even southern Spain.

When the 1846–48 depression hit, European/Western cooperativism mostly existed in the area of consumption, maintaining the spirit of an alternative to capitalism within its legal framework; it was not antisystemic. Once the economic recovery began, the bulk of these cooperatives became even more isolated from the new radical labor movement. Most cooperatives emerged from the crisis with goals of achieving better consumer prices and maximum banking profitability for their growing results. They sought an ideological eclecticism that would allow them to survive outside the system without the need to struggle against it to change it.

This “light” or interclass version of cooperativism became one of the pillars of the labor reform movement that emerged later. This cooperative movement renounced any radical struggle – Marxist or anarchist – to achieve collective property of the means of production. Its attention was instead focused on increasing the consumption of goods, higher wages, and internal cooperation.²⁴ Therefore, this “light” variant of cooperativism did not tend, in the long run, to have any antisystem political commitment, but instead tended to coexist with and within the system.

The influence of the Rochdale variant of cooperativism gained so much force that it was precisely the ideas of reformist cooperativism that spread to Latin America, despite the fact that during this same period, the International Workingmen’s Association (IWA)²⁵ advocated, at its congresses in Lausanne (1864) and Geneva (1866), the creation of workers’ cooperatives before consumer cooperatives. In fact, according to Gil:

In 1873, a cooperative was created in Puerto Rico. In 1875, cooperativism began to take root in Montevideo, Uruguay based on the Rochdale Principles, and was accepted by the bourgeoisie as a system

that would integrate and deactivate the acrimonious class struggle, especially after a bitter strike by 500 spaghetti factory workers in 1884. In 1897, an agricultural cooperative was created in Avellaneda, Argentina.²⁶

Marx and Engels on the cooperatives of their time

Marx clearly explained his position on the cooperative movement of his time in a resolution he drafted that was passed by the First Congress of the International Workingmen's Association in Geneva in September 1866, which he did not attend. The resolution's point (a) says:

We acknowledge the co-operative movement as one of the transforming forces of the present society based upon class antagonism. Its great merit is to practically show, that the present pauperizing, and despotic system of the *subordination of labour* to capital can be superseded by the republican and beneficent system of *the association of free and equal producers*.

However, in point (b), he specifies very clearly that the cooperative movement in and of itself did not mean the end of capitalism:

To convert social production into one large and harmonious system of free and co-operative labour, *general social changes* are wanted, *changes of the general conditions of society*, never to be realized save by the transfer of the organized forces of society, viz., the state power, from capitalists and landlords to the producers themselves.²⁷

Previously, in his inaugural address to the International Workingmen's Association in 1864, Marx had said:

But there was in store a still greater victory of the political economy of labor over the political economy of property. We speak of the co-operative movement, especially the co-operative factories raised by the unassisted efforts of a few bold "hands". The value of these great social experiments cannot be overrated. By deed instead of by argument, they have shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the existence of a class of masters employing a class of hands; that to bear fruit, the means of labor need not be monopolized as a means of dominion over, and of extortion against, the laboring man

himself; and that, like slave labor, like serf labor, hired labor is but a transitory and inferior form, destined to disappear before associated labor plying its toil with a willing hand, a ready mind, and a joyous heart... At the same time the experience of the period... has proved beyond doubt that, however, excellent in principle and however useful in practice, co-operative labor, if kept within the narrow circle of the casual efforts of private workmen, will never be able to arrest the growth in geometrical progression of monopoly, to free the masses, nor even to perceptibly lighten the burden of their miseries. It is perhaps for this very reason that plausible noblemen, philanthropic middle-class spouters, and even keep political economists have all at once turned nauseously complimentary to the very co-operative labor system they had vainly tried to nip in the bud by deriding it as the utopia of the dreamer, or stigmatizing it as the sacrilege of the socialist. To save the industrious masses, co-operative labor ought to be developed to national dimensions, and, consequently, to be fostered by national means. Yet the lords of the land and the lords of capital will always use their political privileges for the defense and perpetuation of their economic monopolies. So far from promoting, they will continue to lay every possible impediment in the way of the emancipation of labor.²⁸

Thus, while he praised “associated labor plying its toil with a willing hand, a ready mind, and a joyous heart,” Marx also pointed to major obstacles which limited the development of cooperativism under the capitalist rule. That is why political revolution, the conquest of political power by the workers, became the fundamental condition for the emancipation of labor.

Marx, who defended cooperativism, placed an emphasis on production, not consumer, cooperatives. He believed that because consumer cooperativism only impacts distribution, it may partly mitigate injustice, but cannot combat the root causes of exploitation. In contrast, when production cooperatives are part of a general program of revolutionary transformation, they help to undermine the logic of capitalism and its exploitation and extraction of surplus value as prerequisites for maintaining production. This argument is central and strategic to all of Marx’s ideas, as he demonstrates the role of cooperativism as part of an overall process, from precapitalist mutual support to socialist self-management, in the steps that lead to a communist system of production.

Marx’s emphasis on the importance of transforming production and not just distribution is completely coherent with his strategic

thesis – that human beings can end our alienation only by “expropriating the expropriators,” as he says in the unpublished sixth chapter of the first volume of *Capital*. This expropriation also takes place in the production process, in the relations established between workers and production. In fact, Marx says:

In this process, in which the social characteristics of their labour confront them as capitalized, to a certain extent – in the way that e.g. in machinery the visible products of labour appear as ruling over labour – the same thing of course takes place for the forces of nature and science, the product of general historical development in its abstract quintessence: they confront the workers as powers of capital. They become in fact separated from the skill and knowledge of the individual worker, and although – if we look at them from the point of view of their source – they are in turn the product of labour, they appear as incorporated into capital wherever they enter the labour process.

The capitalist who employs a machine does not need to understand it (see Ure). But vis-à-vis the workers, realized science appears *in the machine as capital*. And in fact all these applications of science, of the forces of nature and of large masses of products of labour – applications based on *social labour* – appear only as *means of exploitation* of labour, means of appropriating surplus labour, hence, vis-à-vis labour, as *forces* belonging to capital. Capital naturally employs all these means only to exploit labour, but in order to exploit labour, it must employ them in production. And thus the development of the social productive powers of labour and the conditions for this development appear as the *work of capital*, and not only does the individual worker relate passively to this work, it also takes place in antagonism to him.²⁹

Moreover, the “expropriation of the expropriators” – that is, the historic overthrow of private property of the means of production and of all of its consequences, from commerce to money (not just within the workplace) – culminates, in its turn, in a revolutionary process. This process begins with workers’ and mass cooperatives and evolves into communism, involving workers’ control, factory takeovers, councils and soviets, general social self-management, and so on. From this perspective, we can better understand the dialectic of the economic, social, political, cultural, philosophical, and ethical/moral factors that define the Marxist project.

Because of the importance that Marx placed on the dealienation of labor, he harshly criticized cooperatives where decision making and management powers were not equal for all workers (as opposed to cooperatives that followed the Rochdale principle of “one man, one vote”), and instead depended on the amount of company stock they held. In fact, what Texier says is quite right:

Despite all of his reservations and necessary additions, Marx definitely makes a very positive judgment about cooperative factories. His reasons are articulated in his twofold description of joint stock companies: On the one hand, their capital is not private but “social”: it is a socialization that operates within the framework of the capitalist system without abolishing it. It is, therefore, a contradictory socialization, but one that directly prepares for the genuine socialization of production by associated producers. And therefore these joint stock companies are also characterized by disunity in ownership and in management.³⁰

If there was one thing Marx tried to make clear, it was his opposition to the development of wage-earning stockholders. He viewed joint stock companies as a capitalist form of the socialization of savings that could modify capitalist private property, but not change the system. It was worker-run production cooperatives that, even at the individual enterprise level, could lead to a socialist transformation of society, ending the power of the bosses throughout the system.³¹ Marx analyzed joint stock companies and workers’ cooperatives in the chapter of Volume III of *Capital* devoted to the role of credit in the development of capital.

While Marx discussed joint stock companies and workers’ cooperatives in the same chapter, he did not address their incompatibility. That was brought to light by Jean Lojkine’s unique scientific analysis.³² To know what Marx thought about the assimilation of workers’ cooperatives by joint stock companies, it is necessary to read the resolution he wrote for the First Congress of the International Workingmen’s Association. Its section on cooperative labor says:

In order to prevent co-operative societies from degenerating into ordinary middle-class joint stock companies (*societes par actions*), all workmen employed, whether shareholders or not, ought to share alike. As a mere temporary expedient, we are willing to allow shareholders a low rate of interest.³³

Although for other reasons, Marx also resolutely opposed the cooperatives supported by Ferdinand Lassalle (which were basically for credit) because they were to be financed and controlled by the state. For Marx, the creation of such savings and credit cooperatives meant the working class would be selling its soul – that is, its autonomy – for a plate of lentils. He considered savings banks as “the golden chain by which the government holds a large part of the working class.”³⁴

On the other hand, Marx viewed workers’ (or production) cooperatives as a collective form of private property. They did away with the power of the bosses, but that did not necessarily imply the abolition of capitalism, which he believed would require production cooperatives to begin operating in coordination instead of on an isolated basis.

The need for cooperatives to be part of a national system and to be guided by a plan was proposed by Marx in *The Civil War in France*, in which he said the role of cooperatives in communism was essential. He referred to the concept of communism in the same terms that he used in one of the last chapters of the first volume of *Capital*. Both of those books contain not only references to the expropriation of the expropriator, but also a definition of communist property that included the idea of individual property: “The (Paris Commune) wanted to make individual property a reality, transforming the means of production, the land and capital, today essentially means of servitude and the exploitation of labor, into simple instruments of free and associated labor.”³⁵ Criticizing “bourgeois reformers,” who when confronted with the difficulties of capitalism “become inopportune and noisy apostles of the production cooperative,”³⁶ Marx stated his position as follows:

But if cooperative production is not to remain a decoy and a trap, it must eliminate the capitalist system; if the union of cooperative associations is to regulate national production according to a common plan, taking it thus under its own management and putting an end to the constant anarchy and the periodic convulsions that are the inescapable fate of capitalist production, what would this be, gentlemen, if not communism, the very “possible” communism?³⁷

It is also worthwhile to examine an aspect of the Paris Commune to which Engels referred in his 1891 introduction to *The Civil War in France*. First, he mentioned that on April 16, 1872,

the Commune ordered a statistical tabulation of factories which had been closed down by the manufacturers, and the working out

of plans for the carrying on of these factories by workers formerly employed in them, who were to be organized in co-operative societies, and also plans for the organization of these co-operatives in one great union.³⁸

It is important to note Engels's use of the term "association" in his criticism of the Proudhonians and Blanquists based on the Paris Commune events. After the *Communist Manifesto*, Marx and Engels referred to communist society as "the association" (the term "communist," as Texier³⁹ clarifies, was reserved for referring to common precapitalist forms of appropriation), and to a certain extent, it is also how Marx referred to communism in *Capital*.⁴⁰

In the above-mentioned 1891 preface to *The Civil War in France*, Engels said that, contrary to what Proudhon asserted, large enterprises should not be an exception for associated workers:

The most important decree of the Commune instituted an organization of large industry and manufacturing, to be based not only upon the associations of workers in each factory, but also to group all those associations into one big federation; in short, an organization that, as Marx said very accurately in *The Civil War in France*, should lead in the end to communism, which is to say exactly the opposite of Proudhon's doctrine.⁴¹

What Marx and Engels proposed were two slightly different versions of the same idea. They viewed cooperatives in isolation as a decoy, or trap, but when cooperatives were grouped together into a federation, they could evolve into communism by making it feasible to have planning, without which communism cannot exist.

Cooperatives and the Marxist concept of social property

We should look thoroughly at the necessary transformation of public "property" or "appropriation" or control – when the state becomes the owner of the means of production and exchange in the name of all of society – into genuine social property, which is the only way to end the separation between producers and the means of production. Jaques Texier, in his analysis of democracy, socialism, and self-management, emphasized that only with this genuine social property can we refer to communism as a free association of producers. This free association has as its starting point the workers' appropriation of their factory and

the subsequent administration of the factory by them instead of the bosses.

Cooperatives provide the first example of workers' direct participation in managing their factory; without that, there is no social property by the workers. Therefore, it may be said that cooperatives without planning are not yet socialism, and, inversely, if workers do not directly manage their own enterprise, public ownership does not lead to an association of producers, and what results is a "blocked transition."⁴²

We can also reach the same conclusion if we consider the ideas that Marx formulated in *The Civil War in France*, which is that in expropriating the expropriators, communism reestablishes workers' individual property, not over individually controllable tools of production, but over the social means of production. This property can only be set into motion by the "collective worker" – that is, a group of men and women who collectively produce and control production without a sense of "possession."

This question was addressed in the first volume of *Capital* in the chapter "The Historic Tendency of Capitalist Accumulation." This is an idea that should be reexamined, because it has not always been taken carefully into account:

But capitalist production begets, with the inexorability of a law of Nature, its own negation. It is the negation of negation. This does not re-establish private property for the producer, but gives him individual property based on the acquisition of the capitalist era: *i.e.*, on cooperation and the possession in common of the land and of the means of production.⁴³

It is difficult to have a precise idea of individual property that is not private property. Marx suggests that we think about property forms that existed before bourgeois private property. This is, in effect, extremely simple, at least in principle. One either is or is not an owner. Precapitalist forms involved much more complex forms of property, in which systems of rights over property were intertwined. Marx uses the terms of "proprietor" and "possessor" to describe them. For example, with respect to land, the serf "possessed" his parcel, which he farmed autonomously; the lord was the "proprietor" of the land, and had to resort to noneconomic coercion to make the serf deliver more than was due.⁴⁴

For communism, it is the reverse: in a production organization, the associated producer is an individual or collective proprietor (in the case of a cooperative, for example) and possesses the means of production in common with all of the other workers of that organization, and/or with the other members of society. Possession normally refers to the free

disposition, or use, of an asset, which does not necessarily imply legal ownership of the asset. With respect to property, it would be necessary to specify with whom a worker shares the control of an enterprise. Would it be with the other workers or with all citizens? Or, the property relationship might be even more complex.

For a good grasp of Marx's position on workers' cooperatives, we should refer to [chapter 3](#) of *Capital*, which is devoted to the role of credit in capitalist production, and which was published by Engels in 1894. It helps to understand why it may be said that a cooperative factory operates to a certain extent like a capitalist factory, in that the workers exploit themselves, and, moreover, why it is that Marx viewed cooperative property as a potentially antisystemic form.

It is also important to point to another idea to which Marx referred in *The Civil War in France*,⁴⁵ when he responded to Bakunin's criticism of workers electing their managers in a cooperative factory. Marx defended the practice of people electing their representatives, not only in parliament but also in "businesses":

Instead of deciding once in three or six years which member of the ruling class was to misrepresent the people in Parliament, universal suffrage was to serve the people, constituted in Communes, as individual suffrage serves every other employer in the search for the workmen and managers in his business. And it is well-known that companies, like individuals, in matters of real business generally know how to put the right man in the right place, and, if they for once make a mistake, to redress it promptly.⁴⁶

This can also be seen in his notes from late 1874 and early 1875, when he refuted Bakunin's anarchist criticism, which recurred to the classic argument against delegating power. To answer him, Marx based himself directly on the experience of cooperative factories:

With collective ownership the so-called people's will vanishes, to make way for the real will of the cooperative... If Mr. Bakunin only knew something about the position of a manager in a workers' cooperative factory, all his dreams of domination would go to the devil. He should have asked himself what form the administrative function can take on the basis of this workers' state, if he wants to call it that.⁴⁷

Therefore, in those workers' cooperatives, the contradiction between capital and labor would be eliminated, even if the workers were, from

the start, nothing other than their own capitalists because they used the means of production to add value to their labor through the market. These cooperatives showed how a mode of production can naturally emerge and develop from another mode of production at a certain level of the development of material productive forces and of the corresponding social forms arising from production.⁴⁸

Cooperatives, between capitalist absorption and communist prefiguration

Here it is necessary to return to Marx's aforementioned 1864 speech, when he said that "the lords of the land and the lords of capital" would do everything necessary "to defend and perpetuate their economic monopolies." And that indeed is what they have done. The reality is that cooperatives have been absorbed by a system that can generate constant "counter-alternatives" to any alternatives that emerge against it. History shows that the system is capable of devouring whatever opposes it, either by making it into a product of the market, that is, through cultural subjection, or at gunpoint.

Marx and Engels also established an arduous polemic with the wave of reformism that invaded Europe in the late nineteenth century. Advocates of the Rochdale tendency began to be the majority, now embodied in the "marginalist counterrevolution" of the last third of the nineteenth century, from which present-day neoliberalism would subsequently emerge. That reformist movement fanatically advocated the idea of "social economy," in which a complex interclass alliance was established through the actions of self-help collectives, integrative cooperativism, and so on. Leon Walras was its principal advocate, and his influence was decisive for this truly regressive movement, which resulted in the 1895 creation of the International Cooperative Association. This organization's programmatic foundations were the same as those of Rochdale, but this time with a character that was not at all ingenuous.

This evolution was in keeping with increased internal contradictions among social democratic forces at the time, a result of the pressures and problems created by capitalism's transition from the colonial to the imperialist stage. The cooperativism debate could not be isolated from these objective and subjective changes. This was confirmed at the IWA's 1899 congress in Hanover, where two opposing theories on the matter formed, one supported by Marx and Engels's followers, and the other a petit-bourgeois, apolitical theory supported by followers of Krüger and Schulze-Delitzsch.⁴⁹

While taking an active part in this debate, Marx also began to take note of the development of peasant communities in Russia and their possible evolution into an antisystemic force. One of his basic interests was to contextualize the objective and subjective limits on the possibility of making the leap from peasant commune and collective land ownership to socialist democracy and social control over the productive forces. That is, to discover a critical point of no return within social evolution, a point at which the peasant community would be able to evade the terrible costs and sacrifices of the capitalist stage of history and would make the leap to a higher stage of human relations.

Marx was aware of the agrarian and semifeudal character of production relations in Russia, but he viewed the *obshchina*⁵⁰ and other forms of association, especially agrarian ones, as a possible solution. In his introduction to the second Russian edition of *The Communist Manifesto*, Marx affirmed, along with Engels:

The Communist Manifesto had, as its object, the proclamation of the inevitable impending dissolution of modern bourgeois property. But in Russia we find, face-to-face with the rapidly flowering capitalist swindle and bourgeois property, just beginning to develop, more than half the land owned in common by the peasants. Now the question is: can the Russian *obshchina*, though greatly undermined, yet a form of primeval common ownership of land, pass directly to the higher form of Communist common ownership? Or, on the contrary, must it first pass through the same process of dissolution such as constitutes the historical evolution of the West? The only answer to that possible today is this: If the Russian Revolution becomes the signal for a proletarian revolution in the West, so that both complement each other, the present Russian common ownership of land may serve as the starting point for a communist development.⁵¹

Lenin and cooperatives

Like Marx, Lenin, who was very familiar with late-nineteenth-century and early-twentieth-century Russian society, recognized the importance of analyzing Russian farming relations and the role of peasant communities. Moreover, Lenin very much emphasized the active and dynamic potential of self-management for the working class.

In 1901, the Mutual Aid Society of Workers in Machine Industries gained force in Moscow, Odessa, Minsk, and other industrial cities, following the ideas of Zubatov, who believed the labor movement should

be organized on an economic basis, and that it should participate in business administration but without any political or socialist aspirations. However, this type of participation ended up being dependent on the Czarist state. Leftist forces referred to this type of organization as “police socialism.” As Iñaki Gil says:

The intensification of class struggle destroyed the movement by late 1903. But also, a tendency existed among the Bolsheviks that held that socialism would triumph only when cooperativism finally dominated and led industrial development, in addition to the two other requirements of automation and the development of proletarian consciousness. Without those three conditions, they could not hope to attain socialism.⁵²

The 1905 Russian Revolution brought about a radical shift in ideas about the need for a transition to a noncapitalist society, and cooperativism and self-management were part of that radicalization. The Russian Revolution once again posed the idea of the need for cooperatives to “cross the line” and radicalize. Cooperativism could only be viewed as one part of the collective, self-managed process of the social labor force in its struggle for emancipation, against alienation. This was borne out by the debate over mass strikes, from general strikes to revolutionary trade unionism, involving the relations between the [Communist] party and the spontaneity of the masses. Rosa Luxemburg’s ideas on this debate and debates in the Second International and in anarchist circles viewed socialist revolution as a process that inevitably would involve councils, soviets, and workers’ and people’s power.⁵³

Lenin participated in the 1910 International Socialist Congress in Copenhagen, where the issue of cooperativism was hotly debated. Reformist currents had prevailed within the International since the late nineteenth century. However, despite the intentions of the reformists, the congress approved programs of radicalization. It became increasingly evident that a decision on whether or not to “cross the line” was approaching.

At that time, Lenin described two different lines or strategies of action:

One – the line of proletarian class struggle, recognition of the value of the co-operative societies as a weapon in this struggle, as one of its subsidiary means, and a definition of the conditions under which the co-operative societies would really play such a part and not remain simple commercial enterprises. The other line is a petty-bourgeois

one, obscuring the question of the role of the co-operative societies in the class struggle of the proletariat, attaching to the co-operative societies an importance transcending this struggle (i.e., confusing the proletarian and the proprietors' view of co-operative societies), defining the aims of the co-operative societies with general phrases that are acceptable even to the bourgeois reformers, those ideologues of the progressive employers, large and small.⁵⁴

Lenin was returning to Marx's idea about the role of consumer cooperatives and the importance of encouraging the creation of production cooperatives in order to overturn the foundations of the capitalist system. This theory about integrating production and consumer cooperatives is extremely important from a Marxist perspective. It gets at the heart of the question, that is, cooperativism as a decisive instrument in socialist production and therefore a decisive instrument in achieving the historic elimination of the law of value – labor. The crux of the problem is that cooperatives must be able to self-manage the entire process of production, circulation, and sales, and to redistribute and invest based on the criteria of cooperativism and mutual aid – that is, to destroy the very roots of the logic of the private accumulation of capital.

The great 1917 Revolution enabled Russian revolutionaries to implement many of the ideas they had debated about cooperatives, both in the industrial sector and in the countryside. Despite the dynamics of this process and the rapid development of all of the events that ensued, Lenin always recommended patience and prudence when testing cooperative practices in the countryside.

This prudence in approaching farmers was based on a decision to bolster the power of the soviets with qualitative revolutionary conquests, such as the ones contained in the *Draft Regulations on Workers' Control*, written by Lenin on the same day as his above-mentioned statement on cooperatives:

Workers' control over the production, storage, purchase and sale of all products and raw materials shall be introduced in all industrial, commercial, banking, agricultural and other enterprises employing not less than five workers and office employees (together), or with an annual turnover of not less than 10,000 rubles.⁵⁵

The extension of workers' control to agricultural enterprises aimed to ensure that, in the context of so much prejudice, dependence, and fear imposed by exploitation, a climate of self-confidence would prevail among poor farmers and agricultural workers.

In the complex situation of the revolution, some layers of the population with less awareness and more alienation were motivated by reasons that were other than ideological or religious, or by customs, culture, or ancestral traditions. They acted in the context of their material living conditions, and their actions were closely tied to a large number of reactionary and subjective prejudices that were seemingly totally separate from their objective, material abject poverty. One of the purposes and virtues of cooperatives, workers' committees, and soviets was, on the one hand, their aim to right this upside-down situation by demonstrating in everyday life to the working masses that they had concrete tools with which to emancipate themselves. In doing so, it was possible to demonstrate that ultimately, underneath all of the apparent difference and complexity, their labor power, gender, and nationality were being exploited, a situation that could only be solved with a socialist revolution.

In this respect, during the Third Workers' Co-operative Congress, Lenin said:

All of us agree that the co-operatives are a socialist gain. There lies the immense difficulty of socialist gains. There lie the difficulty and aim of victory. Capitalism deliberately splits the population. This split must disappear once and for all, and the whole of society must become a single workers' co-operative.⁵⁶

It was, in his words, the "most vital problem of the moment": the transition from bourgeois cooperatives to a communist association of production and consumption that would include the entire population.⁵⁷

Amid the challenging situation posed by the NEP, Lenin encouraged the role of cooperatives and self-management in every way possible. In fact, he constantly called upon Communist Party officials to support these efforts.

And at this time, the rise and restoration of the national economy in the workers' and peasants' state depend more than anything else on improving the lives and landholdings of the peasants... The Soviet authorities should control the activities of the cooperatives, so that there is no fraud, concealment from the State or abuse. In no case should they create obstacles for the cooperatives; instead, they should help them in every way and collaborate with them.⁵⁸

Today, that would mean access to advanced technology that would facilitate constant, real-time interaction among the actors involved in self-management processes, making that interaction dynamic. It would

also mean social control, which would guide those processes in transcending the narrow horizons of capitalism.

In 1922, in his "Theses on the Co-Operative Bank," Lenin advocated the "participation in the bank of leading agricultural communist cooperators for purposes of control and drive [and] stimulation of the Co-operative Bank by the State Bank by way of reduced % [interest rates]." ⁵⁹ Lenin's urgency on this question stemmed from the immensely complex problems faced by the Soviets, especially the growing weight, influence, and power of a bureaucracy that had become entrenched in the administrative apparatus.

Around March of 1923, when he was on his deathbed, Lenin finished writing one of his last articles, "On Co-operatives." It was quite extensive, outlining in a programmatic form his view on socialist society from the perspective of self-management:

Strictly speaking, there is "*only*" one thing we have left to do and that is to make our people so "enlightened" that they understand all the advantages of everybody participating in the work of the cooperatives, and organizes [*sic*] participation... And given social ownership of the means of production, given the class victory of the proletariat over the bourgeoisie, the system of civilized cooperators is the system of socialism. ⁶⁰

Lenin died shortly after that. The history that followed is well-known. The practice of socialism in the USSR became a system in which self-management did not have the slightest space. Forced cooperativization brought more problems than it solved. State control of the economy and a freeze on public and theoretical debate prevented the circulation of any ideas different from what Stalin presented as the only form of socialism. It was no surprise, then, that a self-management project that was organized in Yugoslavia after World War II was met with such a visceral reaction, with the USSR ruling over the socialist paradigm, and led by Stalin.

Final considerations

Marx's position on the potential of cooperatives for overturning capitalism is not simply an academic conclusion. In addition to what this article has raised, he made admiring references to the tendency for association that existed among French and English workers, and he highlighted the new ethics and spirituality created in those relations. For

Marx, cooperativism was immeasurably valuable, and its application had an extremely broad range of potential. While he never said that it was the only or most suitable way to overthrow capitalism, Marx did take note of the beginnings of a new stage of capitalist society, a stage in which new forms of organization began to develop that could lead to a radical change in the relations that sustain the capitalist system of production.

Nevertheless, Marx profoundly criticized the spontaneity and reformism of the cooperative and self-management movement in general, and he thought that the influence and attraction of the Rochdale project required a critical and not at all ingenuous approach.

On the other hand, in the face of the enormous historic obstacles to the practical fulfillment of the idea of an “association of free workers,” this idea sank into obscurity in later Marxist theory. How to attain such a liberated society in concrete terms?

For several decades, this vagueness, together with the lasting imprint of the hypertrophied state model of real socialism – and the consequent discredit cast on attempts at self-management that strove to be anti-capitalist alternatives – resulted in a disparaging view of the cooperative movement’s political possibilities.

Moreover, the history of attempts at constructing socialism has caused socialist transformation to be viewed as a “top-down” process involving the superstructure, the taking of power, and the subsequent transformation of the economic base. It has been assumed from the beginning that it cannot be the reverse. However, did Marx close the door to the possibility of making changes to socialism within the system? What role could self-management have for social change? On the other hand, have any of the diverse socialist projects resolved the question of real workers’ power, socialism in the economy, or labor beyond employment? The limitation (acceptable in Marx but incomprehensible today) is the confusion created by grouping together cooperatives and self-management. That limits the concept of self-management, trapping it in the bubble of economics and making it “inoffensive” to capital in the end, as has been seen in numerous experiments of this type.

Evidently, the existence of cooperatives does not imply self-management, nor does it mean that socialism is being built. However, if capitalism is a system based on the private property of the means of production, then other forms that produce and reproduce life collectively are necessary and valid for that civilizing transition.

The “other history” was that of property concentrated in the hands of a state that, instead of empowering workers and farmers, empowered its institutions and leaders. It was a state with increasingly more

forms of mediation and distance from the society whose interests it was supposed to represent.

Nevertheless, when referring to overturning the system of production according to the laws of capital and its resulting political structures, Marx and Engels, like Lenin, pointed to self-government in all spheres of social life (economic, political, etc.). If not, how to explain the idea of the “withering of the State”? It is something that can only be achieved by creating, both in the economy and in politics, forms that lead to society’s self-government.

Unquestionably, Marx, Engels, and Lenin supported processes of cooperativization and a radicalization of cooperativism that would lead to a self-managed society. Their idea was to overturn the regime of capitalist production through its socialization. Self-management forms like cooperatives are necessary for advancing toward that socialization. Therefore, it is even more necessary today to analyze cases of self-management from the past century (the Yugoslavian one is particularly relevant), along with cases that still endure.

Notes

1. Cf. Iñaki Gil, “Cooperativismo obrero, consejismo y autogestión socialista. Algunas lecciones para Euskal Herria,” accessed August 6, 2002.
2. In 1844, 28 striking weavers in a poor neighborhood of Manchester, England, created a cooperative, creating the “seven principles,” which were later used to organize a variant of “light,” apolitical cooperativism that was not antisystemic and that still endures.
3. Vladimir I. Lenin, “On Cooperation,” in *Collected Works*, 4th English edn, Moscow: Progress Publishers, 1966. Vol. 33, pp. 467–75.
4. The NEP was a reform intended to make the economy more flexible amid the harsh conditions of War Communism that prevailed in Soviet Russia in the late 1920s. It proposed an opening to capitalist market relations that would pull Russia out of its economic isolation and backwardness.
5. For example, the PT in the Porto Alegre city council and the FA in the Montevideo city council have used the participatory budget process – that is, direct citizen administration of city government, based principally on their participation in decision making that affects people’s daily lives.
6. See Graciela Aristondo, “Cooperativismo, autoayuda y autogestión: una alternativa uruguaya para la vivienda de interés social,” *Scripta Nova* Vol. VII, No. 146(99), August 1, 2003, and Aristondo, “Mecanismos para lograr el empoderamiento y autogestión de las organizaciones de base y sus implicaciones en la modalidad de coejecución. Un intento de alterar las relaciones de poder,” June 5, 2002, www.impactalliance.org.
7. Also see the Law of Communal Councils, which was passed in Venezuela (although not completely implemented), after a long, broad process of discussion: www.asambleanacional.gov.ve.

8. Cf. Franz J. Hinkelammert, *El Mapa del Emperador (determinismo, caos, sujeto)*, San Jose: DEI, 1996.
9. Gil, "Cooperativismo obrero," p. 7.
10. Roberto Massari, *Teorías de la autogestión*, Madrid: Zero Zyx, 1995, p. 12.
11. Adriano Brivio, "La autogestión comunitaria," February 2001, www.gestipolis.com.
12. Cf. Bertel Ollman, ed., *Market Socialism: The Debate among Socialists*, New York: Routledge, 1998; John Roemer, *A Future for Socialism*, Cambridge: Cambridge University Press, 1993; and David Schweickart, *Beyond Capitalism*, Cambridge: Cambridge University Press, 2001.
13. This refers to a mythological person who was condemned to carry a heavy rock to the entrance of a hole where he was confined. Every time he reached his goal, the rock would fall again; his punishment was eternal.
14. Karl Marx and Frederick Engels, *Obras Escogidas*, Vol. 3, Moscow: Progress Publishers, 1982, p. 273.
15. Ibid.
16. Gil, "Cooperativismo obrero," p. 8.
17. Emile Armand, *Historia de las experiencias de vida en común sin estado ni autoridad*, Madrid: Hacer, 1982, p. 54.
18. Gil, "Cooperativismo obrero," p. 9.
19. This term refers to a sort of "peaceful coexistence" among classes, distant from conflicts and clashes. Obviously, the "classist" tendency takes into account the real antagonisms between exploiting and exploited classes.
20. Armand, *Historia de las experiencias*, p. 60.
21. Gil, "Cooperativismo obrero," p. 10.
22. Charles Fourier, *Teoría de los cuatro movimientos y de los destinos generales*, Madrid: Pasado y Presente, 1975, p. 64.
23. These were addressed in the [Chapter 1](#).
24. Referring to cooperation solely among members of the cooperative or with related cooperatives.
25. The IWA emerged in the heat of late-nineteenth-century workers' struggles. Marx played an important role in its founding and activities. It perished, like similar organizations, due to divisions and the pressures of capital.
26. Gil, "Cooperativismo obrero," p. 11.
27. Marx and Engels, *Obras Escogidas*, Vol. 2, p. 1469.
28. Marx and Engels, *Obras Escogidas*, Vol. 3, Moscow: Progress Publishers, 1975, pp. 79–80.
29. Marx, *El Capital*, chap. 6 (unpublished), Madrid: Hilo Rojo, 1997, p. 12.
30. Jacques Texier, "Democracia, socialismo y autogestión," *La Pensée* 321 (2000): 32.
31. This analysis is contained in the previously cited Texier article.
32. Cf. Jean Lojkin, "Nouveaux rapports de classes et mouvements sociaux, alternatives au capitalisme," *Actuel Marx* 26, October 1999, <http://actuelmarx.u-paris10.fr/num26.htm>.
33. Marx, *Obras Economía I*, Madrid: Pléyade, 1965, pp. 1469–70.
34. Ibid.
35. Marx, *La guerra civil en Francia*, Madrid: Paydós, 1972, p. 266.
36. Marx is describing Proudhonian socialism as bourgeois and petit-bourgeois socialism. Bourgeois, because it proposes something that already exists, or

- at least, the illusion of that reality. Petit-bourgeois, because Proudhon was the incarnation of the contradiction between capital and labor, and the type of socialism he advocated was essentially based on farmers and artisans.
37. Marx, *La guerra civil en Francia*, Madrid: Paydós, 1972, p. 246.
 38. Here it would be necessary to address the issue that socialism and communism do not exist without planning, which implies social ownership of mercantile relations. Marx, *La guerra civil en Francia*, p. 266.
 39. Cf. Jaques Texier, "Democracia, socialismo y autogestión," p. 32.
 40. Ibid.
 41. Ibid.
 42. Ibid, p. 29.
 43. Marx, *El Capital*, Vol. 1, Havana: Ciencias Sociales, 1975, pp. 856–7.
 44. Marx, "Génesis de la renta de bienes raíces capitalista," in *El Capital*, Vol. 3, Havana: Ciencias Sociales, 1975, pp. 170–4.
 45. Marx, *La guerra civil en Francia*, pp. 60–4.
 46. Ibid, p. 243.
 47. Marx, Engels, and Lenin, *Sobre el anarquismo y el anarco-sindicalismo*, Moscow: Progress Publishers, 1978, pp. 165–7.
 48. Marx, *El Capital*, Vol. 3, pp. 105–6.
 49. The articles by Iñaki Gil and Emile Armand contain a whole wealth of illustrative data about the polemic between the two tendencies.
 50. The *obshchina* was a type of association in the Russian countryside that was based on collective forms of production and distribution, in which Marx saw the seeds of a form of production that was higher than capitalism. The 1917 Russian Revolution began in the urban and industrial sectors and adopted soviets as an organizational form, leaving the *obshchinas* in obscurity.
 51. Marx and Engels, *Obras Escogidas*, Vol. 2, p. 128.
 52. Gil et al. *Autonomía y organización*, Madrid: Debate Libertario, 1977, p. 18.
 53. Cf. Rosa Luxemburg, "Co-operatives, Unions, Democracy," in *Reform or Revolution*, London: Militant Publications, 1986.
 54. Lenin, *Socialismo y cooperativismo*, Euskadi: Ediciones Cooperativistas, 1972, p. 114.
 55. Ibid., p. 176.
 56. Ibid., p. 199.
 57. Cf. *ibid.*, "Medidas para la transición del sistema cooperativo burgués de abastecimiento y distribución al sistema comunista proletaria."
 58. Lenin, *Sobre la cooperación. Últimos artículos y cartas*, Moscow: Progress Publishers, 1981, p. 76.
 59. Ibid., p. 99.
 60. Lenin, "On Co-operation," in *Lenin's Collected Works*, 2nd English edn, Vol. 33, Moscow: Progress Publishers, Moscow, 1965, p. 467–75.

4

Socialist Cooperativism and Human Emancipation: Lenin's Legacy

Iñaki Gil de San Vicente

From the very start of his life as a revolutionary, Lenin viewed cooperativism as a decisive solution for moving toward socialism. This conviction became stronger during the early years of the Bolshevik revolution, for two closely related reasons: the importance of cooperation for anthropogeny,¹ and the potential of cooperativism to unite different social groups. Both reasons, which will be analyzed by this chapter, are based on two assumptions: first, the importance of the so-called “subjective factor” (awareness, culture, utopias, etc.) as a material force that motivates people, and, second, the value of socialist democracy for people's power and building socialism.

Social cooperation and anthropogeny

First, Lenin subscribed to the Marxist theory of cooperativism, both in production and consumption, as a method for advancing toward socialism. Contrary to the reformist variant of having only consumer cooperatives, or only production cooperatives, and always under the dictatorship of the bourgeois market, Lenin advocated the existence of both types of cooperatives and the need for them to be part of a planned economy.

For Marx and Engels, anthropogeny – the idea that our species creates itself through social labor – was one of the foundations of historical materialism, and all subsequent studies have demonstrated that.² They noted that the emergence of private ownership of the means of production had led to a breakdown in the positive dynamics of that self-creation.³ Very early on, they warned that the division of human beings into social classes that resulted from private property could mean humanity's self-destruction if the revolution of the majority did

not triumph.⁴ At the time, that warning may have seemed ludicrous, but now, tragically, it is on the verge of coming true.

The degeneration of anthropogeny into self-destruction is the result of the irrational nature of private property. It destroys the essence of the human species, which is cooperation, or collective labor among associated producers, by subjecting humanity to bourgeois military discipline.⁵ The accumulation that creates capital masks what it is based on: the violent theft and plunder of communal and collective property.⁶ Precapitalist peoples who resisted that theft and plunder were brutally repressed because the colonial powers had to use all of their murderous force when they realized the defensive unity of those peoples, a result of their communal relations. Marx admired these struggles against incipient capitalists by the people of what he described as "national systems of precapitalist production."⁷ Likewise, Marx applauded the struggles of workers in capitalist countries, and he viewed their attempts at cooperativism as an "initial breach"⁸ in the system of exploitation, despite very understandable limitations.

Marx viewed the Paris Commune of 1871 as confirmation of the importance for communism of the dialectical synthesis of cooperativism, planning, and communal power:

Why, those members of the ruling classes who are intelligent enough to perceive the impossibility of continuing the present system – and they are many – have become the obtrusive and full-mouthed apostles of co-operative production. If co-operative production is not to remain a sham and a snare; if it is to supersede the capitalist system; if united co-operative societies are to regulate national production upon common plan, thus taking it under their own control, and putting an end to the constant anarchy and periodical convulsions which are the fatality of capitalist production – what else, gentlemen, would it be but communism, "possible" communism?⁹

During that same period, Engels also made three decisive contributions to this subject. First, he proposed to Bebel the use of the terms "communism," "*gemeinwesen*," and "commune" instead of "State"¹⁰ because they better reflected the socialist ideal of collective ownership as the center of communist praxis throughout history. Engels had thoroughly studied popular struggles, and he valued the emancipatory content of the slogan "all is common" – *Omnia sunt comuna*!¹¹ – which reflected the ideas of the Anabaptists, a European political/religious group that arose in the early sixteenth century.

The communist ideal, as we will see further on, always has been inspired by the ideas of “common” and “communal.” In fact, the underlying ideas of the communist ideal, expressed in utopian terms, took root again in the mid-seventeenth century when the English “Diggers,” following medieval traditions, recovered their communal lands and made them productive again.¹² Similar historic events were materialized brilliantly in the 1871 Commune, convincing Engels that communalism would endure under communism, while the state would disappear. From the long view of historical materialism, the state is a passing instrument, while communal property and self-managed cooperation are the foundations of anthropogeny.

Secondly, as Engels told Lavrov:

The struggle for existence – if we allow this category as valid here for a moment – transforms itself into a struggle for enjoyments, a struggle no longer for the mere means of *existence* but for the means of *development*, *socially produced* means of development.¹³

That is, at a given moment, society can make the leap from production for necessity to production for pleasure, even if it is just for the dominant minority initially. Subsequently, amid the pressure brought to bear on the system by internal crises, the working class must snatch away “the control of production and distribution” from the ruling class, “and that, however, is socialist revolution.”¹⁴

The importance of all this for self-management and for cooperativism lies in the need to find a way to make human labor a means of development, promoting the vital potentials of our species. For that to happen, the organization of labor must go beyond bourgeois forms of authoritarian exploitation and replace them with the practice of an “ideal of happiness,” with the struggle against oppression and for cultural creativity as the defining axes. This was explained succinctly by Marx¹⁵ a decade before Engels wrote his letter to Lavrov. Cooperatives cannot be forces for emancipation if they reinforce the bourgeois enslavement of labor, without practically advancing toward another form of social labor. In 1864, during meetings that resulted in the First International in 1866, socialists analyzed why cooperativism, when disconnected from class struggle for political power, creates “individual wage-slaves.”¹⁶ As we will discuss further on, Lenin also placed critical importance on the interaction between cooperativism and cultural revolution.

The third contribution by Engels was his description of the role of social labor in cooperation, and of “mutual support” and “joint activity” in the

"transition from ape to man."¹⁷ He pointed out that "joint activity" of the hand, the "organs" of language and the brain, and "planned action" enabled people to make an initial advance. However, he said that collective or cooperative labor in the context of private property generates negative, uncontrollable, and disastrous effects. Engels demonstrated that the pursuit of bourgeois individual benefit and the destruction of common property, "depriving the immense majority of all property," had accelerated human beings' rupture with nature and nature's "vengeance."

The philosophy contained in cooperatives and other Marxist theories influenced Lenin very early on. By 1899, he had developed a clear theoretical view of the need for the working class to deploy all of its critical and creative potential, both inside and outside of the factory, as part of the growing tendency for workers' participation in control and comanagement.¹⁸

In 1904, Lenin repeatedly referred to the "self-government of communes"¹⁹ as one of the positive lessons of the 1871 Paris Commune, as well as other achievements and material advances that this exemplary experience signified for the exploited classes. In 1905, Lenin embraced Marx's ideas about the "General Redistribution,"²⁰ the term given to land seizures by US farmers who worked that land, in what were clearly actions of revolutionary self-management. That same year, Lenin applied Marx's theory to the Russian peasant struggle, proposing "revolutionary peasant committees." He also proposed that those committees should introduce a political strategy to guide the "general redistribution" of the land, by creating a "revolutionary law," and that they act as "organs of the government," legitimizing the expropriation of land the same way that the right to self-determination legitimized the right to independence.²¹

Cooperativism for overcoming social divisions and alienation

The second reason Lenin defended the usefulness of cooperatives in building socialism is that socialist cooperativism was to serve as a bridge for uniting different sections of the toiling classes, from farmers to workers in large factories, and including workers in small, impoverished businesses. According to Lenin, all of these economic actors should cooperate to rationalize, conserve, and avoid costs and dead time, and to take vital products directly to the market.

In the early days of the revolution, Lenin talked about "consumers' communes"²² which were to merge with production communes. In late

1918, he said it was necessary to return to the cooperation that had been shattered by bourgeois labor discipline and its division of labor:

All of us agree that the co-operatives are a socialist gain. There lies the immense difficulty of socialist gains. There lie the difficulty and aim of victory. Capitalism deliberately splits the population. This split must disappear once and for all, and the whole of society must become a single workers' co-operative.²³

Implicit in this language is the Marxist theory of human cooperation as the foundation of self-creation, and the need to recreate the unity between human beings that had been destroyed by capitalism, by returning to the cooperative essence of labor and expanding it to include "all of society."

In 1919, the Bolshevik Party published a membership training manual, which explained the importance of cooperativism during those crucial years. According to that document, before the revolution, cooperativism was controlled by right-wing and reformist forces and most cooperatives had chosen to defend czarism.²⁴ Despite that, it said, workers' cooperativism needed to be strengthened; it needed to encompass the entire working class, including both production and consumption, and it had to be closely tied to the trade unions. The manual also said that the most theoretically and politically advanced communists should have hegemony within the cooperative movement – "that they attain a dominant role,"²⁵ and that the movement should include small urban industries, artisans, and domestic workers.²⁶ Cooperativism and, to a lesser extent, the trade unions were viewed as indispensable for making the revolution attractive to the urban social classes and layers that were prone to petty-bourgeois ideology. This was considered true for rural groups, too, but with a different type of complexity because agricultural production was an ideal space for "small capitalism to become entrenched against Soviet power and the great socialist exploitation."²⁷

Beginning that same year, 1919, Lenin called for boosting cooperativism by increasing the participation of proletarian and semiproletarian sectors and communists²⁸ and for socializing the debate on cooperativism by publishing newspaper articles about the internal antibourgeois struggles of cooperatives.²⁹ Lenin explained the urgency of increased control over cooperatives with the intervention of commissars;³⁰ however, he said that people's different levels of awareness should be respected, and that reactionary cooperatives were not to be forcibly nationalized but won over with a communist example and state support.³¹

Lenin knew that fraud, abuse, and false appearances abounded in the operations of cooperatives, but that "in no case should obstacles be placed in the way of the cooperatives; rather, they should be helped and collaborated with in every way."³² He thought that the best communist cooperativists should run the Cooperative Bank.³³ Tolerance toward nonsocialist cooperatives, which evidently comprised a majority before the revolution and were led by large landowners and members of the bourgeoisie and pro-czarist reformists, was part of a policy of necessary tactical concessions to the bourgeoisie. Lenin had to explain that, both to the Party³⁴ and to the Communist International.³⁵ At the same time, he embraced the Marxist theories that came out of the first two Internationals, and openly supported the idea that workers' cooperativism should spread throughout the world, led by communists.³⁶ He was convinced that a strong international cooperative movement led by communists would provide very important help to the exhausted Russian revolution.

Lenin's "last works," from December 23, 1922, to March 2, 1923, were a struggle against what he viewed as four growing dangers to the revolution: bureaucratization, the rise of Great Russian nationalism, disregard for cooperativism, and signs of demoralization. Lenin was very much aware that those four problems were related, and were impossible to solve separately. His article "On Cooperation," completed on January 6, 1923, concluded:

Two main tasks confront us, which constitute the epoch – to reorganize our machinery of state, which is utterly useless, in which we took over in its entirety from the preceding epoch; during the past five years of struggle we did not, and could not, drastically reorganize it. Our second task is educational work among the peasants. And the economic object of this educational work among the peasants is to organize the latter in cooperative societies. If the whole of the peasantry had been organized in cooperatives, we would by now have been standing with both feet on the soil of socialism. But the organization of the entire peasantry in cooperative societies presupposes a standard of culture, and the peasants (precisely among the peasants as the overwhelming mass) that cannot, in fact, be achieved without a cultural revolution.³⁷

The egalitarian ideal at the center of self-managed utopias³⁸

What can we learn from these proposals made by Lenin in 1918–22 Russia, with its complex interrelations between very different³⁹ modes

of production and social formations? And what about 1927 China, so thoroughly studied by Mao,⁴⁰ and his proposals on associations of all types, cooperativism, and the social integration of reactionary and criminal elements, etcetera? Not to mention the contributions of Mariátegui, Mella, and so many other revolutionaries who thoroughly studied the realities of America and Africa, not just the “classic”⁴¹ European Marxists? We could ask the same about extremely rich experiences around the world with councils, communes, soviets, assemblies, and in general everything that involves self-management, a concept that we will define further on.

Cooperativism is one of the characteristics of what Marxists refer to as “the generic human being,” representing the implicit potentials of the human species. These are decisive in anthropogeny, and I. Mészáros refers to them as “essential powers” that have been distorted by “forced labor” and private property.⁴² The generic human being is materialized in different production systems and in different economic and social formations. But under private property, these “essential powers” are submerged in repression and bourgeois alienation, and they disappear from public life, taking refuge in revolutionary struggle, cooperativism, and other associative practices.

However, these types of practices, frustrated by the capitalist mode of production, always leave an impact in the form of a “social ideal.” Egalitarian utopias always endure, fueling what E. Bloch calls the “material of hope,” which drives exploited people to raise the red flag, “to overthrow all realities in which human beings are humiliated, enslaved, abandoned and despicable beings.”⁴³

European culture took shape partly on the basis of centuries-old egalitarianism, which still endures, although very repressed, in different versions of “multifaceted” Christianity.⁴⁴ This egalitarianism reflects class contradictions, in which the much-distorted remains of a communist ideal still resonate.⁴⁵ Another part of European culture, which has been very well-described by N. Cohn, was influenced by the Greco-Roman utopia of the “egalitarian natural State,”⁴⁶ which provided the ideological basis for the “Egalitarian Millenium,” incorporating certain elements of the Christian communitarian utopia. This utopia included the Christian principle of “live on Earth as in Heaven,” with a collectivist perspective, but it also returned to the myth of the “Golden Age,” the kingdom of abundance, and so on, including the myths of Paradise, Manna, and others.

According to Cohn, 1380 was the defining moment for the upsurge of the “Egalitarian Millennium,”⁴⁷ with a rise in peasant, artisan, and

bourgeois struggles. Those currents of struggle included political/religious groups such as the radical Hussites, the Anabaptists, and the English Diggers, who openly advocated the supremacy of common ownership. What united these groups was a generic definition of the term "common ownership," to which each group subsequently gave a distinct social content, according to the history of each struggle, culture, and interpretation of the Bible, etcetera.

Along with many others, M. Beer (1973) researched the existence of this ideal of equality among human beings in the European context up until the 1920s. More recent studies have examined this dialectic in the East,⁴⁸ confirming the existence of a socializing wellspring of egalitarian values in the most ancient traditions and expressions of popular culture.

In the Americas, when the Spanish colonizers invaded Cuba, one of the first atrocities they committed was to attack and destroy the "big house,"⁴⁹ which held the social surplus, killing most of its occupants. The big house was like a temple in the Asian or tributary mode of production. The great Mayan, Aztec, and Inca empires also had their own big houses, temples, and palaces. Although clearly you can only take the comparison so far, these big houses are similar to the assembly halls of cooperatives, where decisions are debated. In North America, indigenous nations such as the Sioux found the European concept of private land ownership incomprehensible,⁵⁰ which is why they resisted fiercely against the privatization of what they had always possessed collectively.

Andean, Afro-Indian, and Indo-European religious syncretism was and is based on a reinterpretation of communalism, as seen in the "theology of slavery"⁵¹ from the mid-sixteenth century onward. The Americas were the only place liberation theology could have emerged, because it was where the communal reality of precapitalist societies connected very easily with the remains of the Christian religion's primitive communism.

All of these diverse traditions, ideologies, and practices have a connection: communalism and its advocates have not disappeared completely, although the concept has been distorted. Likewise, money and exchange value do not always predominate over barter, reciprocity, and use-value; that is, fetishism and alienation have not totally wiped out other forms of exchange.

Two cases illustrate the complexity of the interactions between precapitalist communalism and mercantile logic. The first is that of the Jesuits and their Company of Jesus "concessions" (*encomiendas*),

or autonomous villages. These settlements were used to “civilize” the unyielding Guaraní indigenous community⁵² and – coincidentally – to carry out very profitable economic exploitation,⁵³ thanks to a synthesis of Guaraní communalism and Jesuit economic discipline. Despite their large, effective repressive force, the Jesuits and their concessions were unable to prevent the emergence of resistance, which eventually took the shape of the first uprisings by rebels against the Spanish crown, known as the “*comuneros*,”⁵⁴ in mid-seventeenth-century Paraguay, and indigenous and *comunero* rebellions in the early eighteenth century.⁵⁵

A second, very contemporary case of this complex interaction is the debate about “Good Living” (*Buen Vivir*), which is associated with the communal traditions of Andean cultures, and which has many different versions, from social democracy⁵⁶ to a theory that claims Marxism must be “Indianized,”⁵⁷ and many others.⁵⁸ However, communitarian traditions and practices have their own internal social divisions, facilitating the prevalence of ideological tendencies created by dominant castes and/or classes in those communities. This requires Marxists to make an indispensable effort in theory,⁵⁹ so as not to repeat the errors of reactionary utopias from the past that continue to have an influence today.

In fact, the egalitarian ideal, insofar as it is utopian, cannot guarantee that cooperativism always will be an instrument for emancipation. As mentioned earlier, by 1864 the European socialist movement knew that cooperativism could be an effective means of enslavement and bourgeoisification, and one reason for that was the existence of reactionary utopian formulations that provided ideological fuel for certain forms of cooperativism. Plato created a reactionary utopian ideal that justified the state lying to the people like a doctor lies to a patient, giving powers to philosophers who were the “rulers of the hive, kings of yourselves and others citizens,”⁶⁰ were protected by warriors, and lived off the work of the peasants. Saint Augustine envisioned another type of authoritarian utopia, in which “the righteous” and the “the lords”⁶¹ were to benignly, fairly punish their slaves, serfs, and children, ruling over their cities on Earth with the laws of heaven.

These and other reactionary utopias created an authoritarian, bureaucratic tendency that rejected collective leadership and social self-management and defended the subordination of the ignorant majority to the wise minority. However, some utopias allowed for more mass participation in leadership, especially medieval “heretic” utopias, such as the one promoted by the most revolutionary current of the Hussites, the Taborites,⁶² and the broad, complex movement of

the Lollards and the insurrectionary peasants of 1381 England.⁶³ The invasion of the Americas brought about an upsurge of new egalitarian utopias, but like the others, these did not provide a real solution to the problem of collective and democratic leadership because none of them were able to address the root of the problem: the dialectic between private property and class power.

Modern cooperativism came into being divided by this impotence, inherited in part from the limits of utopian ideas. Two branches or tendencies may be identified within the cooperative movement: the *neutral*, interclass, and apolitical variant, and the *critical*, classist, and revolutionary one. The tendency that is *neutral* to power and private property was accepted by the bourgeoisie, while the *critical* tendency, which united self-managed cooperativism with struggle for political power, was more or less repressed.

However, given that capitalist offensives result in a further increase of exploitation and human misery, they also have led to the consolidation of self-managed cooperativism as an alternative. The dictatorship of the bourgeois market is not absolute or total; it cannot destroy the tendency to return to collective resistance based on nonmercantile cooperation.

Self-management as an alternative to the capitalist offensive

The first modern cooperatives emerged in late-eighteenth-century Britain, with the terrible effects of proto-industrialization. According to F. Bedarida, in 1760 a millers' cooperative emerged in which the workers milled and sold flour at cheaper prices, breaking the flour industry monopoly.⁶⁴ Similarly, in that context of increased exploitation, cooperativism gradually began to grow, based on socialist and even communist ideas of the time.

Beginning in 1826, a cooperative movement emerged in Europe that was harshly critical of capitalism. It ended up being an economic failure, primarily because the merchant bourgeoisie did what it could to limit consumer and distribution cooperatives and prevent prices from going down. The movement also was heavily influenced by pre-Marxist utopian socialism, which was morally critical but apolitical, and easily fooled by promises of power. The pre-Marxist labor movement tended to believe in capital's promises because the theory of wage-labor exploitation and surplus value had yet to be discovered – something Marx would do years later. This prevented the existence of a praxis that could be liberating in every sense, including workers' cooperatives.

In 1844, a new stage of cooperativism began, with more of a focus on profitability to ensure a better life for cooperativists even if ethical/moral struggles against the capitalist system were weakened or abandoned. The Rochdale Pioneers initiated this second stage, which culminated in 1863 with a congress of wholesale consumer cooperatives, and with a neutral, aseptic image of official cooperativism.

The most recent experiences in Latin America reveal the weakness of interclass cooperativism when it is under attack by capital.

During the establishment of the neoliberal model, cooperativism was one of the social spheres most affected. This was due, firstly, to its weaknesses in doctrine and ideology; secondly, to aggressive competition between cooperatives to win clients; and lastly, to a lack of structural changes for institutionalizing cooperativism.⁶⁵

A doctrinaire weakness only can be overcome with theoretical training and political awareness. Moreover, those two elements are useful for combating the selfishness that lies at the root of excessive competition between cooperatives to win clients, which is nothing more than interbourgeois competition disguised as cooperativism. Lastly, the low level of institutionalization of cooperativism is a reminder of which class holds political power and can either make that institutionalization positive or implement a whole series of obstacles. In short, these three reasons lead, as always, to the question of power and ownership.

Nevertheless, capitalism's irreconcilable contradictions are reviving the tendency for cooperation and workers' self-management. Factory takeovers, often the first step toward founding a cooperative, are a common practice in the workers' movement of the more "developed" capitalist countries, as I. García Perrotes⁶⁶ demonstrated in a thorough overview of Europe and the United States previous to the early 1980s. This dynamic also can be seen in Latin America, especially in the case of worker-recovered factories in Argentina.⁶⁷

In situations of crisis, these forces emerge and give impetus to cooperativism⁶⁸ and the struggle for communalism and cooperation, with an increased number of factories⁶⁹ and other businesses occupied and often transformed into cooperatives.⁷⁰ In the present situation, nonintegrated cooperativism may be less affected by the measures imposed by the capitalist state⁷¹ to place the burden of the enormous social costs of economic crisis on the working class. At the same time, a more integrated form of cooperativism also can weather the crisis with fewer

losses, as acknowledged by the International Labour Organization (ILO, 2010).⁷²

Self-managed utopias abound in the irreconcilable contradictions that emerged when cooperation and common property were broken down by exploitation and private property. The historic recurrence of cooperativism and other expressions of human cooperation based on the “essential powers” of our species come out of the creative potential of labor power,⁷³ of living labor and use-value, which, sooner or later, come into conflict with capital, with dead labor and exchange value. On the other hand, the experiences of wage workers redefine the merits of organizational methods “with a self-management perspective,”⁷⁴ with achievements such as overcoming the leadership forms inherent to bourgeois discipline that are largely based on “obedience and submission.”

Self-managed utopias and political power

Atilio Boron reproaches those who do not see or reject the importance of revolutionary power for accelerating self-management, and who forget the true history of struggle and political forms of self-organization such as political parties, soviets, workers’ councils, and so on, and programs for agrarian reform, nationalization, expropriation of the capitalists, etcetera.⁷⁵ State power is decisive for everything, especially for class struggle and for cooperativism in all of its forms.

For a self-managed utopia, the importance of taking state power depends on the concept of self-management proclaimed by that utopia. For example, Robert Owen, whom R. Massari described as one of the earliest champions of self-management⁷⁶ and whom F. Badarida proclaimed was the person who conceived of “cooperative communism,”⁷⁷ advocated the utopian idea of organizing society from the top down while speaking in the name of the people. The people, in turn, were invited to engage in self-management, or “cooperative communism,” but within the limits defined by Owen, including interclassism, pacifism, and state interventionism.

For his part, I. Bourdet demonstrated that while the concept of self-management does not appear explicitly in the work of Marx and Engels,⁷⁸ it is impossible to understand their theories without taking into account the practical realities of the self-managed struggle of the working class. Owen’s concepts of self-management, or “cooperative communism,” were pacifist and required subsidies from what he defined as an interclass state and philanthropic banks. However, this was not

what Marx and Engels proposed, and it was not the case with subsequent examples of self-managed workers' communities and collectives.⁷⁹

Therefore, the reaction that could be expected from the state to Owen's version of self-management was very different – the complete opposite – than its reaction to Marx and Engels's version. Another example of the "neutral" version was the reformist self-management proposed by French socialists in the 1970s, which was limited to combining class struggle and self-management in every form that was not excessively radical with socialist government action.⁸⁰ However, at no time did this movement starkly and essentially raise the problem of a class-based state; instead, it silenced or avoided it.

In a capitalist society, all of the bourgeois powers intervene against any self-managed struggle that threatens to overturn the dominant system. Returning to V. Alba's proposal to identify self-management with collectivization, the case of the Workers' Councils in 1918 Germany is a devastating one. Social democratic forces, along with the state bureaucracy, extreme right-wing bourgeoisie, and reactionary military sectors, joined together to take advantage of the theoretical weaknesses of the Councils, first defeating them politically and then cold-bloodedly massacring the large revolutionary sector.⁸¹

The same strategy – annihilation – was implemented in Italy in 1970, when self-management was overwhelmingly defeated, mostly by reformist forces interested in making deals with the bourgeoisie. The cooperative self-management that was being spread by groups of workers and other grassroots sectors in transport, housing, health care, education, and so on, was castrated. Aware of the threat posed by this cooperative movement, the bourgeoisie legalized district councils and other forms of self-management to give the reformists within those organizations more power to manipulate them.⁸² In addition to that internal decay, the most combative groups faced fierce police, military, and legal repression, and, at the same time, factories and industrial communities⁸³ were restructured to destroy grassroots support for the movement's armed organizations.

In summary, revolutionary forces face four decisive challenges in capitalist countries if they want to beat back attacks on self-management: one, to fight for democracy and its values as a daily necessity in every aspect of life; two, to fight for a way of life that is qualitatively superior to the bourgeois one, and that uses cooperation as its method of self-organization, always seeking to go "beyond capital";⁸⁴ three, to fight for the self-confidence of the people; and four, to fight for emancipatory pleasures and against capitalist consumerism.

From limited to generalized self-management

Markovick defined self-management as two interrelated concepts. The first is limited: "Self-management is the direct incorporation of workers into the basic decision-making bodies of individual enterprises." The other is general: "Self-management is the basic structure of socialist society in the areas of economy, politics and culture."⁸⁵ Taking this into account, "limited" self-management occurs throughout capitalist society in many forms and degrees of intensity, and in many circumstances and problems of life, including in cooperativism. These forms also are present in seemingly private and limited levels of everyday life, but only when they seek to accelerate and expand the collective and individual liberation of people who engage in self-management.

In short, under capitalism, "self-management" – while limited – encompasses any practice that is consciously oriented toward emancipation and independence from all oppressive structures. In fact, Kosik suggested that self-management and independence are interactive elements of the liberation process.⁸⁶ However, under capitalism social conquests are always uncertain and insecure, and as they move forward, they come up against state power. For this reason, it is essential to reject bourgeois fiction, and not to be bowed down or daunted.

"General" or "generalized" self-management exists when a country is moving toward socialism and has overcome the very strong structural barriers to human emancipation erected by capitalism. However, generalized self-management needs to be nourished by "restricted" self-managed practices and struggles that occur during the stage previous to taking power. Without that accumulation of experience, it is impossible to make the leap to a new historical stage.

Now, what are the daily practical and theoretical acts of mediation that facilitate the leap from limited to generalized self-management and to socialism?⁸⁷ Without these and other questions about real practices, we would not be able to respond to the decisive question of why and how we must build the future in the present by learning from the past.

Mendizabal and Errasti demonstrated, in a general sense, the unbreakable ties between self-management and "participatory social democracy," the struggle against bourgeois alienation and for planning by a transparent power. They said:

Self-management articulates global society with the development model, participatory management and cooperation in a dialectical and multidimensional reality in which worker-citizens become

mature as they make correct decisions and errors. This vital process, which requires societies that are living, active and aware, have their own ideas and are the masters of their fate and which are profoundly democratic, is the great project of self-management.⁸⁸

The communist future is closer when these dynamics interact, and when socialist democracy and workers' control⁸⁹ are used to discuss the difficulties and problems that always come up – especially in periods of world crisis.⁹⁰ This is a task that is personal and collective, national and international. For that reason, proletarian internationalism struggled and continues to struggle for global cooperativism and self-management.

Self-management as communist prefiguration

Theory should anticipate the future; practice should “prefigure” the future concretely. This requires always thinking in the present about the future as something that lives in our hope and concretely germinates as an incomplete tendency, and that needs our praxis to be materialized. In order for that which “has not yet come to be” to be fulfilled, “humanity holds the decision in its hands.”⁹¹ In other words, what “has not yet come to be” is a structural possibility in the present, and it may “come to be,” depending on our actions.

The dialectic between necessity and freedom acquires its full meaning when we attempt to anticipate or prefigure the future through practice in the here and now. Utopias seek to fulfill on Earth an ideal with no historical basis. In contrast, Marx demonstrated that the future is something that exists in the contradictions of the present, and he pointed to cooperativism as an example of how part of the future can be prefigured in the present. Based on nonbourgeois cooperation, people begin to discern and outline the future. For example, cooperatives, mutual support, time banks, and barter,⁹² etcetera, are “socialized islands in a capitalized sea.”⁹³ With all of their difficulties, these islands should become archipelagos, but the qualitative leap they must make to become solid land can only be achieved by socialist revolution.

Therefore, to respond to the question of whether we are condemned to waiting passively until sufficient “objective conditions” exist, the answer is that we can and should encourage any existing positive tendencies for the future now. The forces of social democracy said that we should wait, and they criticized the Bolsheviks for having “jumped the gun” on the “objective conditions.” One of Lenin's last articles is in response to a determinist, telling him that he had understood nothing

about Marxist dialectics or the existence of new variables for accumulating forces.⁹⁴

Self-management is the process we use to build our future in the present. We should not wait for the productive forces to grow by themselves; instead, we should encourage them through planning. At the same time, we should expand collective self-management (such as isolated cooperatives, and even sports clubs, neighborhood associations, etc.), including networks and the many forms of cooperation among self-managed enterprises, but always based on state planning.

"Concrete anticipation" of communism can be achieved in many ways through the restricted self-management that takes place under capitalist exploitation, as long as four principles are maintained: power lies in the self-organized collective; administrative decisions are made within the self-managed collective; strategic decisions are made by the self-organized and self-managed group that exercises self-determination; and the group's self-defense of self-management ensures its continuity in the face of bourgeois pressures of all types. These four conditions require dynamic and constantly increasing interaction among self-managed struggles and social, cultural, trade union, and political organizations created by the working class in the course of its struggles.⁹⁵

Obviously, these conditions and principles change in the case of generalized or socialist self-management, where people's power and the worker's state dominate the bourgeoisie, opening up possibilities for socialist development that are impossible to materialize under capitalist exploitation.

In revolutionary processes like Venezuela's, where the people run the government and a considerable, decisive part of the state, but private property has not yet been nationalized and collectivized, and the bourgeoisie still wields extensive and alienating socioeconomic influence, the abovementioned four principles are adapted to the revolutionary transition process using the strategy of "communal power" – that is, creating local spaces of power.

We have referred repeatedly to the link between hope and self-managed emancipation because one of the most destructive elements for human cooperation is desperate individualism, which comes out of the politics of fear, uncertainty, and insecurity about the future. However, all of bourgeois society is subjected to a global system designed to impose fear of freedom. Fromm demonstrated that we appreciate the achievements of the past, but that we are afraid of achieving more freedom in the future, fundamentally because of alienation.⁹⁶

The cultural revolution and self-managed utopias

Lenin believed that a cultural revolution was necessary, especially for the peasantry, to ensure the successful expansion and consolidation of cooperativism. However, a careful examination of his last writings shows that his concern was more extensive, realistic, and critical. He was aware that a lot of time and effort would be needed to overcome reactionary culture, as he repeated precisely in the last article he wrote.⁹⁷ A cultural revolution was necessary not only for the success of agricultural cooperativism but also for the revolution itself.

Because of the nature of a cultural revolution, it cannot take place under the capitalist system; the working class must hold state power. Under capitalism, progress can be made through the conquest of liberated areas and the strengthening of social hegemony, but a cultural revolution can deploy all of its liberating potential only if a workers' state exists. This is because it is impossible for a cultural revolution to take place if exchange value, money, and commodities are not giving way to use-value. Given that "culture is how the utilization of use-values is organized,"⁹⁸ the (re)construction of a socialist culture requires use-value to gradually replace exchange-value.

Cultural revolution, which in this sense is decisive, is part of the socialist revolution as a whole, or generalized social self-management. It holds a privileged place in spaces where self-management is exercised, especially in the case of "generalized" self-management. Cultural revolution is related not only to the replacement of the logic of exchange-value with that of use-value, but also with the battle against bureaucracy, involving people's increased participation in managing their lives. Special attention must be given to the relationships between self-management, the cultural revolution, and education as the "continuous development of socialist consciousness."⁹⁹

Cooperativism and self-management should be exercised through town and district councils and committees, etcetera, to decide who will hold leadership responsibilities, why and how, and the purpose of the product of their nonalienated collective labor, all within nationally defined plans. As part of this dynamic, individualism is subject to radical and practical criticism, both within the cooperative and more notably in "outside" life, as part of the national economy. In daily life, individualist ideology curbs the free development of the collective and the individual – not individualist in the bourgeois sense, but the individual-collective in the socialist sense. It is an internal enemy to be defeated on two dialectically united levels: the personality of the cooperativist, and the collective personality of the nation.

Socialist cooperativism does not pursue bourgeois gain; instead, it seeks to reinvest what has been obtained in human emancipation. Because of this, the cooperative's common leadership demands that members engage in a constant process of democratic decision making, not only about issues such as hours of work, but also about all aspects of daily life. This is why individualism and socialist cooperativism are antagonistic.

This is where a classic problem of postcapitalist and proto-socialist transition crops up: the tendency to return to bourgeois relations as a result of having to make concessions to capitalism. Piñeiro puts forward the real risk of a return to bourgeois relations if these concessions are not controlled by socialist democracy: "Economic activity oriented toward profit instead of toward satisfying social interests."¹⁰⁰ It would be impossible to summarize here all of the debate about identical problems that have occurred under socialism and that have been reactivated in recent years, but we can refer to the "eternal" problem of relations between self-administration, selfishness, and bureaucracy.¹⁰¹

One of those risks is related to the desire for more wealth, more money, and more consumption. This leads to more intense mercantile competition, more energy wasted, more pollution, and so on. Some bourgeois cooperatives resort to exploiting workers in other nations with virtually no controls for protecting health, the environment, or resources. These cooperatives, like other transnationals, dump their rubbish, filth, and poison on defenseless people, destroying their environment and stealing their resources, especially the most precious resource, which is a healthy, full life. It is capitalist plunder like any other. The smallest bourgeois cooperatives, which produce for the domestic market because they are not competitive on the world market, also fail to comply with protectionist laws because they accept the dictatorship of the market, which is implacable against nature.

This is why the natural environment – the whole environment, actually – cannot heal under a form of cooperativism that is integrated into the capitalist system. Only socialist cooperatives can advance in that decisive task, because by rejecting the dictatorship of profit, they can reinvest a large part of their earnings in clean technology. They can train cooperative members in that type of technology, find "green markets" where only nonpolluting products are allowed, and network with other environmental cooperatives throughout the world, etcetera. J. Bellamy proposes an "environmental revolution" within socialism, based on three focal points: social use of the land, the "metabolic interaction" of human-nature relations, and meeting current and future "communal needs."¹⁰²

However, the fundamental thing is for socialist cooperativism to contribute to the cultural revolution; cooperative members should be educated to live differently. Socialist cooperativism should promote a culture that fosters quality over quantity, the meeting of basic human needs over money. In this way, nature will be protected.

Final considerations

Cooperativism is part of what we define as self-management, which also includes forms of struggle by people to defend themselves against being exploited and advance toward achievements for a better world. Although they may use different names, these practices all seek the partial or total restoration of communal property, using methods of control, comanagement, and self-management that are horizontal and in which the collective makes decisions democratically.

In precapitalist societies, some utopias and ideals pointed, however hazily, to the need for these types of practices in their respective eras and contexts. The exploiters have tried to annihilate, distort, and manipulate the dreams and idealized desires of the exploited masses in their attempts to prevent social explosions from leading to the creation on Earth of what the masses believe is life in Heaven.

Utopian socialism is the last stage of that political/intellectual history, in which idealism prevailed over materialism. The industrialization of capitalism led to the death of utopia as a method and the emergence of Marxist materialist socialism. Self-management and cooperativism had to adapt to global changes. Marx and Engels advocated the necessity of cooperativism based on the theoretical superiority of their method, and accepted all of the undeniably positive aspects of the past. However, they also demonstrated that under late-nineteenth-century capitalism, if cooperatives wanted to be faithful to their ideals, they had to introduce a decisively anticapitalist political and critical content into their praxis; otherwise, they would be destroyed or gobbled up by the bourgeois market.

The Second International officially maintained Marxist theories about cooperativism, but tended to support its incorporation into the system. The Bolsheviks and Lenin, as we have seen, restored the emancipatory value of cooperativism, but subsequent bureaucratic degeneration hindered this theoretical recuperation. Antiimperialist national liberation struggles once again place a spotlight on social self-management and cooperatives as means of struggle. Beginning in the late 1960s, under imperialist capitalism, there was a return to self-critical reflection

on the abandonment of the self-managed praxis of councils and soviets, and the surrender to parliamentary reformism. The new wave of struggles that began in the late twentieth century is unthinkable without revolutionary self-management, including efforts to go forward with workers' cooperativism.

The history of class struggle has produced experiences in which socialist cooperativism has been an emancipatory but much-persecuted force. After the working class takes power and creates a workers' state, socialist cooperativism emerges as a vital force for accelerating the transition to socialism. According to the structural conditions of that transition, the new workers' power will be organized according to the space that is given to cooperatives. However, it is recommendable to take into account the following five basic indications.

First, socialist cooperatives should not be "independent enterprises." That is, they should not reproduce the huge error made by the former Yugoslavia, when it fell into "enterprise patriotism," in which earnings belonged to the enterprise, completely free of the slightest control by the state, people, or community. In fact, those cooperatives did whatever they liked, including soliciting loans from imperialist banks without having to report to the workers' state, and a long list of etceteras.

Second, they must therefore be consciously subject to social and state planning of the economy as a whole, participating in discussions where decisions are made about what kind of assistance is received and what contributions should be made to the country. This prevents cooperativism from becoming a breeding ground for the "red bourgeoisie."

Third, only in unexpected situations or in the case of a sudden increase in demand should cooperatives hire part-time workers with all labor rights, and above all, with the right to join the cooperative if their contracts are extended. Also, cooperatives should not invest in the world market under bourgeois criteria; instead, they should create international networks of cooperation.

Fourth, they should be open at all times to investigation and review by people's power bodies, and to the transparency that should characterize the dialectic between self-managed enterprises and state planning at all times. That will be necessary for following up on any tasks with which they are charged. Likewise, the cooperative leadership elected through internal socialist democracy should be announced to the greater public outside the cooperative, and to state institutions which have the right and duty to know, through the proper channels, who is leading the country's enterprises and for how long.

And *fifth*, the state administrative authorities that oversee the economic areas of those cooperatives should have the final word on the most important matters that affect the nation as a whole. These authorities should not dilute or cede their planning and strategic powers to lower levels (regional or local), which have a limited perspective of national needs.

Notes

1. Anthropogeny refers to the process of the evolution of the human species based on the interaction between the natural selection of prehuman species and human social transformation through labor. The first materialist theories about anthropogeny emerged in classical Greece and in Rome, and contrasted with idealist theories about divine creation. Darwin and other scientists proved the basic correctness of that initial crude materialism, and Engels contributed the decisive dialectical view of the role of labor in human evolution. However, idealists refuse to accept this irrefutable scientific proof, and, recently, Christian fundamentalist organizations in the United States have stepped up their attacks on the theory of the evolution, and anthropogeny, with their theories of creationism and intelligent design.
2. M. E. Niéstorj, *El origen del hombre*, Moscow: Editorial MIR, 1979, pp. 246–58.
3. Karl Marx, *Manuscritos: economía y filosofía*, Madrid: Alianza, 1969, p. 147.
4. Marx and Frederick Engels, “Manifesto of the Communist Party,” in *Marx/Engels Selected Works*, Vol. 1, Moscow: Progress Publishers, 1969, pp. 98–137.
5. Marx, *El Capital*, Vol. 1, Mexico City: FCE, 1973, p. 111.
6. *Ibid.*, pp. 607–49.
7. *Ibid.*, Vol. 3, p. 322.
8. *Ibid.*, p. 418.
9. Marx, “La Guerra Civil en Francia,” in *Obras Escogidas*, Vol. 2, Moscow: Progress Publishers, 1976, p. 237.
10. Engels, “Carta a Bebel,” in *Obras Escogidas*, Vol. 3, p. 32.
11. Espai en Blanc, ed., *Luchas autónomas en los años setenta*, Barcelona: Ed. Traficantes de sueños, 2008, p. 8.
12. A. I. Volodin and E. G. Plimak, *Las ideas revolucionarias de los siglos xviii y xix*, Havana: Nacional, 1963, p. 35.
13. Engels, “Carta a P. L. Lavrov,” in *Obras Escogidas*, Vol. 3, p. 506.
14. *Ibid.*
15. J. Elleinstein, *Marx, su vida, su obra*, Barcelona: Argos Vergara, 1981, p. 285.
16. J. Freymond, *La Primera Internacional*, Vol. 1, Madrid: Zero, 1973, p. 83.
17. Engels, “El papel del trabajo en la transformación del mono en hombre,” in *Obras Escogidas*, Vol. 3, pp. 66–79.
18. Vladimir I. Lenin, “Factory Courts,” in *Lenin’s Collected Works*, Vol. 4, Moscow: Progress Publishers, 1964, pp. 297–309.

19. Lenin, "Three Outlines for a Report on the Paris Commune," in *Lenin's Collected Works*, Vol. 41, Moscow: Progress Publishers, 1977, pp. 113–22.
20. Lenin, "Marx on the American 'General Redistribution,'" in *Lenin's Collected Works*, Vol. 1, Moscow: Foreign Languages Publishing House, 1962, pp. 323–9.
21. Lenin, "Informe sobre la resolución de apoyo al movimiento campesino," in *Obras Completas*, Moscow: Progress Publishers, 1982, pp. 158–63.
22. Lenin, "Draft Decree on Consumers' Communes," in *Lenin's Collected Works*, Vol. 36, Moscow: Progress Publishers, 1971, pp. 464–5.
23. Lenin, "Speech to the Third Workers' Co-Operative Congress," in *Lenin's Collected Works*, 4th English edn, Vol. 28, Moscow: Progress Publishers, 1972, pp. 329–37.
24. N. Bujarin and E. Preobrazhenski, *ABC del Comunismo*, Barcelona: Fontamara, 1977, pp. 312–14.
25. *Ibid.*, pp. 314–16.
26. *Ibid.*, pp. 267–8.
27. *Ibid.*, pp. 293–7.
28. Lenin, "Draft Decision for the C.P.C. on the Co-Operatives," in *Lenin's Collected Works*, 2nd English edn, Vol. 42, Moscow: Progress Publishers, 1971, p. 123.
29. Lenin, "Measures Governing the Transition from Bourgeois-Co-Operative to, Proletarian-Communist Supply and Distribution," in *Lenin's Collected Works*, 4th English edn, Vol. 28, pp. 443–4.
30. Lenin, "Notes on Co-operation," in *Lenin's Collected Works*, 2nd English edn, Vol. 42, p. 130.
31. Lenin, "Speech at a Joint Session of the All-Russia Central Executive Committee, The Moscow Soviet and All-Russia Trade Union Congress January 17, 1919," in *Lenin's Collected Works*, 4th English edn, Vol. 28, pp. 391–404.
32. Lenin, "Consumers' and Producers' Co-Operative Societies, Recorded Speeches," in *Lenin's Collected Works*, 1st English edn, Vol. 32, Moscow: Progress Publishers, pp. 366–70.
33. Lenin, "Theses on the Co-operative Bank," in *Lenin's Collected Works*, Vol. 42, Moscow: Progress Publishers, 1971, p. 424b.
34. Lenin, "Concessions and the Development of Capitalism," in *Lenin's Collected Works*, 1st English edn, Vol. 32, pp. 366–70.
35. Lenin, "Theses for a Report of the Tactics of the R.C.P. at the Third Congress of the Communist International," in *Lenin's Collected Works*, 1st English edn, Vol. 32, pp. 451–98.
36. Lenin, "To the First International Conference of Communist Co-Operators," in *Lenin's Collected Works*, 2nd English edn, Vol. 33, p. 398.
37. Lenin, "On Co-operation," in *Lenin's Collected Works*, 2nd English edn, Vol. 33, pp. 467–5.
38. Self-managed utopias are those of utopian socialism that were unable to stand up to the pressures of capitalism, its authoritarian division of labor, and militarized cooperation, and ended up becoming part of the system and basically disappearing. This was the fate of Owenism and Saint-Simonism, and to a lesser extent, Fourierism, along with many varieties of anarchism.

39. Lenin, "Left-Wing Communism: an Infantile Disorder," in *Lenin's Collected Works*, Vol. 31, Moscow: Progress Publishers, 1964, pp. 17–118.
40. Mao Zedong, "Informe sobre la investigación del movimiento campesino en Junan," in *Obras Escogidas*, Vol. 1, Madrid: Fundamentos, 1974, pp. 19–59.
41. C. Toledo, "Cooperativismo y control obrero de la producción. Lo que dicen los clásicos," in *Marxismo Vivo* 7 (2003), available at <http://www.archivoleon Trotsky.org/phl/www/arquivo/mv7/mv7-18t.pdf>.
42. István Mészáros, *La teoría de la enajenación en Marx*, Havana: Ciencias Sociales, 2005, p. 174.
43. E. Bloch, *El principio esperanza*, Vol. 3, Madrid: Aguilar, 1977, p. 479.
44. I. Kriveliov, *Cristo: ¿Mito o realidad?*, Moscow: USSR AC, 1986, pp. 6–70.
45. K. Kautsky, *Orígenes y fundamentos del cristianismo*, unknown: Ed. Latina, 1908, pp. 293 and ff.
46. N. Cohn, *En pos del mileni*, Madrid: Alianza Universal, 1981, p. 186.
47. *Ibid.*, pp. 198 and ff.
48. J. Chesneaux, "Las tradiciones igualitarias y utópicas en Oriente," in *Historia general del socialismo*, Vol. 1, Barcelona: Destino, 1976, pp. 27–53.
49. R. Guerra and R. Sánchez, *Manual de historia de Cuba*, Havana: Pueblo y Educación, 1985, p. 7.
50. R. Osorbe, *Civilización*, Barcelona: Crítica, 2006, p. 432.
51. J. M. Herrera Salas, *El negro Miguel y la primera revolución venezolana*, Caracas: Vadell Hermanos, 2003, pp. 71–93.
52. L. Cabrero Fernández, "Las culturas de la América austral," in *Historia de la humanidad*, Vol. 21, Madrid: Arlanza Ediciones, 2000, p. 49.
53. P. O'Donnell, *El rey blanco. La historia argentina que no nos contaron*, Buenos Aires: Debolsillo, 2004, pp. 125–7.
54. S. Guerra Vilaboy, *Breve historia de América Latina*, Havana: Ciencias Sociales, 2006, p. 77.
55. O'Donnell, *El rey blanco*, p. 205.
56. A. Acosta, *El Buen Vivir en el camino del postdesarrollo. Una lectura desde la Constitución de Montecristi*, Quito: Fundación Friedrich Ebert, 2010.
57. F. Quispe, "El Mallku," accessed September 9, 2009.
58. K. Arkonada, "Debate del Buen Vivir, una solución a la crisis de la civilización moderna," April 4, 2010, www.rebellion.org; and E. Gudynas, "Buen Vivir, un necesario relanzamiento," accessed December 16, 2010.
59. Iñaki Gil, "¿Qué marxismo para las Américas? Del bicentenario a la segunda independencia," October 16, 2010, www.lahaine.org.
60. Plato, *La república*, Madrid: Alhambra, 1990, p. 44.
61. San Agustín, *La ciudad de dios*, Barcelona: Orbis, 1985, p. 44.
62. J. Macek, *¿Herejía o revolución? El movimiento husita*, Madrid: Ciencia Nueva, 1967, pp. 31–41.
63. E. Mitre and C. Granda, *Las grandes herejías de la Europa cristiana*, Madrid: Istmo, 1983, pp. 261 and ff.
64. F. Badarida, "El socialismo utópico en las primeras etapas de la era industrial," in *Historia general del socialismo*, Vol. 1, Barcelona: Destino, 1976, pp. 555–61.
65. Cooperativa SERVICOP, "Historia del cooperativismo," no date, www.servicop.com.
66. I. García-Perrottes Escartin, *La huelga con ocupación de lugar de trabajo*, Madrid: Akal, 1981, pp. 13–65.

67. Delicque, Móser and Féliz, "¿Combatiendo al capital? El caso de la recuperación de una empresa por sus trabajadores en Argentina," May 2004, www.cubasisgloxxi.org.
68. J. C. Gambina, "Crisis capitalista y desafíos para el cooperativismo," February 2009, www.cubasisgloxxi.org.
69. Moretti focuses on Argentina, a country where self-management, the recovery of factories, workers' cooperativism, and so on emerged again with tremendous force during the 2002 crisis (O. Moretti, "Aumentan las fábricas recuperadas por sus trabajadores," accessed on July 23, 2009).
70. P. Rusiñol, "La crisis económica resucita la toma de fábricas," accessed November 8, 2009, www.rebellion.org.
71. E. Duran, "Cooperativismo: Ataque frontal al control del estado" accessed August 11, 2010, www.kaosenlared.net.
72. International Labor Organization, "Cooperativas: más resistentes a la crisis," accessed September 1, 2010, www.kaosenlared.net.
73. G. Rikovski, "Combustible para el fuego vivo: ¡la fuerza de trabajo!" in *El trabajo en debate*, Buenos Aires: Herramienta, 2009, pp. 215–21.
74. G. Ferreira, M. B. Sopransi, and D. Contartese, "Desbordando la categoría trabajo desde los movimientos sociales," *Revista Herramienta* 44 (2010): 142–3.
75. A. Boron, "Poder, 'contrapoder' y 'antipoder,'" in *Contra y más allá del capital*, Caracas: Milenio Libre, 2006, p. 163.
76. R. Massari, *Teorías de la autogestión*, Barcelona: Zero-Zyx, 1977, pp. 15–35.
77. Badarida, "El socialismo utópico en las primeras etapas de la era industrial," pp. 273–87.
78. I. Bourdet, *Teoría y práctica de la autogestión*, Caracas: El Cid, 1978, pp. 49–77.
79. V. Alba, *Los colectivizadores*, Barcelona: Laertes, 2001, p. 171.
80. Confederación Nacional del Trabajo, *La autogestión a debate*, Barcelona: Ediciones 7x7, 1976, p. 58.
81. Broué, P., *Revolución en Alemania*, Vol. 1, Barcelona: Col. Betacincinco, 1978, pp. 209–24.
82. Centro Operario Di Milano (CODM), *Consejos de fábrica, consejos de zona y sindicatos en Italia*, Barcelona: Materiales Cedos, 1978, pp. 7–12.
83. M. Moretti, *Brigadas rojas*, Madrid: Akal, 2002, pp. 84 and ff.
84. Mészáros has very enriching thoughts about going beyond the logic of capital to begin to create another reality to the extent possible. See Mészáros, *El desafío y la carga del tiempo histórico*, Caracas: Vadell Hermanos, 2008, pp. 108–206; *La educación más allá del capital*, Avellaneda: Siglo XXI, 2008; and *Más allá del capital*, Caracas: Vadell Hermanos, 2001.
85. M. Markovick, "Autogestión," in *Diccionario de pensamiento marxista*, Madrid: Ed. Tecnos, 1984, p. 58.
86. K. Kosik, "El individuo y la historia," in F. Torres, *Dialéctica y libertad*, Valencia: Ed. Valencia, 1976, pp. 96–7.
87. We have three levels of definition for socialism: (1) postcapitalist and proto-socialist transition, which features the struggle between the remnants of capitalism and the nascent elements of socialism; (2) socialism as a previous or inferior stage of communism, during which the last vestiges of social classes disappear, and with them, the state; the law of value and its moral and psychological consequences die away, and patriarchy and national oppression disappear; (3) socialism as communism fulfilled.

88. A. Mendizabal and A. Errasti, "Premisas teóricas de la autogestión," paper presented at the *XI Jornadas de Economía LA Crítica*, Bilbao, March 27–29, 2008, www.ucm.es/info/ec/ecocri/cas, p. 11.
89. Carlos Lanz, ed., "Antecedentes teóricos e históricos de un debate inconcluso. Consejo de fábricas, construcción del socialismo, control obrero, cooperativismo, nacionalización, autogestión, producción socialista," accessed February 1, 2007, www.aporrea.net.
90. Jabier Lertxundi, "Cooperativismo socialista en Cuba," January 5, 2002, www.rebelion.org/noticia.php?id=128091.
91. E. Bloch, *El principio esperanza*, Vol. 2, Madrid: Aguilar, 1979, p. 193.
92. J. Marchini, "En la crisis argentina, economía y trueque," November 7, 2002, www.lafogata.org.
93. M. A. Hernández Arvelo, "De nuevo sobre las cooperativas y la lucha por el socialismo," accessed November 6, 2003, www.aporrea.net.
94. Lenin, "Nuestra revolución," in *Obras Completas*, Vol. 45, Moscow: Progress Publishers, 1987, pp. 394–8.
95. Here the "eternal debate" comes up between spontaneity and organization, masses and vanguard party, revolutionary groups and a vanguard party that brings them into the struggle; this debate is impossible to address here.
96. E. Fromm, *El miedo a la libertad*, Barcelona: Planeta-Agostini, 1985, pp. 128 and ss.
97. Lenin: "Más vale poco y bueno," in *Obras Completas*, Vol. 45, Moscow: Progress Publishers, 1987, pp. 405 and ss.
98. S. Amin, *Elogio del socialismo*, Barcelona: Anagrama, 1978, p. 6.
99. I. Mészáros, *La educación más allá del capital*, Avellaneda: Siglo XXI and CLACSO, 2008, pp. 73 and ss.
100. Camila Piñeiro Harnecker, "Riesgos de expansión de empresas no estatales en la economía cubana y recomendaciones para evitarlos," accessed November 26, 2010, www.lahaine.org.
101. E. Mandel, *El poder y el dinero*, Mexico City: Siglo XXI, 1994, pp. 277–365.
102. J. Bellamy Foster, "Hace falta una revolución ecológica," accessed October 24, 2010, www.lahaine.org.

5

Ché Guevara: Cooperatives and the Political Economy of Socialist Transition

Helen Yaffe

In 2006, Ché Guevara's long-anticipated critical notes on the political economy of the Union of Soviet Socialist Republics (USSR) were published in Havana.¹ Written outside Cuba between 1965 and 1966 and arguably his most important contribution to socialist theory, these notes were kept under lock and key for 40 years.² It is easy to understand why Che's analysis was considered too polemical or controversial for publication until recent years. Applying a Marxist analysis to the USSR *Manual of Political Economy*,³ Che concluded that the "hybrid" economic management system – socialism with capitalist elements – was creating the conditions for the return of capitalism.

Central to this conclusion was his evaluation of the role of agricultural cooperatives in the USSR, known as *kolkhoz*, which he regarded as introducing a capitalist superstructure into socialist society. This may surprise those who, because they were part of the scaffolding of Soviet society, regard cooperatives as integral to socialism itself. Since 1960, the *kolkhoz* farms were the only form of agricultural cooperatives in the USSR, and Che's notes on them are his only known comments on the cooperative form of production.⁴ It is important, however, not to impose newer concepts of what a cooperative is on Che's concrete analysis of the *kolkhoz*.

Nonetheless, we can assert that Che viewed state ownership as necessary to secure the socialist transition process against the contradictions that could emerge. In order for "state" ownership to be "social" ownership, increasingly decentralized and democratic control by workers over production was necessary. Between 1961 and 1965, he devised an apparatus within the Ministry of Industries (*Ministerio de Industrias*, MININD) to promote this process.

This chapter will begin with a discussion about the operation of the law of value in the socialist transition period and link it to Che's emphasis on augmenting productivity and consciousness simultaneously in the transition to socialism. It will then summarize his observations about kolkhoz collective farms from his critique of the USSR *Manual*. Next it will summarize the policies Che implemented to collectivize management and promote worker participation, through the Budgetary Finance System (BFS) of economic management developed within MININD.

The law of value

Bourgeois economics promotes the myth that commodity prices are determined by supply and demand (this presupposes existing capitalist relations). Marx, however, showed that market prices are ultimately determined by the operation of the law of value, which is an expression of the social relations of production. The law of value emerged with private ownership and production for exchange which required an increasing social division of labor. Every society adopts a method by which to regulate the distribution of the social product. The law of value is the social mechanism by which the principle of an equal exchange between private owners is enforced. Marx demonstrated that the law of value has a peculiar and paradoxical function. As an economic law, it predates but is then developed under capitalism, so that its operation is initially transparent but then obscured. Yet it provides the regulating law of motion of capitalism, in which it finds its most developed expression.

The activity of human labor itself – labor power – must become a commodity in order for capitalist production to develop. Commodities are the product of concrete human labor, but their constant and complex exchange gives the human labor expended a particular abstract, social, character. This abstract quality is thus a historical characteristic. Marx showed that under the law of value, the quantity of abstract human labor embodied within commodities is the basis for their exchange. The two provisos are that the commodity is desired in exchange (it has a use-value) and that the labor time it embodies is socially necessary – that is, consistent with the average conditions of production.

The role of the law of value in “transition economies” is at the heart of the question about the feasibility of constructing socialism in a country without a fully developed capitalist mode of production, where development has been stunted by imperialist exploitation. It is integral to the problems of production, distribution, investment, and social relations. The notion of an eventual communist stage requires a highly productive

society in which the political conditions exist for social production to be directed toward the needs of the masses rather than the generation of private profit; it implies societies with huge accumulations of wealth and technology, which the working class appropriates to liberate itself from exploitation. "From each according to his ability, to each according to his need" – the essence of communism – implies that socialism has already been constructed and that society's products are no longer subject to rationing through market mechanisms. Communism will permanently block the reappearance of the law of value.

However, the countries that have experimented with socialism have lacked the necessary productive base to complete the process and create the material abundance guaranteed by communism. Under such conditions, the problem of how to organize and direct the use of the social product is intrinsically linked to the problem of underdevelopment and scarcity.

A solution to this problem that emerged in the socialist bloc by the 1950s was to utilize methods of production and distribution that allowed the operation of the law of value through the spontaneous and centrally unregulated processes of exchange with the aim of hastening the development of the productive forces. This urgent material concern was seen as a precondition to developing a socialist consciousness. Che warned that depending on the law of value to foster development would undermine collective consciousness, obstructing the construction of socialism and communism. Socialist countries had to find alternative levers to develop the productive forces, such as the national plan, investment in research and technology, administrative mechanisms (economic analysis, supervision, and inspection, and controls for costs, budgets, inventories, investments, and quality), and socialist consciousness itself.⁵

Che recognized that the law of value still operated in socialist Cuba because commodity production and exchange through a market mechanism continued to exist after the Revolution. The social product continued to be distributed on the basis of socially necessary labor time. However, referring to Marx's analysis, he asserted:

The law's most advanced form of operation is through the capitalist market, and that variations introduced into the market by socialisation of the means of production and the distribution system brought about changes that obstruct immediate clarification of its operation.⁶

The socialist state is the owner of the bank and its revenue, the factories and the goods they produce. Consistent with Marx's stipulation that

commodity exchange involves property exchange, Che insisted that products transferred between state-owned enterprises do not constitute commodities because there is no change in ownership. Commodity-exchange relations between units of production, including cooperatives, threatened transition, via “market socialism,” to capitalism. Since the law of value did not operate in exchange between state production units, the workers themselves should decide what socialist, nonvalue-oriented economic policies to pursue in safeguarding society against capitalist restoration and achieving economic abundance.

Cuba, Che argued, should be considered as one big enterprise. This did not imply that all decisions be made and imposed by a central bureaucracy. It meant that, freed from the anarchy of the capitalist market, the economy be directed according to a plan that allowed the conscious organization of the national economy in pursuit of political objectives. Che perceived the plan as a social contract, a democratic product devised through workers’ discussions. However, once the plan was agreed upon, mechanisms had to be in place to ensure its fulfillment. These mechanisms constituted administrative controls and should include computerized accounting procedures to relay information in real time.

Che’s critics adopted the Soviet view that commodity production, the law of value and money would disappear only when communism was achieved, but that to reach that stage “it is necessary to *develop* and use the law of value as well as monetary and mercantile relationships while the communist society is being built.”⁷ Che disagreed:

Why *develop*? We understand that the capitalist categories are retained for a time and that the length of this period cannot be predetermined, but the characteristics of the period of transition are those of a society that is throwing off its old bonds in order to move quickly into the new stage. The *tendency* should be, in our opinion, to eliminate as fast as possible the old categories, including the market, money, and, therefore, material interest – or, better, to eliminate the conditions for their existence.⁸

Che believed that the task of a socialist country was not to *use*, or even hold in check the law of value, but to define very precisely the law’s sphere of operation and then make inroads into that sphere to undermine it; to work toward its abolition, not limitation.

We deny the possibility of consciously using the law of value, basing our argument on the absence of a free market that automatically expresses the contradiction between producers and consumers ... The

law of value and planning are two terms linked by a contradiction and its resolution. We can therefore state that centralized planning is characteristic of the socialist society, its definition.⁹

He conceded only “the possibility of using elements of this law for comparative purposes (cost, ‘profit’ expressed in monetary terms).”¹⁰

Socialism as a phenomenon of productivity and consciousness

Marx had characterized the psychological or philosophical manifestation of capitalist social relations as alienation and antagonism – the result of the commodification of labor and the operation of the law of value. Capitalist competition creates the drive to increase productivity through technological innovations and increasing exploitation. Alienation and antagonism increase with productivity.

For Che, the challenge was to replace individual alienation from the productive process and the antagonism generated by class relations with integration and solidarity, developing a collective attitude to production and the concept of work as a social duty.

We are doing everything possible to give work this new category of social duty and to join it to the development of technology, on the one hand, which will provide the conditions for greater freedom, and to voluntary work on the other, based on the Marxist concept that man truly achieves his full human condition when he produces without being compelled by the physical necessity of selling himself as a commodity.¹¹

Che recognized that the underdevelopment of the productive forces, and consequent material scarcity, and the fact that the consciousness of the Cuban people had been conditioned by capitalism meant that there was an objective need to offer material incentives.¹² But he opposed their use as the primary instrument of motivation because they would become an economic category in their own right and impose individualist, competitive logic on the social relations of production:

Pursuing the chimera of achieving socialism with the aid of the blunted weapons left to us by capitalism (the commodity as the economic cell, profitability, and individual material interest as levers, etc.) it is possible to come to a blind alley...Meanwhile, the adapted economic base has undermined the development of consciousness.¹³

In Che's analysis, through its reliance on material incentives, competition, and private accumulation, the kolkhoz system threatened to reassert capitalist social relations and undermine the development of socialist consciousness. It subverted the concept of work as a social duty and the notion of the state as one collective enterprise, which he promoted. Socialism must develop an economic management system that found a harmony between two goals; production and consciousness must be fostered in parallel: "To build communism, a new man must be created simultaneously with the material base."¹⁴

To move away from capitalist laws of motion, socialist society has to distribute the social product in a way that is not based on equal exchange in terms of labor time. How, then, should workers be compensated for their labor? How should productivity be increased? How is the dichotomy between mental and physical labor overcome? How is investment allocated between capital goods and consumption? For Che, these questions had to be resolved by the conscious action of the workers whose objective was to construct a socialist society.

Che's critique of the USSR *Manual of Political Economy*

Between 1965 and 1966, Che took notes on the Soviet *Manual of Political Economy*, applying his theoretical arguments expounded in Cuba during the Great Debate to those notes.¹⁵ This included his criticism of the use of capitalist mechanisms as economic levers to development: material incentives, profit, credit, interest, bank loans, commodity exchange, competition, money as payment, and financial control (expressions of the law of value). "All the residues of capitalism are used to the maximum in order to eliminate capitalism," Che complained: "Dialectics is a science not some joke. No-one scientifically explains this contradiction."¹⁶

Che recognized the value of Soviet assistance and had great respect for the achievements of USSR. His criticisms were intended to be constructive. He believed that by carrying out a thorough critique of the Soviet system of economic management, known in Cuba as the Auto-Financing System (AFS), he would be able to highlight incontrovertibly the dangers inherent in a "hybrid" system: socialism with capitalist elements. The Soviets had neither liquidated capitalist categories nor replaced them with new categories of a higher character, he stated.

Individual material interest was the arm of capital par excellence and today it is elevated as a lever of development, but it is limited

by the existence of a society where exploitation is not permitted. In these conditions, man neither develops his fabulous productive capacities, nor does he develop himself as the conscious builder of a new society.¹⁷

Che hoped to convince the other socialist countries to reverse the prevailing trend toward “market socialism.”

In 1921, circumstances forced Lenin to introduce the New Economic Policy (NEP), which imposed a capitalist superstructure on the USSR. The NEP was not installed against petty commodity production, Che stated, but at the demand of it. Petty commodity production holds the seeds of capitalist development. He was certain that Lenin would have reversed the NEP had he lived longer. However, Lenin’s followers “did not see the danger and it remained as the great Trojan horse of socialism, direct material interest as an economic lever.”¹⁸ This capitalist superstructure became entrenched; the entire legal/economic scaffolding of contemporary Soviet society originated from the NEP, influencing the relations of production and creating a hybrid system that inevitably provoked conflicts and contradictions, which were increasingly resolved in favor of the capitalist superstructure. In short, said Che, capitalism was returning to the Soviet Bloc.¹⁹

The Kolkhoz collective farms

The kolkhoz was a form of collective farm established in the late 1920s in the Soviet Union. It had free use of nationalized land in perpetuity and buildings, equipment, and livestock were collectively exploited. Members of the farm, “kolkhoznics,” were paid a share of the farm’s product and profit according to the number of workdays they had invested. This was different from the sovkhoz, a form of state farm in which workers were paid a salary. Kolkhoznics were entitled to own their house, up to half a hectare of adjacent land, livestock, and equipment – the product of which they owned privately. The private plots assuaged traditional peasant resistance to absorption into cooperatives, provided a flexible source of agricultural supply for urban markets, and relieved the state from the need to guarantee a minimum wage in the kolkhoz sector.²⁰ The kolkhoz farms were subject to strict planning, compulsory quotas for sales to the state at prices often below the costs of production, gross income taxes, and payment in kind. Productivity was generally higher on the private plots than the collective farm, suggesting that kolkhoznics were motivated more by individual than

collective interests. For example, in 1938 3.9 percent of total sown land was in the form of private plots, but in 1937 those plots produced 21.5 percent of gross agriculture output.²¹

Liberalizing reforms were introduced in 1958 and deepened in 1965, when Che was writing.²² These made the kolkhoz sector subject to a compulsory sales plan only (not production plan), prices for produce over the target sold to the state were 50 percent to 100 percent higher, the tax burden was further reduced, pre-1965 debts were cancelled, and access to direct bank credit was granted and nonagricultural activities were encouraged, from infrastructural projects to craft enterprises.

The kolkhoz sector had come to be considered "as an autonomous element of national economic activity whose development must be stimulated through a system of material incentives."²³ In addition, wrote French analyst Marie Lavigne, "A more favourable policy was adopted towards the individual private holding... This amounted to an implicit recognition of the economic value of the private holding in agriculture."²⁴ The rate of profit in the kolkhoz farms rose to 20 percent in 1964, 27 percent in 1965, and 35 percent in 1966. Agricultural policy in all the other European socialist countries followed a similar pattern as state planning and directives were replaced by contractual procedures and production stimulated through the price mechanism.

Che had two principal points of contention in relation to the *Manual's* formulation about the kolkhoz farms. He insisted that the kolkhoz system is "characteristic of the USSR, not of socialism,"²⁵ complaining that the *Manual* "regularly confuses the notion of socialism with what occurs in the USSR."²⁶ Further, he argued that cooperatives are not a socialist form of ownership and that they impose a superstructure with capitalist property relations and economic levers.

The *Manual* describes the kolkhoz farms as free from exploitation and antagonistic contradictions. Che refers to denunciations in the Soviet press of a kolkhoz that contracted manpower for specific harvests, and questioned "whether this is considered to be an isolated case or if you can maintain this occasional exploitation of manpower within a socialist regime."²⁷ For Che the kolkhoz structure itself created antagonism in the relations of production, because

the *kolkhoz* system allows a form of property that necessarily clashes with the established regime, and even with its own *kolkhoz* organisation, as the peasant works for himself and he will try to deduct from the collective for his own benefit.²⁸

Che cited Lenin's statement that the peasants generate capitalism.²⁹ The *Manual* itself quotes Lenin, that petty production generates capitalism and the formation of a bourgeoisie, constantly, spontaneously, and en masse.³⁰ Che concluded that the *Manual* is not able to deny that the cooperatives generate capitalism: "Although it has collective tendencies, it is a collective in contradiction to the big collective. If this is not a step towards more advanced forms, a capitalist superstructure will develop and come into contradiction with society."³¹ The "big collective" is the nation and "more advanced forms" refers to social ownership of the means of production, which eliminates commodity/exchange relations between units of production because there is no transferral of ownership, thus the law of value is undermined.

The *Manual* quotes Lenin: "The regime of cooperative cultivation under social ownership of the means of production, under the triumph of proletariat over the bourgeoisie, is the socialist regime."³² Che rejects this:

To begin with a semantic question: what is a cooperative? If it is considered as a grouping of producers, owners of their means of production, it is an advance in contrast to capitalism. But in socialism it is a setback, as it places these groupings in opposition to society's ownership of the other means of production. In the USSR the land is social property but not the other means of production that belong to the *kolkhoz*, not to mention the small *kolkhoznic* property which supply growing quantities of basic foodstuffs and deepen the gap between the society and the *kolkhoznics*, if not financially, then ideologically.³³

According to Che, even if private property within the *kolkhoz* system was eliminated there would remain a contradiction between each individual collective ownership and the social ownership of all the people.³⁴ He points to evidence in the *Manual* concerning contradictions that arose between the *kolkhoz* farms and the Machine and Tractor Stations (MTS), which lent equipment to the cooperatives. As monetary incomes of the *kolkhoznics* increased, they were able to purchase tractors and other agricultural machinery, which created pressure on the MTS to sell technical equipment to the *kolkhoz* farms. The MTS were consequently reorganized as repair centers for the equipment.³⁵ Che stated:

This is a palpable example of the antagonistic contradictions that emerge between social property and that of the individual collective.

The MTS could have had many vices of bureaucracy, but the superstructure imposed its solution: greater autonomy and more of its own wealth.³⁶

The superstructure was the *kolkhoz* system. Validating Che's warning, in 1969 a report in the USSR observed that "certain *kolkhozy* found their auxiliary activity so rewarding that they neglected their main function."³⁷

Che was extremely cognizant of the concrete conditions that made the implementation of the NEP, and consequent economic management systems, necessary. However, his concern was that these measures be openly understood to be concessions to those problems, not paradigms for socialist transition. For Che, the *kolkhoz* payment system "indicates the backward character of the *kolkhoz* system, a compromise solution by a state that constructed socialism alone and surrounded by dangers. The superstructure created gained strength with time."³⁸ Noting that the *kolkhoz* farms had differential incomes according to their size and productivity, Che commented: "One has the right to ask oneself, why? Is it essential? The answer is: no."³⁹ Che suggested that "perhaps, it would be better to consider the *kolkhoz* as a pre-socialist category, of the first period of transition",⁴⁰ insisting that "cooperative ownership is not a socialist form."⁴¹

For Che, a major challenge of socialist transition was precisely "how to transform individualized collective property into social property."⁴² This was the crux of the problem, and it was not being confronted in existing socialism. Without solving this contradiction, class antagonisms would remain, impeding the transition to communism, a classless society.

The *Manual* describes the *kolkhoz* peasants and the working class as two classes in socialist society with amicable relations, but different positions in social production. Che responded: "If the *kolkhoz* peasants are considered as a separate class it is because of the type of property they have; property that should not be considered as a characteristic of socialism but rather of Soviet society."⁴³ The *Manual* concluded:

The relations of production of the *kolkhoz* cooperative form fully respond to the needs and the level of development of the current forces of production in the countryside. Not only have they not exhausted their possibilities, but they can serve for a long time during the development of the forces of production in agriculture.⁴⁴

But Che believed that a confrontation between this collective form and social ownership of the means of production was inevitable, and he warned: "When they clash (and it could be in the not too distant future) the superstructure will have the strength to demand more 'freedom,' that is to impose conditions; it is worth saying, to return to capitalist forms."⁴⁵

In addition to his theoretical arguments about contradictions in property relations, Che also contested the Soviet claim that "the *kolkhoz* system has demonstrated its indisputable superiority over capitalist agriculture," being the biggest and most mechanized in the world.⁴⁶ He pointed out that "productivity is extraordinarily higher in North America, due to the investments carried out in agriculture." In 1963, a domestic production crisis forced the USSR to purchase wheat at world market prices from the United States. Referring to this fact, Che added that the Soviet statement of superiority seemed like a mockery: "After the enormous purchases of wheat, it is a joke or an attempt to cover up the truth with words."⁴⁷

Although Che wrote little about cooperative production, from his critique of the USSR *Manual* his position is clear: cooperative ownership and the *kolkhoz* system generate a capitalistic superstructure that clashes with state ownership and socialist social relations, increasingly imposing its own logic over society. The *kolkhoz* system was progressive in relation to capitalist forms of ownership, but would also retard the development of socialist forms. The point was not simply a question of who had legal ownership (whether the cooperative land was rented from or had been granted by the state), but also one of who controls the distribution of the surplus and who it benefits.

Collectivizing production and workers' participation in Cuba

Che's views were influenced by the historical form of social relations and property ownership that the Cuban Revolution both inherited and generated. In 1953, 43 percent of the Cuban population was rural, half the proportion in Russia at the time of the Bolshevik Revolution. National industry, agricultural production, and international trade were dominated by the sugar sector. Poverty, unemployment, and underemployment were inherent aspects of Cuba's sugar economy, forcing an army of unemployed workers to sell its labor cheaply as cane cutters. Significantly, only 3 percent of rural Cubans owned the land they worked. In other words, Cuba did not have a significant peasant class with traditional attachment to private plots and hostility toward

the collectivization of their product. Most rural Cubans sold their labor power for subsistence wages and are better described as “rural proletariat” or landless laborers.

The Revolution took radical measures that led it toward a socialist path: nationalizations and the introduction of planning and comprehensive social provision (health, education, housing, employment, sports, culture, and so on). There was a rapid transference of property from private to state ownership. Within two years of the seizure of power, all financial institutions, 83.6 percent of industry – including all sugar mills – and 42.5 percent of land were nationalized. Land was redistributed to over a hundred thousand rural Cubans to work as individual or cooperative farms. However, as Minister of Industries, Che was agitated by the machinations of the private business interests remaining in Cuba who speculated and manipulated prices and supply, undermining the socialist plan. These historical factors influenced Che’s critique and strengthened his conviction of the need for the socialization of the means of production.

Under socialism, the plan has to increasingly replace the law of value in determining production and consumption decisions. Without depending on capitalist levers, particularly individual material incentives, new mechanisms must be found to encourage greater worker effort and create incentives to innovation and the rationalization of production. The plan sets worker production “norms” based on average labor time, but to increase economic efficiency workers must surpass these.

The challenge is to transform the value added to production by the worker above his or her own subsistence from “surplus value,” as under capitalism, into “surplus product” under socialism, and to move from production for exchange to production for use. Under capitalism, the workers’ surplus is the product of exploitation because it does not belong to them. Under socialism, it is a contribution to social production: they work for themselves as part of a collective society. The surplus is distributed according to criteria determined by the plan. For workers to become the owners of the means of production under socialism, they must be managing their own production units, participating collectively in devising the plan, and establishing the norms and the daily decisions concerning production and consumption.

Che searched for ways to equip the working class for increasingly decentralized and direct control over production, to tap into workers’ creative energy to find solutions to daily production problems, and to develop productive forces – rationalizing production, lowering costs, raising productivity, and making technological innovations – forging the

concept of Cuba as one big factory and work as a social duty. Ultimately, these measures sought to give socialism the democratic, participatory character necessary to prepare society for transition to communism.

There were major objective conditions to overcome: underdevelopment and dependency, the exodus of managers and technicians who had run the economy before the Revolution, the low educational and skill level of the masses, and the counterrevolutions sabotage, attack, and the US blockade. In this context, it was necessary to select the workers to lead production units – those with the greatest administrative capacity combined with revolutionary commitment. Nonetheless, in principle Che preferred workers to elect their own representatives, as shown by his preference for the Labor Justice Committees, which were formed by elected workers, over the Trade Unions, where the leadership was proposed by the Party (*Partido Unido de la Revolución Socialista, PURS*) “in reality without a real selection process.”⁴⁸

Progress was also hindered by “economistic” tendencies, prevalent before 1959 among organized labor; years of battling to secure crumbs from the capitalist table had eroded class consciousness. Success depended on the Revolution’s ability to change workers’ attitude to “the bosses” and the production process. The working class was so accustomed to having the production process imposed upon them that it was difficult to convince them that they owned the means of production and could influence technological and managerial decisions. After being enslaved by work, workers now had to liberate themselves through their labor. This malaise manifested as inertia, a slow acceptance by workers that they had a stake in Cuba’s industrial development.

Workers’ management meant decentralizing control of production, but that process had to be accompanied by a new collective consciousness and social relations, or the result would replicate the antagonism and self-interest of the capitalist economy: “The economy as a whole is considered to be one big enterprise and we attempt to establish collaboration between all participants as members of a big factory, instead of being wolves among ourselves within the construction of socialism.”⁴⁹ Centralization was therefore necessary until both the new consciousness and technical skills had been acquired by the working class. Che’s slogan was to “centralise without obstructing initiative and decentralise without losing control.”⁵⁰

It is important not confuse a central plan with centralization of decision making. The plan is constructed with the inputs of decentralized units. The decentralization of decision making would increase with the consciousness and management experience of workers.

The policies set up by Che within MININD to collectivize production and workers participation can be summarized under three categories:

1. Those ensuring ideological and structural cohesion of the BFS.
2. Those promoting workers' efforts to improve the means of production.
3. Those integrating workers into management, preventing bureaucratization and separation between manual and administrative work.

These measures were in addition to the organizations of the masses and the trade unions.

Policies to ensure ideological and structural cohesion

Measures were taken to promote concern for developments in the national economy, facilitate a conversation and collaboration between component parts of industry, raise the level of understanding of the political economy of socialism, link education to production, and disseminate information about technological innovations.

Under Che's direction, bimonthly meetings in MININD ran from January 1962 to December 1964 and were attended by up to four hundred people including the Management Council and all directors in the central apparatus. The directors could propose the themes for discussion. The meeting transcripts demonstrate that ministry leaders used this opportunity to raise their own queries, ideas, or complaints.

MININD also had three publications to facilitate ideological and structural cohesion: *Nuestra Industria* from 1961, *Nuestra Industria Tecnología* from 1962, and *Nuestra Industria Económica* from 1963. They provided a means for Che and his collaborators to communicate their ideas about socialist transition to workers outside the bimonthly meetings and to raise the level of political understanding.

Nuestra Industria forged a collective identity among the huge and diverse production units in the ministry. Every issue gave a detailed description of the technological process in a different factory and productive and administrative problems within the ministry and its enterprises. The magazine was full of recognition and awards given to exemplary workers and technicians for inventing equipment, for rationalizing production processes, or for high productivity and outstanding commitment. A diagram covered the back page with arrows running from the minister, first vice minister, vice minister of production, branch director, and consolidated enterprise (EC) ⁵¹ director, to the factory and finally to a man in dungarees, with the words, "Your work

centre is a solid link in the great chain of production of the Ministry of Industries.”⁵²

Nuestra Industria Tecnología was a journal for technicians and engineers. The contents reflect the rising technological level within the ministry, collaboration with technicians from the socialist bloc, and efforts to keep abreast of developments in the capitalist countries. *Nuestra Industria Económica* was the vehicle for the theoretical articles that formed part of the Great Debate. It was orientated toward accountants and economists and carried articles about salaries, investments, financial systems, and mathematical methods.

The *Manual Para Administradores de Fábricas* ensured operational cohesion by collating ministry directives on procedures for cost control, accounting, and supervision into two volumes, together with political economy concepts. Published in June 1964, it emphasized the importance of collective production and worker participation, with practical guidance on how to achieve this. The administrator, it stated, “must be convinced of the incalculable source of inexhaustible ideas, inventiveness, practical knowledge, etc. that is latent in each one of the factory workers and establish a more adequate and effective system to make use of these resources.”⁵³ Success in reducing the costs of production “will mainly depend on the understanding and conviction of all the factory’s workers of the need for this approach and the collective benefits that will be derived from it.”⁵⁴ Respecting the aspirations and criticisms of workers in all forms of communication, it stated, fosters emulation, encourages workers to feel involved in management, helps them to accept changes to the past system, avoids a lack of knowledge being an excuse for incompletion of tasks, assures uniformity in application, and allows projections into the future.⁵⁵

Policies to promote workers’ efforts to improve the means of production

Che told MININD directors that “we need to go to the factories, to converse with everyone there, investigate the problems there are, promote free, open discussions, without any form of coercion...to collect all criticisms with honesty.”⁵⁶ To facilitate free and open discussions, managers and administrators had to be in contact with the workers at the point of production. This was essential in order to avoid bureaucracy, to improve workers’ knowledge of the functioning and problems in the productive units, and to stimulate workers’ interest in improving the production process. Given the importance of developing the productive forces in socialist Cuba, Che believed that workers who

committed to this task displayed revolutionary leadership qualities, unlike bureaucrats who were far removed from the production process.

Committees for spare parts and the campaign construct your own machine

In the 1950s, 95 percent of capital goods in Cuba and 100 percent of spare parts were imported from the United States.⁵⁷ This led to an acute crisis in the context of the US blockade and the shift of 80 percent of Cuba's trade from the United States to the Soviet Bloc. The fact that in 1960 the Committees for Spare Parts were the first workers' committees established in industry testifies to how rapidly spare parts became an urgent problem.

According to Orlando Borrego, Che's deputy in Cuba from 1959 to 1964:

Among Che's most acknowledged achievements were results in the production of spare parts, an objective which was possible thanks to the creation of the Committees for Spare Parts which, organised from the base up to the ministry and by means of enthusiastic emulation resolved the most serious problems that arose, avoiding the paralysis of industry.⁵⁸

In August 1961, Che declared that the committees represented MININD's "first really effective contact with the mass of workers," and that "this first campaign of organised emulation has given really wonderful results." This brought the mobilization that had been so successful in the political and social sphere into the economic sphere. Che said:

With the emulation of everyone and with the effort of all the workers in all the factories of the country, [the Committees] have resolved innumerable problems...it is the achievement of the unity with the working masses, making the participation of the working masses fundamental to the leadership of the country.⁵⁹

The campaign to Construct your Own Machine carried out in MININD from 1961 took the technical challenge of the Committees for Spare Parts to a higher level. By 1963, almost every issue of *Nuestra Industria* featured equipment invented by workers. In February 1964, Che declared: "The future of industry, and the future of humanity, is not with the people who fill in papers, it is with the people that construct machines...It is with the people who study the great technological problems, resolve them."⁶⁰

Movement of inventors and innovators

When the Department of Industrialisation was set up, dozens of inventors and innovators arrived at the offices to submit models and ideas for evaluation.⁶¹ They revealed the limitless imagination of the population and the extent that talents were wasted for want of technical training. In February 1961, when MININD was set up, it included a Department of Inventions and Innovations. The department was to lead and coordinate the development of the movement of inventors and innovators and their industrial application in coordination with the ECs and the trade union organizations. The “factory cadre nucleuses” included a worker responsible for registering workers’ inventions, determining which had general industrial application, and systemizing their inclusion in the plan for industry.⁶² The *Manual Para Administradores* described this work as “of vital importance for the technical development of factories, because it constitutes one of the bases which should help the Administrator to achieve an increase in the production and productivity of the factory.”⁶³ Inventions in Cuban industry have represented millions saved by substituting imports and producing machinery domestically.⁶⁴

For Che, there was little distinction between technical and political tasks; increasing productivity and efficiency were revolutionary acts. These workers’ experimentation reflected their commitment to improving the productive forces. The social utility of individuals’ inventions was enhanced by the absence of market mechanisms, such as copyright, patents laws, and intellectual property rights, which would have increased the social costs of research or practical application. “Inventors” were motivated by moral incentives: vanguard status and social applause.

Policies promoting workers’ integration into management

It was a difficult dialectical process: to decentralize control to workers nurtured under the antagonism and alienation of the capitalist system and expect them to take over management; to subjugate individual self-interests to the well-being of society as a whole, increasing work effort without relying on material incentives. These challenges, in addition to US attacks and a well-funded counterrevolution, limited the feasibility of self-management by the Cuban masses. Consequently, Che developed policies to integrate workers into the central apparatus and to ensure that management (mostly composed from workers and revolutionaries, not professional bureaucrats) maintained its organic link with the workers.

Factory visits

Such importance did Ché give to factory visits that he even dropped in on a factory in the midst of the Cuban Missile Crisis in October 1962.⁶⁵ EC directors and vice ministers in MININD were obliged to visit a factory, plant, or workshop every two weeks as part of the struggle against bureaucratization and to maintain a lively link with the mass of workers. During the visits, they met with the administrator, heads of production and economic heads, and the representatives of the mass organizations: the PURS, Union of Young Communists (*Unión de Jóvenes Comunistas, UJC*), trade unions, and other groups. They discussed problems and initiatives with workers and technicians, and checked inventories, storage facilities, and worker facilities. Following each visit, they submitted a detailed report, analyzing the situation in the factory and making concrete recommendations.

Factory visits provided an opportunity for thousands of workers to meet and discuss directly with the administrative personnel of MININD, including with the minister. Harry Villegas, previously Che's bodyguard, said factory visits and conversations with the workers were "a link with the masses which gave Che an exhaustive command over the reality of the activity in the sphere which he led."⁶⁶ Che's talks in the bimonthly meetings were peppered with references to his experiences and encounters during these factory visits.

The procedure was established at the base of production. The *Manual Para Administradores* instructed factory administrators to visit the workshops and sections within their production unit "with the ends of obtaining from the visits new ideas to improve activities and to listen calmly and with interest to the suggestions and criticisms of the workers."⁶⁷ Visits enabled management to learn about the production process and the principle economic indices, hygiene, or safety problems, and to discuss the quality of the product, helping desk managers to understand the reality behind reports and statistics.

Advisory technical committees

Following the nationalizations and the exodus of professionals, administrators for the new state entities were allocated on the basis of their commitment to the Revolution. As a result, "practically none of the administrators possessed the necessary technical level or experience in production for the factory they were leading."⁶⁸ The priority was to prevent production stoppages. Che searched for institutional forms to secure assistance for these administrators from workers with years of experience in the production processes.

In 1961, Advisory Technical Committees (*Comités Técnico Asesor, CTA*) were set up in every production unit and every EC to serve this

function. Outstanding workers were selected to CTAs by the administrator or director so that they could receive advice on practical measures for raising productivity and efficiency and replacing imports. Usually 10 percent of employees were on the CTA and in larger workplaces they were organized into subcommittees for specific problems. Borrego explained:

Their principal function was to discover productive reserves in order to accelerate production...to propose ideas for improving the conditions of work and safety in factories, to facilitate a closer relationship between the workers and the management of production and to generally help resolve the complicated problems that occurred as a result of imperialist enclosure and the blockade imposed on the economy of the country.⁶⁹

Che believed that if selected from the most dedicated and knowledgeable workers, in addition to improving work conditions and productivity, the CTA would constitute a revolutionary vanguard, inspiring the masses by their engagement in production and promoting the self-management of the working class. He described the CTA as "a laboratory experiment where the working class prepares itself for the great future tasks of the integral management of the country."⁷⁰

Production assemblies

The idea to set up Production Assemblies came out of Che's discussions with the Ministry of Labour (*Ministerio de Trabajo*, MINTRAB), headed by Augusto Martínez Sánchez, about searching for a vehicle for communication between the administration and the mass of workers.⁷¹ According to Che, "The Production Assembly represents a kind of legislative chamber that examines its own tasks and those of all the employees and workers."⁷² Having been initiated in MININD, by January 1962 Production Assemblies were made compulsory in all nationalized or joint-owned workplaces in Cuba.

All workers, advisors, technicians, engineers, and administrators in each workplace met either monthly or quarterly. The assembly itself chose workers to chair and serve as secretaries during the meetings, recording the acts and certifying agreements and resolutions. In late 1961, Che explained his vision:

Production Assemblies will be part of the life of the factories, and will be an armament of the entire working class to audit the work of their administration, for the discussion and control of the plan, for the establishment of new technical and organisational norms of all

types, for every kind of collective discussion or every nucleus of the factory, or all the workers of the factory.⁷³

Che believed the assemblies served to educate administrators in the necessity for critical analysis of their own work before a plenary of the mass of workers, helping to improve the efficiency of the administration:

Criticism and self-criticism will be fundamental to daily work, and exemplified in the Production Assembly where all the problems related to industry are aired and where the work of the administrator will be subject to questioning and criticism by the workers he leads.⁷⁴

According to the *Manual Para Administradores*, the objectives of the assemblies were to motivate workers to participate in the management of production, to contribute to the collective benefit, to apply the principle of democratic centralism, to facilitate workers to express doubts and ideas that the administrators must discuss and clarify, to create a spirit of collective interest in the development of the factory, and to inspire interest in individual and collective emulation.⁷⁵

Che warned against the assemblies becoming bureaucratic. He challenged MININD directors: "The production assemblies have to be lively. It is your responsibility to make them lively."⁷⁶ But they must not become agitational rallies, distracted by "economistic" demands that ignored national interests, instead of discussing what should be produced and how.⁷⁷ Che assured the directors that participation would increase if workers were informed of the results of their complaints and proposals and at which organizational level they were dealt with so that "the workers start to feel they are participating in the administration."⁷⁸

Committees for local industry

The Committees for Local Industry (CILOs) were created in 1962 to forge the integration of production and administration of industry at the local level, which the BFS institutionalized at the national level. They removed financial mechanisms in the exchange of resources (equipment and so on; not enterprise products) between enterprises so that decisions about their allocation were made politically. Administrators from each workplace within a local area would meet fortnightly to discuss their respective material needs and arrange reallocation of resources. Items were not exchanged as gifts, but with official papers and accounting and inventory adjustments. For example, an EC of

Petrol with two surplus desks passed them on to an administrator in the EC of Shoes who was writing on his knees.⁷⁹ Che said:

Between socialist enterprises there can be no transfer of commodities because there is no change in property. It is the use of those utensils or means of production in more rational ways by another enterprise, without a real transfer of property, of legal contract, the goods simply go from one place to another...we get together, discuss and resolve this.⁸⁰

CILOs evolved more complex functions: coordinating industrial plans with other local authorities; suggesting new territorial investments, discussing laws, directives, regulations, and norms issued from higher levels; and organizing attendance on administrator training courses.⁸¹ The *Manual Para Administradores* stated that "the growing complexity of industrial development, as well as the need to use our resources more rationally, makes coordination necessary on the basis of territory."⁸²

Each area incorporating 15 to 20 MININD workplaces was organized into a CILO, which met fortnightly. Havana alone had 20 CILOs. Presidency was rotated, giving the experience to all the administrators, as was the location of the meeting, familiarizing them with other work centers. At the meetings, official reports and agreements were made, which could not contradict EC directives. Administrators were obliged to participate and fulfill the agreements.

Che saw the CILOs as "preparing the conditions for future steps" – the construction of socialism and the transition from socialism to communism:

Self-management is a measure to prepare the conditions for raising consciousness, creating what is the base of communism: work as a social necessity; not work as an obligation, as a precondition for eating... The CILO should be resolving the local problems.⁸³

In September 1964, Che affirmed, "The CILOs have been an attempt, successful enough we believe, to create the consciousness of [Cuba as] one factory."⁸⁴ The CILOs had the potential to resolve problems and contradictions (misallocation of resources or lack of coordination in investment plans) at a local level that should simply not exist in a socialist society (where production is rationally and consciously determined in the collective interest), yet that did for bureaucratic reasons (for example, a lack of communication between production units).

Special plan of integration

In September 1964, Che presented industry directors with his most imaginative and innovative plan to confront the tendency to bureaucracy, a separation between intellectual and manual work and the lack of integration between enterprises in different branches of production. Reading out the plan, Che said:

For a long time we have raised the need for a real integration between productive and intellectual work, something that has been achieved through voluntary labour of a productive character, that now has been presented in a plan at the national level.⁸⁵

The Special Plan of Integration, a measure "to renovate the attitude of functionaries in the face of their work,"⁸⁶ comprised three elements: the Plan of Demotion, the Plan of Integration, and the promotion of manual work for office workers. It was piloted from November 1, 1964. The Plan of Demotion was the principal and obligatory measure; it applied to the minister, 6 vice ministers, 8 branch directors, and 82 EC, office, and institution directors. They had to spend one month a year working in a job at least one level, and preferably two, subordinate to their own. To facilitate managerial stability, it was established that within a one-month period not more than 25 percent of a given hierarchy could be demoted.⁸⁷ Their own work would be covered by a colleague, while they worked alongside their subordinate.

During their temporary demotion, directors should not search for mistakes, but learn and teach; not change work methods and established systems without collective discussion in the factory; assume full responsibility for that role without leaving tasks incomplete; and complete all the obligations of the new role without using the hierarchy of their real role.⁸⁸ In addition to strengthening the administrative and leadership work of their subordinates, the plan also meant that those demoted could observe whether it was possible to apply the regulations directed from superior levels and experience the social/labor conditions of the factory: workers' cafeteria and food, sanitary installations, equipment for physical protection, and so on.

Che stated:

Fundamentally, the ministry is one administrative and technological entity. It is subject to a methodology which is different when observed from one or another level... You can observe where there are mistakes of methodology, failings in the methods of work and even personal weaknesses.⁸⁹

The plan also ensured that leaders connected directly with the mass of workers and understood their problems, learning about the operative difficulties and the technology of the production process, all of which would prove useful when they returned to their official post. In addition, it served to remind them that their management roles were not fixed for life and that directors could return to the production base.⁹⁰

To promote integration of between enterprises in different branches, the Plan of Integration established specialist work brigades of outstanding workers to assist throughout the ministry. Angel Arcos, director-general of personnel in MININD, explained: "This plan also included a plan of mutual assistance between offices of enterprises or between administrators of factories, a plan of specialized work brigades, and a plan of brigades for work methods."⁹¹ This was a case of horizontal integration; directors, economic heads, and production heads from stronger ECs would assist weaker ECs, and administrators would do likewise.

Che said the brigades would be organized around eight fundamental tasks of MININD: for example, work security, organization of transport, and mechanization of accounting. They would be auxiliary for ministry personnel of the same specialization.⁹² The ECs would create brigades in the areas in which they were strong to help struggling enterprises. Participation was voluntary and only workers who had surpassed their own employment goals could participate. A special salary scale would be transferred with them as they travelled through the provinces teaching their methods. Technical teams for maintenance or electrical engineering were also planned.⁹³ The aspiration was for specialists in many fields to guide the weakest enterprises.⁹⁴

Che emphasized the cooperative spirit of these exchanges which had a political as well as technical function:

The comrades who carry out any of these advisory tasks should not present any reports, this is to ensure and conserve the spirit of warm and disinterested help between people or individuals, so that weaknesses are analyzed only with the objective of overcoming them and not to serve as an antecedent for taking future action, except if they have detected abnormalities that constitute crimes against the Revolution or against the state. That is to say that there is no kind of "squealing", so that straight away the weak people are going to see the compañeros as hungry lions. It is better if this task is carried out as a completely extra-ministerial type of assistance for the purpose of information, except, naturally, if there are serious things detected of a non-administrative nature.⁹⁵

The Plan also encouraged managers and office workers to carry out voluntary manual labor in the factories during their holidays.⁹⁶ Not everyone agreed with the Plan of Integration, Che revealed, including members of the government at which level it had not been approved. But he took advantage of the institutional independence he was granted to experiment with the BFS, applying new measures to test their feasibility and analyzing the results before determining whether or not to continue those policies.

In April 1965, Che left Cuba in secret for the Congo. The Ministry of Industries, a huge institution, was split into separate ministries. The Plan of Integration, like so many other policies in MININD, was abandoned.

Concluding remarks

Che's critique of the kolkhoz cooperative farms in the USSR and his policies to collectivize production and integrate workers into management within MININD formed part of his search for a solution to the problematic of the Revolution: how to develop the productive forces in an underdeveloped, trade-dependent, and blockaded island, whilst simultaneously fostering a new consciousness and new social relations for the transition to socialism. This remains the challenge in Cuba today.

Che's approach was dialectical and our understanding of his views must be equally so. He regarded cooperatives as progressive in relation to the private ownership that is central to capitalist social relations, but regressive in relation to socialist state ownership in which class antagonisms are resolved in favor of the proletariat as the classless society is being built.

Guevara understood the development of consciousness as a dialectical process; it would increase with the experience of material changes in the standard of living and transformations in the relations of production which would, in turn, reflect back on consciousness, creating greater potential for self-management by workers. However, these workers should not be motivated by material incentives but by collective consciousness and the concept of work as a social duty. This is essential for transforming surplus value (under capitalism) into surplus product (under socialism) and production for exchange into production for use.

This should not, however, be simplistically interpreted to argue that Che would have opposed the contemporary changes to Cuba's employment structure, measures that promote the establishment of workers cooperatives and self-employment in nonstrategic sectors. The historical

context and the problems faced in Che's era were very different. In the 1960s, one-third of the world population lived in socialist countries and national liberation struggles were challenging the imperialist stranglehold on the underdeveloped world. There was great potential for advances to be made within the socialist world.

Nonetheless, Che was a Marxist, not an idealist. While Che emphasized the importance of consciousness and education in securing commitment to the revolutionary process, he understood that these would remain abstract if the standard of living did not alleviate daily concerns for survival. The key point is Che's belief that material improvements should be achieved, as far as possible, not by promoting market exchanges and encouraging private enterprise but by administrative controls (the plan, the budget, supervision and audits, workers democracy); state investment in skills training, education, science, and technology research; exploiting endogenous resources; fostering industry; and diversifying agricultural production.

The contemporary debate in Cuba concerns themes confronted by but not resolved by Che in the 1960s and returned to during the Rectification period of 1986–90. Socialism is a dialectical process lead by those who live it. The challenge is to resolve the contradiction between the plan and the market, raising productivity and consciousness simultaneously. It is also in determining the balance of responsibility between the individual and the state; how such class antagonisms that remain under socialism are mediated; ensuring discipline with resources and at work; how the wealth of socialist society should be distributed; and how much control and centralization is appropriate. These questions are being addressed in Cuba in the face of a brutal blockade, sabotage, and terrorist attacks.

Policy is formulated within existing limits: the political commitment to socialist welfare provision, the planned economy, and the dominance of state property – and economic constraints such as the US blockade, trade dependency, low levels of technological development (outside mixed enterprises and the biotechnology industry), and difficulty in obtaining credit. Guevara provided a methodology for socialist construction within these limits.

The current aim is to restore macroeconomic equilibrium through fiscal adjustments and raising productivity, but the challenge remains to do this while limiting the dependence on capitalist mechanisms. Through debates nationwide and at the Sixth Congress of the Communist Party of Cuba (PCC) in April 2011, the Cuban people are searching for solutions to these challenges. It is necessary to consider the contribution of Che in the past as Cuba moves on to secure and strengthen socialist development in the future.

Notes

1. Centro de Estudios de Ché Guevara and Ocean Press, *Ernesto Ché Guevara: Apuntes Críticos de la Economía Política*, Havana: Ciencias Sociales, 2006.
2. Smuggled back into Cuba by Aleida March who went on a clandestine visit to see Che overseas, the notes were passed to Orlando Borrego, Che's closest collaborator during the years he lead industry in Cuba.
3. From here on referred to as *Manual*.
4. Known to this author.
5. Helen Yaffe, *Che Guevara: The Economics of Revolution*, London: Palgrave Macmillan, 2009, has detailed analysis of the administrative mechanisms as well as the promotion of education and training, science and technology, and consciousness and psychology within MININD under Ché's directorship.
6. Guevara, "On the Concept of Value," in Bertram Silverman, (ed.) *Man and Socialism in Cuba: The Great Debate*, New York: Atheneum, 1971, p. 234.
7. *Manual*, cited by Guevara, "On the Budgetary Finance System," in Silverman, *Man and Socialism*, p. 142.
8. Ibid.
9. Ibid., p. 143.
10. Guevara, "The Meaning of Socialist Planning," in Silverman, *Man and Socialism*, p. 109.
11. Guevara, "Man and Socialism in Cuba," in Silverman, *Man and Socialism*, p. 346.
12. The payment of a monetary salary itself is a material incentive because the individual works on the condition of receiving payment. The reference here, however, is to the use of additional monetary payment for production over the norm. See Yaffe, *Che Guevara*, [Chapter 3](#) for a summary of the theoretical discussion during the Great Debate about incentives and [Chapter 8](#) for the history of the different moral and material incentives developed by Che within MININD.
13. Guevara, in Silverman, *Man and Socialism*, p. 342.
14. Ibid., p. 343.
15. The Great Debate between 1963 and 1965 concerned which system of economic management was appropriate for Cuba. It took the form of journal articles written by a group of authors in favor of the USSR's Auto-Financing System and another group that supported the Budgetary Finance System created by Che in MININD. See Silverman, *Man and Socialism*, for the main articles and Yaffe, *Che Guevara*, for an analysis of the Great Debate.
16. Guevara, *Apuntes*, p. 188.
17. Ibid., p. 10.
18. Ibid., p. 112.
19. Ibid., p. 27.
20. Marie Lavigne, *The Socialist Economies of the Soviet Union and Europe*, London: Martin Robertson & Co., 1975, pp. 113–4.
21. Roy D. Laird, *Collective Farming in Russia: A Political Study of the Soviet Kolkhozy*, Kansas: University of Kansas Publications, 1958, p. 121, footnote 16.
22. In 1965 there were 36,300 kolkhoz farms averaging 6,100 hectares compared to 11,700 sovkhos farms averaging 24,600 hectares.

23. Lavigne, *Socialist Economies*, pp. 119–20.
24. *Ibid.*, p. 120.
25. Guevara, *Apuntes*, p. 166.
26. *Ibid.*, p. 140.
27. An important question in contemporary Cuba where since autumn 2010 self-employed people have been permitted to employ other workers who are neither family members nor cohabitants.
28. Guevara, *Apuntes*, p. 55.
29. *Ibid.*
30. Manual, *Apuntes*, p. 57.
31. Guevara, *Apuntes*, p. 104.
32. Lenin, cited by Manual, *Apuntes*, p. 107.
33. Guevara, *Apuntes*, p. 108.
34. *Ibid.*, p. 168.
35. Manual, *Apuntes*, pp. 168–9.
36. Guevara, *Apuntes*, p. 169.
37. Lavigne, *Socialist Economies*, p. 121.
38. Guevara, *Apuntes*, p. 170.
39. *Ibid.*, p. 171.
40. *Ibid.*, p. 116.
41. *Ibid.*, p. 119.
42. *Ibid.*, p. 180.
43. *Ibid.*, p. 182.
44. Manual, *Apuntes*, p. 187.
45. Guevara, *Apuntes*, p. 187.
46. Manual, *Apuntes*, p. 110.
47. Guevara, *Apuntes*, p. 111.
48. Guevara, “Reuniones Bimestrales,” December 1964, in *El Che en la Revolución Cubana: Ministerio de Industrias*, Vol. 6, Havana: Ministerio de Azúcar, 1966, p. 579.
49. Guevara, “Reuniones Bimestrales,” December 1963, p. 413.
50. Juan Valdés Gravalosa, *interview*, February 22, 2006.
51. Consolidated Enterprises consisted of a set of production units in the same sector grouped under one central management. It was one of the measures Che took to cope with the lack of administrators.
52. *Nuestra Industria*, Havana: Ministerio de Industrias, Year 3: No. 1 (January 1963).
53. *Manual Para Administradores de Fábricas*, June 10, 1964, La Habana: Ministerio de Industrias, 2nd ed., 1988, section 5, subject 10, p. 1.
54. *Ibid.*
55. *Manual Para Administradores*, section 10, subject 1, pp. 1–3.
56. Guevara, *Reuniones Bimestrales*, March 1962, p. 176.
57. Arturo Guzmán Pascual, “La Acción del Comandante Ernesto Che en la Campo Industrial,” *Revista Bimestre Cubana* 8 (1998): 29.
58. Orlando Borrego Díaz, *Che: El Camino del Fuego*, Havana: Imagen Contemporánea, 2001, p. 164.
59. Guevara, “Discurso de la Primera Reunión Nacional de Producción del MININD,” in *Ernesto Ché Guevara: Escritos y Discursos*, Vol. 5, Havana: Ciencias Sociales, 1977, p. 218.

60. Guevara, "Comparecencia televisada en el programa 'Información Pública'" in *Ciencia, Tecnología y Sociedad (1959–1965)*, Havana: Academia, 2003, p. 188.
61. Borrego, *Camino*, p. 12.
62. *Manual Para Administradores*, section 9, subject 3, p. 1.
63. Ibid.
64. Borrego, *Camino*, pp. 12–13.
65. Ángel Arcos Bergnes, *Evocando al Che*, Havana: Ciencias Sociales, 2007, p. 149.
66. Harry Villegas Tamayo, *interview*, March 22, 2006.
67. *Manual Para Administradores*, section 7, subject 2, p. 10.
68. Sáenz, Tirso, Emilio García Capote and Luís Gálvez, *El papel del Ché en el desarrollo científico y tecnológico de Cuba*, La Habana: Editora Política, 2001, p. 79.
69. Borrego, *Camino*, pp. 110–11.
70. Guevara, "Discusión Colectiva; Decisión y Responsabilidad Única," in *Obras 1957–1967*, Vol. 2, Havana: Casa de Las Américas, 1970, p. 127.
71. Borrego, *Camino*, p. 196.
72. Guevara, "Discusión Colectiva," p. 131.
73. Guevara, cited by Borrego, *Camino*, pp. 196–7.
74. Guevara, "Discusión Colectiva," p. 131.
75. *Manual Para Administradores*, section 2, subject 4, p. 1.
76. Guevara, *Reuniones Bimestrales*, March 1963, p. 351.
77. Borrego, *Camino*, p. 187.
78. Guevara, *Reuniones Bimestrales*, February 1964, p. 444.
79. Ibid., July 1962, p. 301.
80. Ibid.
81. *Manual Para Administradores*, section 16, subject 1, p. 1.
82. Ibid.
83. Guevara, *Reuniones Bimestrales*, July 1962, p. 300.
84. Ibid., September 1964, p. 515.
85. "Plan of Integration"; read by Guevara, *Reuniones Bimestrales*, September 1964, p. 514.
86. Guevara, *Reuniones Bimestrales*, September 1964, p. 514.
87. Ibid., p. 515.
88. Arcos Bergnes, Ángel, *Método y estilo de trabajo de Ché*, La Habana: Editora Política, 2001, pp. 27–8.
89. Guevara, *Reuniones Bimestrales*, September 1964, p. 519.
90. Arcos, "Trabajo de Che," pp. 27–8.
91. Ibid., p. 28.
92. Guevara, *Reuniones Bimestrales*, September 1964, pp. 515–6.
93. Ibid., pp. 516–8.
94. Ibid., pp. 535, 542.
95. Ibid., p. 517.
96. Ibid., p. 515.

6

Foundations of Self-Managed Socialism: The Contribution of István Mészáros

Henrique T. Novaes

The return to self-management, cooperativism, and associativism in the late twentieth century

Workers began to feel the need for self-management the first day that they were placed in a factory, against their will. In the nineteenth century, cooperativism and mutual support societies gained force as a form of resistance against unemployment, principally during the industrial revolution in England. (I should note that one of the main reasons mutual support societies were created was so that workers could have decent burials.)

By that time, consumer cooperatives had made it possible for workers to obtain good quality products at accessible prices. This is what George Holyoake said:

What should arouse the most interest in the writer or the reader is not the brilliance of commercial activity, but the new and quickened spirit that enlivens that exchange. The buyer and the seller meet as friends; there is no cunningness on the one side, or suspicion on the other... Those multitudes of humble workers, who previously never knew if they were eating good-quality food, who used to eat adulterated food every day, whose shoes would quickly fall to pieces, whose jackets were patched together with tallow and whose wives used common fabric that was impossible to wash, now shop in the markets [the Rochdale cooperatives warehouses] as if they were millionaires, and with regard to the purity of their food, they live like lords.¹

Incipient industrial self-management occurred during the 1840s and under the Paris Commune in 1871, when the bosses abandoned their factories and the workers organized to get them operating again. In the words of one scholar:

The offices of the [Paris] Commune were...models of proletarian democracy. The workers appointed their managers, their office directors and their team managers. They reserved the right to replace them in case of unsatisfactory performance or working conditions. They set their wages and hours, and their working conditions, and even better, a factory committee would meet in the afternoons to decide on the next day's work.²

Similar cases were seen in 1905 in Russia and the early years of the 1917 Revolution, the Spanish Revolution, the 1919 and 1956 Hungarian revolutions, and the Polish and Portuguese revolutions, involving not only workers' control of factories and coordinated production among factories, but also the self-management of schools, shipyards, hospitals, housing construction, and workers' control of the cities, etcetera. In the early years of the Russian Revolution, workers' councils (soviets) fulfilled their role, but subsequently were strangled by the growing bureaucratization of society's strategic decision making. According to Tragtenberg, a Brazilian intellectual who is little-known in Latin America:

Nationalization of the means of production, preservation of wages as remuneration for labor, technocratic control of the production process, and a political party with power over the State are dominant practices in the USSR, China, the Eastern European countries and Cuba. Did a revolution take place? Yes. Private ownership of the means of production was replaced by state ownership, but it is administered by the bureaucracy of a party, either socialist (SP) or communist (CP) – the main instrument for disciplining workers.³

In the context of the late 1960s, numerous anticapitalist uprisings occurred, the most notable being in May 1968. In Latin America, these included the 1969 Argentine rebellion known as the *Cordobazo*, factory committees in Brazil, and factory takeovers and industrial belts during the Allende government in Chile.

There are diverse cases of land collectivization and of new, communist-led social projects in the countryside. A few examples are as follows: the collectivization of land during the 1936–39 Spanish

Revolution; the little-known Georgist movement in the United States; the Farmers' Leagues (*Ligas Camponesas*) in Brazil, based in part on cooperativism; and, much earlier, the seventeenth-century Palmares Commune, also in Brazil, operated with a certain degree of self-management for some years.

It is no coincidence that cooperativism, as part of the perspective of socialist transition anticipated by Marx, was cast aside by social democracy. Marx criticized the reformist tendencies of his era, which were already signaling a crisis for the potential of his ideas. This may be seen especially in his criticism of the Gotha and Erfurt programs and of Robert Owen's paternalistic socialism.

As one of the rare exceptions in today's situation where bourgeois revisionism predominates, the work of thinker István Mészáros contains repeated and implacable criticism of the "socio-metabolism of capital." For some, there is a revival taking place, principally in the search for a "balance" between the errors of the Soviet experience and those of the European social democracy. For Mészáros, the self-management proposition never died. This chapter focuses on the social and historical foundations of the thought of one of the advocates of self-managed Marxism: István Mészáros.

During a national conference in Lisbon on "self-managed socialism," self-management was defined as:

the permanent construction of a model of socialism, in which different levers of power; the centers of decision making, management and control, and social, political and ideological mechanisms are in the hands of the producer-citizens, freely and democratically organized into forms of association created by the producer-citizens themselves, based on the principle that any organization should be structured from the bottom up, and from the periphery to the center, in which the practice is established of direct democracy, free elections and repeal at any time of decisions, public office and agreements.⁴

It is no coincidence that the most radical view of self-management did not gain space in theoretical/practical debates on solidarity economy. Nevertheless, in Brazil, articles have been published recently by authors who could be considered supporters of "socialist solidarity economy," such as Antônio Cruz (2006), Cláudio Nascimento (n.d.), Lia Tiriba (2001; 2007), Maurício Sardá de Faria (2005), Carlos Schmidt (2008); additionally, my own works and those of others such as Bernardo (1975; 1986), Bruno (1986), José Henrique de Faria (2004), Guimarães (2004),

Vieitez and Dal Ri (2001), Dal Ri and Vieitez (2008), Pinassi (2009), and Antunes (2008) also exhibit such support. They return to the Marxist debate on resistance cooperativism and workers' autonomy, and include revisionist tendencies, such as Bernstein's. More recently, criticism has emerged of cooperativism that is linked to "entrepreneurialism" and the cooperatives known as *coopergatos*, which were created to get around Brazilian legislation. These works seek to establish a "parallel" debate to that around solidarity economy, perhaps to prevent the term from becoming banalized or used by supposed or real reformist movements.

The most important connections or common points between these works and that of Mészáros are related to the fact that they, too, view capital as a totalizing relationship. That is, they acknowledge that it is insufficient to criticize only certain manifestations of capital.

I believe that Brazil's solidarity economy, at least in its hegemonic version, partially criticizes capital, but not as a total social relationship. Mészáros's contribution is decisive to that, and to solidarity economy not inheriting the theoretical crises of Marxism.

However, another question emerges: why do so many researchers of solidarity economy return to the work of Robert Owen, Charles Fourier, and others, but fail to quote Marx? Perhaps the answer lies in the fact that Marx's work always was interpreted – in our opinion, erroneously – as a simple question of the ownership of the means of production, or as an apology for the nationalization of the means of production as a way of achieving socialism. Stalinism interpreted socialism as state ownership of the means of production and "forgot" the debate about transcending the alienation of labor.⁵

The socialist variant of a solidarity economy is apparently returning to the debate over self-management in revolutionary periods, such as the silk workers' (*canuts*) revolt in 1831 and 1834, the Paris Commune, the early years of the Russian Revolution, the Spanish Revolution, and other revolutions mentioned above. When "isolated" cooperatives are seen to emerge in the absence of a social and political revolution, there are doubts about self-management as a means (a prefigurative practice until now) and an end (self-managed socialism). Now that we have spent a number of years reviewing the work of István Mészáros, we can see that he implacably criticizes the "socio-metabolism of capital," and that his arguments are based on observing and overcoming alienated labor.

This chapter was structured as follows: it begins with a brief introduction to the work of Mészáros. It then proposes a radical criticism of private ownership of the means of production and defends cooperativism as providing a possibility for reconnecting the "snail to his shell."

The need for a new division of labor – self-management as opposed to hetero-management – the role of democratic assemblies in cooperatives and workers' associations, and of a new type of workers' participation in cooperatives and workers' associations, along with a new type of workers' participation in transforming society and in "overall control of the labor process by the associated producers" are addressed in the third section. Mészáros's view on the need to restructure the productive forces and socialist planning of production are addressed in the fourth and fifth sections. The "Final Considerations" section mentions Mészáros's criticism of commodity-producing societies and envisions the building of a society that has the goal of meeting human needs (use-value).⁶

A society beyond capital: initiating the debate

According to the editor of his book *Beyond Capital*,⁷ Mészáros, who now lives in England, was born in Hungary in 1930. At the age of 12 and a half, he got a job in a cargo plane factory by claiming that he was 16. He began working as an assistant to Georg Lukács in 1951, and would have been his successor at the University of Budapest, but the 1956 Soviet invasion forced him to leave the country.

It is important to emphasize that the 1956 Hungarian Revolution deeply marked the theories and life of István Mészáros. The Soviet bureaucracy severely repressed attempts to build "socialism with a human face" in that country. Researchers estimate that about two thousand people died and thirteen thousand were injured in Budapest, along with seven hundred deaths and fifteen hundred injured in the rest of the country. Many combatants were jailed, most of them young people, and about a hundred were executed by firing squad. This repression led Mészáros into exile in Italy. That was where he wrote *The Revolt of the Intellectual in Hungary*⁸ about those events, a book that has yet to be translated. His experience as a worker and student in "socialist" Hungary was decisive to his understanding of education as a way of overcoming the obstacles of reality.

Lukács once said that Marxism should be refounded. I believe that his follower, István Mészáros, is one of the authors committed to that refounding. We could say that his criticism is very complete and implacable: of the mode of production of capital, demonstrating how it strengthened the dictatorship of capital in the twentieth century; of capital's theorists and apologists; of social democracy; of "real socialism," which he calls a "postcapitalist" experience, as we will

see further on. He attempts to return to the unity of Marx's theory, which was split by twentieth-century Marxism, principally by developing the subject of the alienation of labor and by updating Marx's work.

Mészáros's reflections on the socialist transition are part of his proposal for formulating comprehensive change, with the goal of transcending the "social metabolism of capital." His theory seeks the qualitatively higher demands of the new historic form, postcapital (and not postcapitalist) socialism, where human beings can develop their "rich individuality." He uses the expression "postcapital" and not "postcapitalist" because, for example, while private ownership of the means of production was "extinguished" in the postcapitalist society of the Soviet Union, giving way to bureaucratic planning, a postcapital society should extinguish all the main dynamics of the production of commodities.⁹

In his introduction to Mészáros's book *Beyond Capital*, Ricardo Antunes observes that this Hungarian intellectual views capital and capitalism as distinct phenomena, and the conceptual identification between them is what led to the inability of all revolutionary experiences of the past century, from the Russian Revolution to the most recent attempts to build a socialist society, to overcome capital's system of social metabolism. He views capitalism as one possible form of the fulfillment of capital, or one of its historic variants.

Antunes also observes that Mészáros describes the social metabolism system of capital as powerful and all-encompassing, with its core formed by a triad: capital, labor, and the state – three fundamental aspects of the system, which are materially constructed and interrelated; he argues that it is impossible to overcome capital without eliminating all of its elements.¹⁰ With no limits to its expansion, the social metabolism system of capital is evidently uncontrollable.

As we will see in the following sections, Mészáros's theory revolves around the alienation of labor and the need to overcome it. For him,

humanity's alienation, in the basic sense of the word, signifies a loss of control: its embodiment in an external force that individuals confront as a hostile and potentially destructive power. When Marx analyzed that alienation in his 1844 manuscripts, he indicated four principle aspects of human alienation: from nature; from their own productive activity; from their species, the human species; and from each other. And he affirmed emphatically that that was not a "fatality of nature," but a form of self-alienation.¹¹

In other words, it is not a question of an all-powerful, natural, or metaphysical external force, but the result of a certain type of historical development, which may be positively altered by conscious intervention in the process of transcending the self-alienation of labor.¹² Let's take a look at his critique of ownership of the means of production.

The snail and its shell: a critique of ownership of the means of production

The socialist variant of solidarity economy is based on a critique, in some cases gentle and diplomatic, of ownership of the means of production, the accumulation of capital, and hetero-management. This approach views cooperativism and associativism as an amphibious formula – that is, transitory and never perfect – to create a society governed by associated producers.

One question frequently raised by researchers who are involved in workers' cooperativism and associativism is that of private property. For them, cooperativism is an intermediary form which should challenge – including within the framework of capitalism – private ownership of the means of production. Cooperativism and associativism should signify the restoration to workers of their means of subsistence. For self-managed Marxism, cooperativism partially challenges ownership of the means of production. However, one problem is evident: in the absence of a revolution that challenges the ownership of the means of production as a whole, cooperative ownership is reduced to being a marginal cell in a body dominated by large corporations.

Marx said that cooperativism, in contrast to the joint stock companies, had the potential to “reattach” workers to the means of production – like the snail to its shell. When he referred to changes brought about by manufacturing, he said, “In general, workers and their means of production were indissolubly united, like the snail and its shell; thus, the principal base of manufacturing was missing: the separation of workers from their means of production and the conversion of those means into capital.”¹³

Mészáros theorized about this historical question. He believed it was necessary to acknowledge that there are clear limits to workers' ownership in a context where there is no generalization of expropriations, and that the “expropriation of the expropriators” leaves the structure of

capital intact. Despite the fact that the question involves ownership of the means of production, Mészáros notes:

In fact, nothing is achieved solely with more or less easily reversible changes to property rights, as seen in many cases of the history of post-war “nationalizations,” “de-nationalizations” and “privatizations.” Legally-induced changes to property relations have no guarantee of success, even when they encompass the large majority of private capital, and that is even truer when they are limited to its bankrupt minority. What needs to be radically altered is the way the reified “micro-cosmos” of the individual workday is utilized and reproduced, despite its internal contractions, through the homogenized and balanced “macro-cosmos” of the system as a whole.¹⁴

What he is saying is that the fundamental question is “overall control of the process of labor by the associated producers, and not simply the question of how to subvert established ownership rights.”¹⁵

The “expropriation of the expropriators” is just a prerequisite; it barely signifies any change at all to the essence of the question: the need for overall control over the labor process by the associated producers. That may be seen, for example, in the case of the Russian Revolution, where the means of production were affected, but capitalist production relations were reproduced in a new package.

Workers’ cooperatives and associations are practical experiences in workers’ self-organization that can be fostered during a conjuncture of social transformation that anticipates the transcending of alienated labor.¹⁶ However, if workers’ cooperatives and associations remain separate from other struggles, they will either disappear or will survive with difficulty, but are unlikely to advance toward overall control of the labor process by associated workers.¹⁷ In the case of Brazil, cooperatives of resistance, formed in the heat of workers’ struggles, prefigure or show us some of the elements of a higher form of production based on collective labor and with a social meaning, where possibilities exist for overcoming the self-alienation of labor.

The central problem is the alienation of labor in the classic sense of the term. It exists as a function of capital, and workers are dominated, above all, by working conditions over which they have no power. The crucial point is that whatever improvements are made to wage rates or retirement benefits, working conditions as such – that is, control over the pace, conception, and the status of labor – remain outside of workers’ control.¹⁸

Evidently, when immersed in the capitalist mode of production, workers' cooperatives and associations will be unable to carry out the complete emancipation of the working class. But they do suggest certain changes as a result of their self-managed aspects.

Interpreting Mészáros, there may be elements of self-management in agrarian reform settlements, popular cooperatives, and recovered factories, but for these elements to gain force, a revolution is needed. In attempting to demonstrate the different possible forms of transformation for a given phenomenon – in our case, the existence of recovered factories and popular cooperatives – and without falling into a Manichean analysis, he is able to indicate the “lack of continuity in continuity” and “continuities in discontinuity”; that is, the advances and retreats that have characterized these transformations. Through that analysis, we are able to demonstrate how, although they produce significant transformations, recovered factories and popular cooperatives are unable to overcome the substance of the class-based exploitation and oppression inherent to the social relations of capitalist production.¹⁹

Let us look at the dialectic established by Marx when he addressed the question of cooperativism in the nineteenth century:

At the same time the experience of the period from 1848 to 1864 has proved beyond doubt that, however, excellent in principle and however useful in practice, co-operative labor, if kept within the narrow circle of the casual efforts of private workmen, will never be able to arrest the growth in geometrical progression of monopoly, to free the masses, nor even to perceptibly lighten the burden of their miseries. It is perhaps for this very reason that plausible noblemen, philanthropic middle-class spouters, and even keep political economists have all at once turned nauseously complimentary to the very co-operative labor system they had vainly tried to nip in the bud by deriding it as the utopia of the dreamer, or stigmatizing it as the sacrilege of the socialist. To save the industrious masses, co-operative labor ought to be developed to national dimensions, and, consequently, to be fostered by national means. Yet the lords of the land and the lords of capital will always use their political privileges for the defense and perpetuation of their economic monopolies. So far from promoting, they will continue to lay every possible impediment in the way of the emancipation of labor... To conquer political power has, therefore, become the great duty of the working classes.²⁰

The “conquest of political power” extolled by Marx should not be understood here in a mechanical way. For him, as for Mészáros, cooperativism and associativism should be inserted within a broader project for transforming society, which necessarily involves a political revolution.

To a certain extent, Marx praised the cooperatives in Rochdale, England. Note that he quoted the *Spectator* newspaper, which said that the Rochdale experience “‘showed that associations of workmen could manage shops, mills, and almost all forms of industry with success, and they immediately improved the condition of the men; but then they did not leave a clear place for masters.’ *Quelle horreur!*”²¹ For Marx, bourgeois political economy tried to make it seem as though the capitalists of the time were practically “indispensable,” natural, and eternal, and cooperativism was able to demonstrate in practice that society could be organized differently, without capitalists. The following excerpt from the *Manifesto of the International Workingmen’s Association* (1864) is more exact:

But there was in store a still greater victory of the political economy of labor over the political economy of property. We speak of the co-operative movement, especially the co-operative factories raised by the unassisted efforts of a few bold “hands” ... By deed instead of by argument, they have shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the existence of a class of masters employing a class of hands; that to bear fruit, the means of labor need not be monopolized as a means of dominion over, and of extortion against, the laboring man himself; and that, like slave labor, like serf labor, hired labor is but a transitory and inferior form, destined to disappear before associated labor plying its toil with a willing hand, a ready mind, and a joyous heart. In England, the seeds of the co-operative system were sown by Robert Owen; the workingmen’s experiments tried on the Continent were, in fact, the practical upshot of the theories, not invented, but loudly proclaimed, in 1848.²²

However, as Marx stated, if cooperativism is “kept within the narrow circle of the casual efforts of private workmen, [it] will never be able to arrest the growth in geometrical progression of monopoly, to free the masses, nor even to perceptibly lighten the burden of their miseries.”²³ The timeliness of that criticism is enormous when applied to the variant of solidarity economy that “forgets” the role of politics in the

construction of a new society. According to two important Marxist theorists on self-management:

Readers of *Self-management: a Radical View* will be convinced without effort that, for us, self-management should be understood in a general sense, and it can only come about through a radical revolution that transforms society in all dialectically-connected aspects of the economy, politics and social life.²⁴

Self-management: for a new social division of labor and a new type of participation in strategic decisions for society

The other main foundation of Mészáros's theory is the need for self-management as opposed to what is called hetero-management. For some, self-management means the reunification of the acts of conceiving and carrying out labor; the *Homo faber* becoming *Homo sapiens* again. For others, what distinguishes workers' self-management is the weight given to democratic assemblies (one member equals one vote).

This question takes us back to today's debate about what type of participation associated workers should have in a factory and in society in general. We should distinguish the "participationism" incited by capital from "authentic participation." History shows that the participationism proposed by capital has not diminished the power of management in capitalist enterprises. Likewise, it has not altered the control exercised by finance capital in this new stage of capitalism.²⁵

Some theories attempt to expose capital's new discourse about workers' participation in factories and its contrast with teachings about human emancipation. For Hirata, Quality Control Circles (QCCs) do not in any way represent "production controlled by the workers, but instead [informal] organization in small groups to discuss and resolve problems identified in the workplace." She says that the QCCs are at odds with self-management proposals "by their very nature, not just in form."²⁶

Efforts to achieve workers' participation, richer tasks, the QCCs, Kanban, and Kaizen are all strategies used by capital to attack the symptoms instead of the causes of alienated labor. Self-management does not come from this type of participation, but from the historic struggles of the working class in the nineteenth and twentieth centuries to have democracy in production and to build a society devoted to meeting human needs.

In that sense, self-management means retaking control over the labor process, the labor product, one's self, and human civilization.²⁷

"Managerialist" strategies seek to "reduce" workers' participation to the narrow/simple need to increase enterprise productivity, and with that, to facilitate the reproduction of capital.

However, variants that advocate cooperativism and associativism provide a new meaning for participation "within" the enterprise through the building of autonomous councils, and they add the need for participation "outside of" the enterprise itself (neighborhood assemblies, parliament, etc.). In short, they propose workers' participation in controlling society.

We should remember that for Tragtenberg, "authentic participation" is "where most of the population, through freely elected bodies that are articulated, are in a position to direct the labor process and to participate in decisions about the purpose of production and other meaningful aspects of social life."²⁸ Mészáros probably would agree with that.

Participation in freely elected bodies, with rotating duties, would be extraordinarily educational for workers.²⁹ The need to rotate posts and for those posts to be revocable are principles that are vital for self-management. They tend to prevent the bureaucratization of self-managed enterprises such as cooperatives, and prepare workers for controlling society.³⁰

For a radical restructuring of the productive forces

Unlike most twentieth-century Marxist authors, Mészáros does not view technology and science, etcetera, as neutral; therefore, he believes that when workers "inherit" the productive forces, they should concern themselves with radically restructuring those forces. For him, the liberating power of the productive forces "remains as mere potential given the self-perpetuating needs of capital."³¹ In the more specific field of technology, he says that its insertion is structured with the sole purpose of the "expanded reproduction of capital at any social cost."³²

His interpretation of the productive forces also can be seen in his book *The Power of Ideology*, when he criticizes Habermas and dialogues with Raniero Panzieri. According to Mészáros,³³ Habermas "caricatures Marx" by claiming that he "talks about neutral productive forces."³⁴ Based on the observations of Panzieri³⁵ – apart from other authors – about machines and capitalist rationality, Mészáros says that Marx knew very well that "in capitalist usage, not just the machines, but also the 'methods' and organizational techniques, etc., are incorporated into capital and confront workers as capital: as an external 'rationality.'"³⁶

Thus, any system is “abstract and partial, capable of being utilized in a hierarchical type of organization.”³⁷ According to Mészáros:

Marx would never have considered the productive forces as neutral, by virtue of their organic ties to the relations of production; therefore, a radical change in those relations, in societies that want to extirpate capital from its position of dominance, requires a fundamental restructuring and a qualitatively new course for incorporating the productive forces into socialist relations of production.³⁸

In his article “Surplus Value and Planning,” Panzieri says:

In response to the interconnection of technology and power carried out by capital, the perspective of an alternative use (by the working class) of machinery evidently cannot be based on the pure and simple reduction of the relations of production (of ownership), in which they are considered as a shell that is destined to disappear, to a certain level of productive expansion, simply because it became too small. The relations of production are contained in the productive forces, and the latter were “molded” by capital. That is what makes it possible for capitalist development to perpetuate, even after the expansion of the productive forces has reached its highest level.³⁹

When Mészáros calls attention to the fact that the “material conditions of production, as well as their hierarchical organization, remain exactly the same on the day after the revolution as they were before,”⁴⁰ he highlights the key concern we are addressing: capitalist technological forms, because of their high degree of inertia resulting from a long period of accumulation and powerful stimuli for their development, represent a significant challenge for qualitative sociopolitical change. This is why he believes that a radical transformation of the means and techniques of production is “a paradigmatic question for transition.”

According to Mészáros, immediately after the “expropriation of the expropriators,” it is not just the inherited material resources and production technology that remain the same, along with their ties to the given system of exchange, distribution, and consumption, but also, the organization of labor itself remains deeply entrenched in that hierarchical social division of labor, “which becomes the heaviest oppression inherited from the past.”⁴¹

In arguing that the issues of division of labor, alienation, and the “advance” of productive forces were addressed incorrectly, Mészáros

offers powerful foundations for criticizing most twentieth-century Marxist interpretations of science and technology. Perhaps it was because the Marxist Left concentrated its attention on short-term tasks, such as the working class taking power, state ownership of the means of production, and other immediate goals related to the transitional period, that it reduced the question of technology and science to mere “appropriation” of the productive forces engendered in capitalism by the proletariat, and its “best” utilization for building socialism.

Interpreting Mészáros, we can say that capital’s domination of labor has an essentially economic nature, and cannot be reduced to the question of taking power. Everything leads us to believe that qualitative transformations do not take place as a result of simple political change; instead, they are processes that involve a long period of “social revolution” through positive efforts at “regeneration.”⁴² But surely, Mészáros is not a fatalist and does not believe that we are in a blind alley, much less that we should return to the Middle Ages and begin all over again. He analyzes the question of the productive forces by placing them in a historical context, and demonstrates the errors of leftists who “forgot” this problem. However, he also points to the historical possibilities of “transcending the self-alienation of labor.”⁴³

Socialist planning of production

In the introduction to his book *The Power of Ideology*, Mészáros comments that the failure of Soviet planning – adopted throughout all of Eastern Europe – and with it the end of Soviet-type systems, came about as a result of the imposition of decisions from above, by a “separate” body. In fact, even planners were obliged to accept plans without any discussion. Moreover, the producers themselves were never really consulted, and merely participated in the annual ritual of their “enthusiastic approval.” Decisions also were authoritarian in the sense that it was impossible to review and modify predictions or assumptions upon which plans were based after they had been codified, generally with very painful consequences for those involved.

However, according to Mészáros:

Those who disregard the idea of planning by virtue of the Soviet implosion are very much deceived. The sustainability of a global order of socio-metabolic reproduction is inconceivable without an

adequate planning system, administered on the basis of substantive democracy by freely associated producers.⁴⁴

We should note that in his writings on the 1871 Paris Commune, Marx stated:

If co-operative production is not to remain a sham and a snare; if it is to supersede the capitalist system; if united co-operative societies are to regulate national production upon common plan, thus taking it under their own control, and putting an end to the constant anarchy and periodical convulsions which are the fatality of capitalist production – what else, gentlemen, would it be but communism, “possible” communism?⁴⁵

As Mészáros reminds us, “The real objective of emancipatory transformation is the complete eradication of capital as a totalizing method of control of the reproductive socio-metabolism, and not simply the displacement of the capitalists from their historically specific status of ‘personifications of capital.’”⁴⁶

He criticizes the cooperativist Left for failing to be concerned with promoting “double attacks” on capital’s socio-metabolic system. It is the “overall complex of socio-metabolic reproduction” that needs to be radically restructured, so that a qualitatively different and consciously controlled “macro-cosmos” can be created, based on the autonomous self-determination of qualitatively different “micro-cosmoses.”⁴⁷

We should note that for Marx, “the tyranny of circulation is no less wicked than the tyranny of production.”⁴⁸ According to Mészáros, the exchange relationship to which labor is subjected is no less enslaving than the separation and alienation of workers from their material conditions of production. In reproducing the established relations of exchange on a larger scale, labor merely multiplies the power of alienated wealth over it. And he continues, “The sad story of cooperatives in capitalist countries, despite their genuine socialist aspirations in the past, is eloquent in this sense.”⁴⁹

For Mészáros, if the inherited relations of exchange in postcapitalist societies are not radically restructured, then the strategy of subverting the property relations of private capitalism barely scratches the surface, and capital retains full control of the reproduction process, although in a different form. Likewise, nothing can be more absurd than an attempt to institute socialist democracy and the emancipation of labor based on the enslaving fetishism of “market socialism.”

For the people of Poland, in the context of the revolutions of the 1980s:

The self-management proposal meant direct workers' control of production, and therefore, of the economy. It was not merely control over the factories. It was insufficient for workers to elect their leaders at the factory level. That would represent the risk of creating what the Poles called "group property." It would mean transforming the workers of a given factory, from a given organization, into its owners, and thus have them defend their private interests against the more general interests of society.⁵⁰

According to Mészáros, institutionally reinforced alienation is merely a material prerequisite of the fragmentating and homogenizing capitalist organization of the labor process and of the complete subjugation of workers to capital. Workers remain odd or detached, trapped into controlling infinitesimal productive functions, and without any control over the distribution of total social production. In this sense, he believes that the possibility of change, including to the most simple and basic parts of the system of capital, implies the need for constantly renewed "double attacks," both on the "constitutional cells" or "micro-cosmoses" – that is, the way individual workers' workdays are organized in a given productive enterprise – and on the self-regulating "macro-cosmoses" and the self-renewing structural limits of capital as a whole.

For Mészáros, the "workers' councils" in enterprises have a mediatory and emancipatory potential for rationally solving workers' basic problems, their everyday concerns with housing and work, and major social life issues in line with their basic class needs. At the same time, he warns that workers' councils should not be considered as a panacea for all of the revolution's problems. However, without some type of genuine self-administration, the difficulties and contradictions faced by postrevolutionary societies can become chronic, and can even create the danger of a retreat to the production practices of the former system, even if those practices are under a different type of personal control.

I should note here that I do not believe it is advisable to salvage any state planning methods, even if we might have to recur to them in some instances. Instead, what is needed is the construction of totally new agencies and institutions, created by the workers with the goal of attaining "self-government by the associated producers."⁵¹

Moreover, Mészáros reminds us that in the past, when workers' councils have formed spontaneously amid major structural crises, they have tried to assume "precisely the role of possible self-administrator, in line with their self-imposed responsibility – which is implicit in and practically inseparable from that role – of carrying out the gigantic task of rebuilding, in the long term, the inherited social productive structure."⁵²

In theorizing about the dialectic of the parts and the whole, in addition to indicating the need for "double attacks," Mészáros refers to R. Luxemburg's criticism of Bernstein.⁵³ For her, the problem with cooperatives was not a lack of discipline on the part of workers, which is contrary to what Bernstein said. The contradiction for cooperatives is that they must govern themselves with the most extreme absolutism because their workers are obliged to assume the role of capitalist business owners, against their own interests. This contradiction explains the failure of production cooperatives that either become mere capitalist initiatives or, if the workers' interests continue to predominate, end up failing economically.

In that sense, we may interpret Mészáros's ideas when he refers to the need for "double attacks." That is, the need for coordinated control of production by means of a substantive producers' democracy, both in the enterprise and in all of society. In the case of recovered factories, that would be overall control over industry by the associated producers, not just over individual factories. Mészáros calls for workers' councils to play the role of effective material mediator between the old order and the long-desired socialist order.

According to Mészáros,⁵⁴ because the system of capital is a comprehensive and universal mode of control, it cannot be historically defeated without an equally all-encompassing socio-metabolic alternative. He states that when the vital controlling functions of that socio-metabolism are not effectively occupied and autonomously exercised by the associated producers, and are left to the authority of people in control who are separate from the producers – that is, a new type of personification of capital – labor itself continues reproducing the power of capital against itself, extending the domination of alienated wealth over society. He says that workers' councils and other forms of mediation have a crucial role in establishing "authentic planning." In this sense, all control mechanisms for the socio-metabolism should be progressively appropriated and positively exercised by the associated producers. If not, control over decisions about the production and distribution of social reproduction will remain under the aegis of capital.

Proposals to conciliate socialist principles with “market” mechanisms are not new; they were seen in Proudhon’s work. According to Mandel, Proudhon believed that it was a question of emancipating the worker/artisan from the domination of money (capital) without abolishing mercantile production and competition – a typically petty-bourgeois artisan illusion. While Proudhon is sometimes presented as nothing less than the father of the workers’ self-management concept, the impasse of “market socialism” seen in Yugoslavia since 1970 was potentially outlined in his ideas.⁵⁵

Lebowitz also criticizes market socialism and the impasse created in Yugoslavia:

Yugoslavia called its system of worker-management “self-management,” and it demonstrated that you don’t need capitalists – that enterprises can be run by workers through workers’ councils... But there was a problem in Yugoslav self-management that is implied in its name – “Self.” True, workers in each firm determined the direction of their enterprises *by* themselves. But, they also looked out primarily *for* themselves. The focus of workers within each firm was on their own self-interest... What was missing was a sense of solidarity with society... Instead, the emphasis was upon self-orientation, selfishness. In some respects, it was like the worst of capitalist mythology, the concept of “The Invisible Hand”: the idea was that if each collective follows its own self-interest, the society as a whole will benefit. In fact, the invisible hand in Yugoslavia operated to increase inequality, to break down the solidarity of society – leading, ultimately, to the dismembering of Yugoslavia.⁵⁶

Along the same lines as Proudhon, and perhaps because of the crisis unleashed by the failures of planning under “real socialism,” Brazilian solidarity economy researchers continue to propose a contradiction: the conciliation between the self-management of factories and the competition of the market, that is, between cooperation and competition.

Final considerations

Given that we are in a defensive moment, characterized by countless defeats for workers, it would be better to describe the current period as one of subsistence, or resistance, cooperativism. Few signs exist to date of forms of cooperativism and associativism that are capable of

overcoming labor that is alienated, without any social meaning, and stripped of social content.

This has to do with the historic context, characterized by the advance of social barbarism and, with respect to the Left, the absence of any radical project that goes beyond capital. In my opinion, cooperativism and associativism play a modest role, enabling groups of workers – principally those in the most precarious situations or the unemployed – to have the right to survival in a context of chronic unemployment and underemployment.

However, according to Mészáros, in an offensive context, cooperativism and associativism can play a role in overcoming alienated labor by expropriating the expropriators – reuniting the snail with its shell – and via overall coordination of production by the associated producers, with the goal of producing use-values and “developing the rich individuality” of human beings. He criticizes commodity-producing societies and foresees the construction of a society based on meeting human needs (use-values). In summary, self-management is the positive overcoming of the alienation of labor. That seems to be Mészáros’s contribution.

More generally speaking, the process of building a society beyond capital should encompass all aspects of the interrelationship between capital, labor, and the state. To conclude, Mészáros uses a fascinating quote from Goethe:

As in the case of Goethe’s father (albeit for very different reasons), it is not possible to demolish the existing building and build a completely new building in its place on totally new foundation. Life must continue in the propped-up building throughout the course of the reconstruction, “pulling out one floor after another, from the ground up, as if the new structure were being grafted, and in that way, even though nothing of the old house is left in the end, the whole new building could be considered merely as a renovation.”⁵⁷

In truth, the task is even more difficult. According to Mészáros, “The ruined wooden frame of the building also must be replaced, as humanity is gradually taken out of the dangerous structural framework of the system of capital.”⁵⁸

Notes

1. G. Holyoake, *Os vinte oito tecelões de Rochdale*, Rio de Janeiro: GB, 1933.
2. A. Guillerme and Y. Bourdet, *Autogestão: uma visão radical*, Rio de Janeiro: Zahar, 1976, p. 22.

3. M. Tragtenberg, *Reflexões sobre o socialismo*, São Paulo: Moderna, 1986, p. 8.
4. C. Nascimento, *Autogestão e o "novo" cooperativismo*, Brasília: Ministério do Trabalho e Emprego, 2004, p. 2.
5. István Mészáros, *Para além do capital*, Campinas: Unicamp/Boitempo, 2002.
6. I realize how difficult it is to read Mészáros work. For interpretations by some of his followers, see, for example, R. Antunes, *O caracol e sua concha – ensaios sobre a nova morfologia do trabalho*, São Paulo: Boitempo Editorial, 2005; and M. O. Pinassi, *Da miséria ideológica à crise do capital – uma reconciliação histórica*, São Paulo: Boitempo Editorial, 2009. In Latin America, Mészáros's work seems to be more "widespread" in Brazil and Venezuela, where his work has received many awards and is constantly quoted by President Hugo Chávez.
7. István Mészáros, *Para além do capital*, Campinas: Unicamp/Boitempo, 2002.
8. István Mészáros, *La rivolta degli intellettuali in Ungheria*, Turin, Einaudi Publishers, 1958.
9. Ibid.
10. For example, for his criticism of the state, see Mészáros, *Produção destrutiva e Estado Capitalista*, 2nd edn, São Paulo: Ensino, 1989, and *Para além do capital*, Campinas: Editora da Unicamp Boitempo, 2002. This is an issue that was not addressed in this chapter. Many other subjects that comprise Mészáros's complex and all-encompassing work, such as the inseparability of the military-industrial complex and the socio-metabolism of capital; the issue of gender, class, and individual; the question of national; and so on were addressed by him in *O poder da ideologia*, São Paulo: Boitempo Editorial, 2004.
11. Mészáros, *Marx: A Teoria da Alienação*, 4th edn, Rio de Janeiro: Zahar, 1981, p. 9.
12. Mészáros, *Para além do capital*.
13. Antunes, *O caracol e sua concha*, p. 38.
14. Mészáros: *Para além do capital*, p. 629.
15. Ibid., p. 628.
16. Ibid.
17. Ibid.
18. M. Tragtenberg, *Administração, poder e ideologia*, 3rd ed., São Paulo: Unesp, 2005.
19. H. T. Novaes, *O fetiche da tecnologia – a experiência das fábricas recuperadas*, São Paulo: Expressão Popular-Fapesp, 2007.
20. Karl Marx, *Instruções para os Delegados do Conselho Geral Provisório. As Diferentes Questões (1866)*, Lisbon: Avante, 1990, p. 521.
21. Marx, *O capital*, Vol. 2, São Paulo: Nova Cultural, 1996, p. 381.
22. Marx, *Instruções para os Delegados do Conselho Geral Provisório*, p. 7.
23. Ibid., p. 521.
24. Guillerme and Bourdet, *Autogestão: uma visão radical*, p. 18.
25. Tragtenberg, *Reflexões sobre o socialismo*.
26. H. Hirata, "Transferência de tecnologia de gestão: o caso dos sistemas participativos," in R. M. Soares, *Automação e Competitividade*, Brasília: IPEA, 1990, pp. 135–48.

27. Mészáros, *Para além do capital*.
28. Tragtenberg, *Reflexões sobre o socialismo*, p. 30.
29. J. Bernardo, "A autonomia das lutas operárias," in L. Bruno and C. Saccardo, *Organização, trabalho e tecnologia*, São Paulo: Atlas, 1986.
30. This subject and others related to "education" were addressed by Mészáros in his book *La educación más allá del capital*, Buenos Aires: Siglo XXI/Clacso, 2008.
31. Mészáros, *Para além do capital*, p. 786.
32. R. Dagnino and H. T. Novaes, "As forças produtivas e a transição ao socialismo: contrastando as concepções de Paul Singer e István Mészáros," *Organizações & Democracia* 7 (2007): 35–57, 54.
33. Mészáros, *O poder da ideologia*, São Paulo: Boitempo, 2004, p. 519.
34. J. Habermas, *Autonomy and Solidarity: Interviews with Jürgen Habermas*, London: Verso, 1986, p. 91.
35. R. Panzieri, "The Capitalist Use of Machinery: Marx Versus the 'Objectivists,'" in P. Slater, *Outlines of a Critique of Technology*, London: Ink Links, 1980.
36. Mészáros, *O poder da ideologia*, p. 519.
37. Ibid.
38. Ibid.
39. R. Panzieri, "Mais-Valia e Planejamento," in M. Tronti et al., *Processo de trabalho e estratégias de classe*, Rio de Janeiro: Zahar, 1982, pp. 60–87, 66.
40. Mészáros, *Para além do capital*, p. 575.
41. Ibid., pp. 596–7.
42. Ibid., p. 865.
43. Ibid.
44. Ibid., p. 15.
45. Marx, *O capital*, p. 225.
46. Mészáros, *Para além do capital*, p. 780.
47. Ibid.
48. Marx, *Instruções para os Delegados do Conselho Geral Provisório*, p. 655.
49. Mészáros, *Para além do capital*.
50. L. C. Bresser Pereira, "A revolução autogestionária na Polônia," in R. Venosa, *Participação e participações: ensaios sobre autogestão*, São Paulo: Babel Cultural, 1987, p. 108.
51. H. T. Novaes, "Qual autogestão?" in *Revista da Sociedade Brasileira de Economia Política* 22 (June 2008): 7–31.
52. Mészáros, *Para além do capital*, p. 457.
53. Rosa Luxemburg, *Reforma ou Revolução?* São Paulo: Expressão Popular, 1999.
54. Ibid.
55. E. Mandel, *O lugar do marxismo na história*, São Paulo: Xamã, 2001, p. 70.
56. M. Lebowitz, "Constructing Co-Management in Venezuela: Contradictions along the Path," paper presented at the National Meeting of Workers for the Recovery of Enterprises, Caracas, Venezuela, October 22, 2005, <http://mrzine.monthlyreview.org/2005/lebowitz241005.html>.
57. Mészáros, *La educación más allá del capital*, Buenos Aires: Siglo XXI/Clacso, 2008, p. 804.
58. Ibid.

Part III

Cooperatives in Other Countries

7

Mondragón: The Dilemmas of a Mature Cooperativism

Larraitz Altuna Gabilondo, Aitzol Loyola Idiakez, and Eneritz Pagalday Tricio

The Mondragón cooperative experience began in the 1950s, in the town of the same name in the Alto Deba region of Guipúzcoa, in the Basque Country. Created by a small group of people, it is now one of the best-known and most influential cooperatives in the world. Over five long decades, its essence has been the development of a group of cooperatives that are democratically organized, with an outward projection of social commitment.

The Mondragón Group is made up of more than a hundred enterprises in four areas – industry, finance, distribution, and knowledge – in a complex and unique network of intercooperation. In 2009, the group as a whole accounted for 3.5 percent of the Basque Country's GDP and 7.1 percent of its industrial GDP. It created a total added value of 2.284 million euros.

Mondragón employs more than ninety thousand people and a little over one-third of them are cooperative members (32.8 percent in 2008). The percentage of members is much higher in the industrial, financial, and educational sectors.¹ With respect to geographic distribution, the large majority of members work in the Basque Country, where the head offices of the primary cooperatives are located. However, this is a changing situation, given that the group's Eroski supermarket chain, which is very labor-intensive, recently invited all of its employees in Spain to be cooperative members.

Beyond these figures, Mondragón represents more than 50 years of experience in cooperativism, and it has reached a state of vital maturity. From the very start, it has been an original, unique case, despite the fact that it was never intended to be a major alternative or even a model; it simply has tried to be different, as a unique and valuable experiment. It is the result of making things happen by doing them, a reality that has

sculpted its different forms and textures in the process of practice and experimentation.

In the world of cooperatives, Mondragón is an example of the objective advantages associated with maturity: the skill acquired from having developed amid changing circumstances and realities; the confidence and security needed to take risks and innovate; the learning that comes with past errors; the strength and balance associated with a system of intercooperation built over many years; the functioning of a body with a consolidated metabolism; and the development of its own economic and organizational intelligence. However, it is also an example of the weaknesses, difficulties, inertia, and loss of energy that are associated with maturity. These are elements that provide clues for understanding the trajectory and reality of this case, and they are useful in rethinking other cases elsewhere in the world.

Origins of the Mondragón cooperative

The creation of the first cooperative in 1955 was rooted in events that took place decades earlier. The military rebellion of July 18, 1936, against the Spanish Second Republic triggered the Civil War, which lasted three years and ended with the formation of the Franco regime (1939–75).

The main inspiration for the Mondragón cooperative experience was Father José María Arizmendiarieta. When he arrived in the town of Mondragón in 1941, he found evidence of the war everywhere: thousands were dead, in prison, or in exile, destroying many families; the community was divided into the victorious and the vanquished; the people had been morally and economically destroyed; and the overall situation was widespread poverty. Arizmendiarieta sparked collective action that was transformative, rebuilding a cultural identity that had been reduced, depleted, and stigmatized. The educational process that he instituted produced a needed flow of ideas for guiding cooperative action.

In fact, education was one of Arizmendiarieta's top concerns. From his arrival in Mondragón until the creation of the first cooperative, he devoted himself completely to education, viewing it as the most important tool for transforming people's awareness and shaping their identity. He used every opportunity to train and guide those around him, including study groups, the pulpit, the confessional, Catholic Action activities, and the classes he taught at the School of Apprentices and subsequently at the Professional School.

Arizmendiarieta persevered in his efforts to extend that education to all of society, with the conviction that socializing knowledge

democratizes power.² He also proposed a new education system, saying that “workers cannot be emancipated: they only can and should emancipate themselves.”³ To achieve that objective, he advocated comprehensive education, combining professional or technical training with the formation of social and moral values.

Concepts about business, people, and society that were championed by Arizmendiarieta clashed sharply with the operations of the Unión Cerrajera, the largest business in Mondragón at that time. The young people who were closest to the circle around Arizmendiarieta felt uncomfortable working at that company, which operated under a hierarchical, rigid system that ruled by the maxim, “The children of peons should continue to be peons, and the children of engineers, engineers.”⁴ Arizmendiarieta’s young followers believed in justice, not the paternalism that was being offered to them, and they tried to steer the Unión Cerrajera toward the ideas of co-ownership and solidarity.

They soon realized that it was impossible for them to carry out a program of innovation in a business of that type, and in 1956 five young men decided to quit the Unión Cerrajera and lead a new project. Their working-class background was no obstacle, because a hundred residents of Mondragón contributed capital or acted as guarantors to finance initial investments.

The new company was called Ulgor (today it is Fagor Electrodomésticos), taking its name from the initials of the surnames of the five founders – Luis Usatorre, Jesús Larrañaga, Alfonso Gorroño goitia, Jose María Ormaetxea, and Javier Ortubay. This humane business initiative was as unique as it was uncertain. Ulgor began producing kerosene stoves, and in a short time, it was producing its own model: the Maite, under the Fagor brand. While it was not the best-functioning stove, it sold so well that the firm ended its first year of operations with a profit. This immediate success was crucial because more than a simple business project was at stake: the Ulgor founders were challenging basic structures of traditional capitalist enterprise, along with the *modus operandi* of the whole business class. In short, they were testing an alternative model. Moreover, they were obligated to respond conscientiously to the trust placed in them by their investors and other Mondragón residents who provided support.

From the start, Ulgor produced a very diverse set of products. The business progressively expanded, and by 1958, included areas ranging from home appliances and electronics to foundry activities and automobile accessories. Its growth was spectacular, bringing an increase in the number of facilities, sales, and cooperative members. The number of

members went from 24 in 1956 to 228 in 1960, when sales exceeded the equivalent of 685,000 euros. Also, the autarkic market, heavily intervened by the Franco dictatorship, helped to create sufficient demand to absorb everything that was produced, a circumstance from which the cooperativists benefited.

Ulgor's early years were fundamental not only for its economic expansion but also for the internal organization of its cooperatives. Concepts like solidarity, labor sovereignty, and internal democracy became rooted; these social ideals were made concrete in organizational mechanisms that were applied in practice.

Likewise, Ulgor was the mold for other industrial cooperatives and entities that were essential to cooperative development in the region. For example, Ulgor directly contributed funds and leadership personnel to promote the People's Labor Bank, the Professional School, and Lagun Aro,⁵ and it participated actively in the creation of Ikerlan, a research center. The group of cooperatives that now makes up Mondragón, with Ularco as the first expression of integration among cooperatives, also had its roots in Ulgor.

Far from being limited to proclaiming and experimenting with cooperative ideals internally, Ulgor had a decisive role in the creation and subsequent development of many other cooperative initiatives. In the context of the suffocating circumstances created by the dictatorship, cooperatives were able to provide decent jobs, respect for human equality, democratic ideals, shared ownership, and acceptable income.

During its early years, the cooperative movement grew rapidly in the region: 47 cooperatives were created between 1956 and 1975. According to what most founders have said, the economic environment during that era significantly facilitated the success of new business initiatives, making it relatively uncomplicated for a new enterprise to get off to a good start.

Along with economic viability, cooperative activities during these early years also demonstrated a willing spirit for building a movement to create cooperatives that provided not only employment but also savings and education as part of a broad plan for social transformation. That comprehensive perspective also was projected in efforts to bring improvements to the region as a whole, including health, education, and housing infrastructure, to ensure a better quality of life for local residents.

Here it is worth noting that the Mondragón cooperative experience was not initiated out of any previously designed program. Cooperative legal status was a means to an end, not an objective in and of itself.

The legal concept of a cooperative was a response – one of a number that were possible – that was found in the face of the need to create a business model based on human beings.

The conflict between capital and labor was the fundamental contradiction of industrial society in the past century. Cooperative action, inspired by the ideas of self-management, was an attempt to respond to that conflict. It was directed at a structural transformation of capitalist business, which is at the heart of an unequal battle between the two historic subjects of modern capitalism: the capitalist class and the working class.

However, Arizmendiarieta's ideas pointed to horizons that were even more ambitious. He believed that the concept of enterprise itself needed to be transformed, not just its power structure: enterprise based on community development and social justice, and an economy based on human beings. Moreover, this transformation was to be conceived as a lever for creating another type of society, one that was increasingly self-managed and self-constituted. Enterprise was part of a path toward increased citizen self-government, both in business and in other areas of social life. This view, held by the founders of Mondragón, was reflected especially in the eight cooperative principle of social transformation.⁶

Overcoming isolation: keys to Mondragón intercooperative structure

Mondragón's intercooperative structure greatly interests outside observers. This is not surprising, because there are very few cases of associated workers' cooperatives⁷ that are able, on the basis of the *association* or *integration* of various cooperatives, to achieve the structure of a business group with cooperative parameters. In the case of Mondragón, the group's size and importance make it even more interesting.

From the formation of the first cooperative group, Ularco, to the Mondragón Group's current organizational configuration, intercooperative articulation has been directly associated with social innovation. It is a system that was built endogenously, using very few external references. Arizmendiarieta showed enormous vision in understanding that the association of cooperatives was a matter of utmost importance, not just for tactical, organizational, or business strength, but also for the very survival of the cooperative project.

Intercooperation has led to the convergence of effectiveness and solidarity, a sense of responsibility and practical utility, collective interest, and pragmatism. Basically, it is an instrument of solidarity among

cooperatives, a lever for community development, and a powerful defense mechanism in periods of crisis like the current one. It is not conceived as a finished system: its form, scope, and traits come out of daily, dynamic practice.

From a historic perspective, the process of intercooperative integration or structuring could be divided into three major stages: the first includes efforts by the People's Labor Bank to build unity and the creation of the local groups (*Grupos Comarcales*); the second spans reflections on super-structural entities and the constitution of the Mondragón Cooperative Group; and the third covers the period that began with the creation of the Mondragón Cooperative Corporation to today.

The People's Labor Bank

After the constitution of the first industrial cooperatives, the 1959 founding of the People's Labor Bank (*Caja Laboral Popular*), a credit cooperative, came about through Arizmendiarrrieta's personal efforts. He understood very clearly the need to create a cooperative credit association – which began operating without any support – and he was confident that cooperative members would appreciate its importance.

And that is what happened. Within a few years, the People's Labor Bank became a key part of the cooperative movement. Not only did it help create a financial structure for the movement, but it also involved most of the cooperatives. Initially, it fulfilled three basic functions: collecting funds for investment, social welfare, and cooperative unity.

All existing and newly formed cooperatives joined the Labor Bank by means of an association contract. These *associated* cooperatives benefited from the bank's financial resources; in turn, they were obliged to deposit their surplus funds in it exclusively and to comply with its cooperative principles. Moreover, they had to comply with relatively homogeneous economic principles related to the distribution of surplus, decisions related to the Social Works Fund (*Fondo de Obras Sociales*), initial contributions by members, cooperative returns,⁸ and maximum interest on capital, etcetera.

The associated cooperatives did not constitute a group as such, because there were no organic ties among them. Although they had the same social status and similar operating systems, modeled by the Labor Bank, their relationships were based on belonging to the same credit union. The formula for that incipient group was very simple: each cooperative managed its own affairs, with the financial and management support of the Labor Bank, and all associated cooperatives participated in the bank's general assembly with equal voice and vote.

During this early period, the statutes of recently created cooperatives placed great importance on the reinvestment of surplus, laying the foundations for a continuous expansion of the cooperative project. Advances⁹ were limited to the regional average wage; members received fixed interest on the individual capital they contributed (generally lower than market rates, but higher in crises like the current one), and surpluses were almost completely capitalized, except for the 10 percent allocated to the Social Works Fund. It was essential to reinvest in the cooperative itself, but also to channel part of the profits into society, to be able to foster the development of a community with many needs, and to break the vicious cycle that dictated that manual workers' children would be manual workers, and engineers' children would be engineers.

Ulgor, the first local group (*Grupo Comarcal*)

In 1964, four cooperatives that brought together Arizmendiarieta's closest collaborators formed the Ularco Cooperative Industrial Complex (*Grupo Fagor* as of 1986). The goal was to consolidate industrial cooperatives in a specific geographic area by sharing common services and practicing the principle of intercooperative solidarity. Over time, intercooperative solidarity came to mean the creation of instruments such as surplus conversion,¹⁰ the absorption of labor surplus,¹¹ and the creation of common bodies of governance and control. The organic structure of this complex was based on the organizational model of primary cooperatives.

The Ularco group gradually laid the foundations for more coordinated and unified operations by member cooperatives. One of its main virtues was to achieve uniform and systematic management; the four cooperatives began with the same accounting and fiscal criteria for comparing their outcomes and surplus, etcetera.

While Ularco was well-received, it did not spread to other local communities (*comarcas*) until 1977. In the context of the political transition from the Franco regime and a dramatic economic crisis, it was decided – on the initiative of the Labor Bank – to generalize the experience and unite the remaining cooperatives in local groups. It was considered that this association into groups would provide a better economic, social, and business perspective. One evident result of this process of convergence was that the cooperatives were able to better withstand economic cycles and market fluctuations.

The focus on local integration was not motivated by technological or market synergies, but by intercooperation in the social/business area

and in the redistribution of economic surplus among cooperatives that were geographically close. From a social standpoint, the local groups effected a major achievement: they channeled cooperative promotion into local development; facilitated the intercooperative relocation of members; homogenized labor norms and economic conditions using surplus conversion; and fostered solidarity in the distribution of members' advances. Likewise, a number of centralized services were created to address needs common to all of the cooperatives: promotion, economic/financial analysis, and personnel management. In addition, joint policies and strategies were coordinated, available surplus was redistributed, and the creation of cooperative employment was fostered.

The congress of cooperative groups and the general council, common superstructural organs

The crisis of the 1980s heavily affected the Mondragón cooperatives. The regional cooperative group was producing positive results, but it began to be evident that further reflection was required on its future as a group. The local groups were viewed as an "archipelago" of cooperatives. Their weak organization was an obstacle to achieving greater interaction.

In fact, discussions on the need for closer ties among cooperatives led to initiatives for going beyond local boundaries. At the time, Spain's entry into the European Union was approaching, bringing more opportunities and the risks associated with larger, more solvent competitors. The cooperatives had to be technologically competitive, which required collaboration and economies of scale.

Beginning in 1982–83, discussions on the local groups' future focused on the creation of common superstructural entities. For example, one proposal was to create a single emergency fund for all of the groups, for dealing with crisis situations, the intercooperative Solidarity Fund (*Fondo Intercooperativo de Solidaridad*, FISO). Likewise, the groups examined new challenges in the areas of technology, cooperative training, and common research, and came to a clear conclusion: it was necessary to create new superstructural bodies.

In 1982, the foundations were laid for the creation of the Congress of Mondragón Cooperatives and the General Council in 1984, the first two superstructural bodies that were common to all of the cooperatives in the local groups.

- The congress united representatives of all of the cooperatives that were part of the local groups. It was a political body, and its purpose

was to maintain, perfect, and promote the basic elements of the Mondragón Cooperative, meaning the best practices and beliefs of the cooperative complex.

- The General Council was an executive body that managed the group comprising all of the cooperatives. It was the equivalent of the individual cooperatives' executive councils or "boards of directors."

In late 1987, the First Congress of Mondragón Cooperatives Associated with the Labor Bank was held. The congress approved basic cooperative principles, executive pay, and regulations for dealing with social capital and the Intercooperative Solidarity Fund (FISO). During the years that followed, debate continued about the group's organization, changes in the market, and Spain's entry into the European Union.

The sectoral groups

The formation of the Sectoral Groups occurred in parallel with the institutionalization of the General Council and the Congress of Cooperative Groups. Both processes were guided by the same view of intercooperation and relations among cooperatives.

In the local groups, relations among cooperatives were weak and uneven. No real joint strategy existed because joint work was hindered by the diversity of the cooperatives' markets, products, and technology. After a decade of discussion and debate on their organizational model, most of the groups decided to carry out an organizational transformation.

Mondragón cooperative corporation

The Third Cooperative Congress, held in 1991, brought a new stage in intercooperative relations with the approval of a new organizational project, the Mondragón Cooperative Corporation (*Mondragón Corporación Cooperativa*). This new project authorized the gradual replacement of local groups with sectoral groups that covered all of the cooperatives and that had unified operational and management leadership bodies.

The new corporation was formed as a federation, with the legal status of a partnership (*sociedad civil*).¹² Its bodies made strategic decisions, but had no say in the internal affairs of individual cooperatives. This change brought more centralized and coordinated management, sacrificing in part the sovereignty of the individual cooperatives, which until then had operated with total autonomy in defining medium- and long-term policies.

With the organizational structure that came out of the third congress, all cooperatives had to join a sectoral group.¹³ The sectoral groups, which were constituted as second-tier cooperatives, were divided into divisions that were based on sectoral, technical, or production similarities. Given the wide range of activities, four divisions were organized: finance, industry, distribution, and knowledge. In the industry division, there are 12 sectoral groups, bringing together cooperatives whose main activities are the production of auto parts, heavy machinery, construction, and the like.

Mondragon's organizational structure

The Mondragón Group was designed as an inverted pyramid. The cooperatives are at the top, and hold sovereignty; the sectoral divisions are in the middle (home products, machine and tools, equipment, construction, components of automation, etc.); and the corporate center is at the vertex.

Since 1991, the Mondragón Group has had three vitally important bodies: the Cooperative Congress, the Permanent Commission, and the General Council.

The Cooperative Congress is the body that determines the guidelines that govern the group's activities, based on the main principles of the Mondragón Cooperative. The congress plays the same role as the general assemblies of the first-tier cooperatives (see [Figure 7.1](#)), and is made up of representatives from the first-tier cooperatives; the number of representatives depends on the size of the cooperative and its sector. Following cooperative principles, each representative has the right to one vote, and decisions are generally reached by a simple majority. The congress meets at least once a year.

The Permanent Commission of the Congress, as indicated by its name, was created to operate between congresses; for that reason, it operates on the basis of delegation by the congress, with the goal of obtaining maximum business efficiency. Its tasks are similar to those of the governing councils of first-tier cooperatives (see [Figure 7.1](#)), which is why it represents the Mondragón Group on any issue, with delegated powers and full responsibility. The Permanent Commission is made up of representatives who are elected by the governing councils of the different divisions. Its basic tasks are to promote and control the implementation of policies and agreements adopted by the congress, the entrepreneurial evolution of the Mondragón Group, and the management of the General Council's presidency.

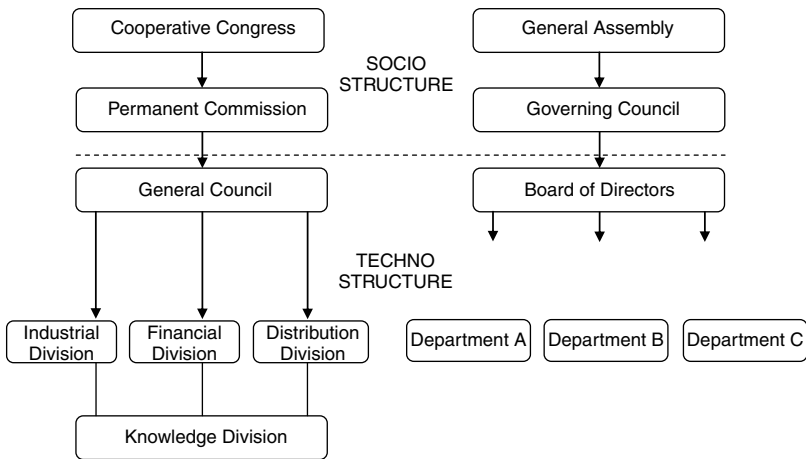


Figure 7.1 Organizational structures of the Mondragón Group (left) and one of its first-tier cooperatives (right)

The Mondragón General Council is the leadership and coordination body for all of the cooperatives that make up the Mondragón Group, similar to the boards of directors of first-tier cooperatives (see Figure 7.1). The General Council has 12 members and is led by a president, who is appointed by the Permanent Commission. The other members are executives from Mondragón's divisions and of the main departments of the corporation whose duties include drawing up and implementing strategic definitions and corporate objectives for industrial, financial, investment, and socio-labor policies, etcetera.

Intercooperation mechanisms during recessions

Intercooperation mechanisms operate at different levels: first-tier cooperatives, divisions, and supporting bodies, such as the Labor Bank and Lagun Aro and the corporation. As noted previously, many of these mechanisms are activated and tested during periods of economic recession. The convergence of collective interests, represented by the cooperative – whose main lines are defined by the continuity of the social/entrepreneurial project itself – and its members' individual interests set the boundaries of the field of action for intercooperation mechanisms (Table 7.1).

Table 7.1 Summary of intercooperation mechanisms

Entity	Concept	Description
Cooperative enterprises	Capitalization of surplus to strengthen their resources	Capitalize surplus without any possibility of reimbursement New contributions
	Retributive policy	Reduce advances Capitalize extra pay
Sectoral groups	Rationalization of surplus	Transfer of resources (shared surplus and losses)
	Relocation of workers as a priority measure	Transfer redundant members to other cooperatives (group and cooperatives share expenses and unemployment assistance program)
Lagun Aro	Employment assistance services	Professional retraining
		Effective unemployment
		Partial (or reduced schedule) unemployment benefits
		Benefits for definitive unemployment solutions
		Preretirement ^a
Labor Bank	Solidarity measures ^c	Indemnity ^b
		Financial recomposition (reinstatement of capital by members)
		Reduction of interest rates
	Interventions (Entrepreneurial Division, Intervention Department) ^d	Reduction of credit costs
		Cancellation of debts
		Takeover of leadership to design a reorganization plan
		Restructuring:
		Product
		Manufacturing
		Distribution
		Organization
		Change in executives

Notes: ^aThis applies when the following requirements are concurrently met: when the cooperative to which the members belong has been declared in structural unemployment; when those older than 58 but younger than 65 are difficult to relocate and have received unemployment benefits for a minimum of 12 months. From the date of anticipated retirement and until they turn 65 years old, the cooperative members receive 60 percent of their usual remuneration plus 100 percent of what they would have paid in social security. Once they reach the age of 65, those benefits expire, and the members begin to receive a regular pension.

^bCooperative members may receive indemnity benefits when the following requirements are concurrently met: when the cooperative to which the members belong has been declared in structural unemployment; when the member-workers have not yet reached the age of 58; when they have paid into Lagun Aro for at least two years; and when they are difficult to relocate. The amount of the benefits depends on the number of years they have paid into Lagun Aro.

^cThese measures were applied specifically during the crisis of the 1980s. During the current recession, the Labor Bank also has been directly affected, resulting in the fact that for the first time, and contrary to the case in the 1980s, cooperatives in the industry and distribution areas do not have the bank's support.

^d Today, this function depends on the group's central corporate offices.

While cooperative values, principles, and symbols are expressed in duly standardized procedures, it is the first-tier cooperatives' general membership assemblies that decide to what extent they are willing to sacrifice their own interests for the benefit of the cooperative enterprise. This may include reducing advances, giving up extra pay, larger contributions to capital, and the capitalization of surplus, etcetera. In any case, the general guideline in times of recession is to subordinate the retributive policy to maintaining jobs and enterprise profitability.¹⁴ With respect to employment, the general policy designed by Lagun Aro tends to socialize its effects by relocating members or other complementary measures, which reduces the cost of unemployment coverage outlays and the psychological impact, and reinforces the practice of solidarity.

Intercooperative funds

One of the most important aspects of Mondragón's organizational restructuring is the possibility of a more homogeneous, solidarity-based distribution of surplus for implementing individual and collective projects by cooperatives and their surrounding communities. In addition to fostering job growth and a more equitable distribution of wealth, cooperatives have invested large sums of money in diverse funds. These funds, in their turn, have helped to promote initiatives for economic and social development, both in cooperatives' immediate communities and elsewhere.

Traditionally, cooperatives have contributed to two funds: the Central Intercooperation Fund (*Fondo Central de Intercooperación*, FCI), formerly the FISO, and to the Intercooperative Education and Promotion Fund (*Fondo de Educación y Promoción Intercooperativa*, FEPI). In May 2003, during the Eighth Congress of the Mondragón Cooperative, a third intercooperation fund was created: the Corporate Solidarity Fund (FSC).

The FCI is a solidarity-based business management tool for allocating corporate resources to top-priority cooperative projects. Every year, all member cooperatives provide the FCI with the equivalent of 10 percent of all gross "positive" net revenue from the previous fiscal year. The Labor Bank provides more: up to 20 percent of surplus from the previous fiscal year.

The FCI plays an important role in supporting cooperatives that may be going through difficult times, subsidizing up to the equivalent of 20 percent of annual losses after situating their level of workers' pay at 90 percent of the corporate benchmark.¹⁵

The FEPI, for its part, receives its funds from another contribution that is paid into by all first-tier cooperatives for this purpose, the Mandatory Contribution for Cooperative Education and Promotion (*Contribución Obligatoria para Educación y Promoción Cooperativa y otros fines de interés público*, COFIP). Twenty percent of the total paid into the COFIP goes to the FEPI. The Labor Bank contribution to FEPI is 43 percent (after deducting the effects of the FCI's contributions to the final destination). The FEPI uses funds to finance the following:

- Socio-cooperative and professional training for increasing the capacities of technicians, executives, and members of member cooperatives and related schools.
- Research and development, channeled toward group entities that are related to or specialize in these activities, such as Mondragón Unibertsitatea, and concrete projects of interest.

Lastly, the FSC is specifically for the Industrial Area Cooperatives (all of the industrial divisions). Its purpose is to partially cover losses that may be incurred by that division's cooperatives, and, to do so, it is provided with 2 percent of member cooperatives' gross positive income. Some describe it as an "insurance policy" for dealing with adverse situations. In any case, cooperatives with losses are obliged to rectify their situation using other mechanisms, so that some cooperatives do not end up financing the shortfalls of others on a continual basis.

Apart from the abovementioned corporate funds, first-tier cooperatives that end the fiscal year with a positive balance must, by law, pay 10 percent¹⁶ of after-tax surplus toward cooperative education and promotion and other public interest purposes (COFIP). Thus, the COFIP not only funds the FEPI, as mentioned previously, but also projects administered by individual cooperatives. Those funds have been used in different ways, depending on each cooperative, but historically they have been prioritized for activities and projects related to education, the Basque language, and Basque culture, along with diverse social programs such as rebuilding a chapel, a local soccer team, local NGOs, and development aid, etcetera.

The debate over solidarity

The general value of solidarity has been institutionalized in Mondragón via clear procedures, codes, and regulations: different common funds for promoting social, educational, and cultural activities; mechanisms

for support and aid among cooperatives; pay scales that promote greater economic equality and a better distribution of wealth; and so on. However, in recent years, direct, personal, and essentially vital solidarity has been giving way to bureaucratically administered solidarity.

The spirit of cooperative solidarity should appeal to a sentiment that goes deeper than exercising forms of institutional solidarity. In the opinion of some cooperativists: "Solidarity should have a cost for the soul and the pocket. That kind of solidarity, involving individual effort and the acceptance of individual limitations for the benefit of others, has lost force. That cost is not being felt today, or seems to be more difficult for people to experience. Sacrifices are left to the institution. A moral language based on one's duties to others seems to have been partially replaced by a language based mostly on rights.

This loss of direction may be explained in great measure by changes that have taken place in the cooperative social structure: the warmth of emotions in a context of intimate relationships has been replaced by the coldness of a large business conglomerate. In its early days, the Mondragón cooperative world was a small community with closely knit social relations. Today, it is a complex system, with social differentiations and a much more advanced organizational architecture. The size of the cooperative society itself has grown constantly over its more than 50 years of existence, and it has gone from being a community of a few dozen workers and a single cooperative to an elaborate social network of more than ninety thousand people (including members and wage workers) and a complex of more than a hundred businesses.

Geographic concentration has given way to geographic dispersion. The social structure is different; because social functions are highly specialized, social relationships have changed. These are fundamental quantitative and qualitative transformations.

Potentials of Mondragón cooperativism in the twenty-first century

In short, what does the Mondragón cooperative case contribute to other realities? As we have mentioned previously, the heart of this experience – and its most interesting aspect – has been the creation of a socially committed model of business democracy. Internally, the Mondragón cooperatives provide a model of democracy based on their members' sovereignty and commitment. Externally, their interaction with

the rest of society is based on social responsibility. These have been the core characteristics of the Mondragón cooperatives since their founding.

The Mondragón cooperative has achieved an interesting balance between individual and collective interests. They comprise a business model based on the sovereignty of human beings, recognizing both individual interests and the cooperative's collective interests. As a business formula, it has the potential for developing a model of integral participation, including both everyday management and strategic institutional decision making.

Moreover, in contrast to capitalist businesses, cooperatives are deeply rooted in their social environment. Cooperative members live in the community, and because they are tied to that community, they have a commitment to its economic, cultural, and social development. These potentials (a balance between individual and collective interests, integral participation and community roots, or social commitment to their surroundings) make Mondragón's cooperatives a tremendously stimulating reference when attempting to understand business organization in the future.

Nevertheless, Mondragón also has its contradictions, and it has major challenges for the present and the future.

Challenges for the Mondragón cooperative

In recent decades, as the Mondragón cooperatives have become immersed in a period of profound economic, cultural, and social changes, the challenges of business activity have led to the emergence of concepts and language that are more typical of capitalist business. Some view this tendency as necessary adaptation to historic changes, while others say it the result of a loss of meaning or horizon.

Whatever the reason, critical reflection is needed. We believe that if the cooperative movement engages in an in-depth, critical analysis of capitalist logic, it can be an interesting alternative for imagining a future that is more humane and solidarity-based. The mission of cooperatives may be to examine the possibility of combining organizational democracy with business efficiency, while increasing socially responsible commitment.

Another major challenge for the Mondragón cooperative experience is to create a comprehensive perspective (environmental, economic, social, and human) that is capable of responding to today's challenges by reaffirming the cooperative culture. For the first time in decades,

Mondragón needs to produce a vision for the future; it needs to outline a scenario for what it wants to and can be. Likewise, cooperativism should be defined as part of a road to a society that is as humanized as possible. What is needed is a horizon that can unify and galvanize both rank-and-file cooperative members and the most socially committed and active sectors of the new generations.

The Mondragón cooperative project has entered the twenty-first century with the suspicion that the technocratic drift of the last few decades has not provided any horizons that are sufficiently motivating. Generating and maintaining cooperative employment is an essential element, but it does not seem to be sufficient for creating a form of cooperativism that is motivational. Building a more inspiring vision requires returning to the heart of the experience, recuperating its original driving forces, and finding a place and identity in today's context of economic globalization.

Environmental sustainability

According to today's imperatives, the Mondragón cooperative project needs to incorporate an environmental aspect into its socio-entrepreneurial design. We must raise the question of sustainability in three ways:

- *Entrepreneurial sustainability*: business viability, continuity of the cooperative entrepreneurial project, cooperative management, creation and stability of employment, etcetera.
- *Social sustainability*: cooperative social commitment, community integration, cooperative identity, a balance between the collective and the individual, etcetera.
- *Environmental sustainability*: eco-efficiency,¹⁷ renewable energy, sustainable transport, environmental research and education, etcetera.

Cooperativism has been characterized to a great extent by a search for equilibrium: between capital and labor, the individual and the community; the creation and distribution of wealth; inequality and social cohesion; and economic rational and moral justice. An updated sense of responsibility also would have to take into account the environmental deterioration that results from uncontrolled exploitation by our opulent societies.

Any attempt to reestablish a balance between *us* and *our environment* requires being familiar with how the natural environment and

socioeconomic activities interact. Most likely, a transition to a model of *doing business* that is more in harmony with the environment would alter the way that we understand and fulfill the abovementioned forms of equilibrium. In the future, these three aspects of sustainability will be increasingly interdependent, meaning the continuity of the cooperative project will depend more on the success of not one or two but all three aspects.

A fresh look at social commitment

Cooperatives also face the challenge of taking a fresh look at how they practice social responsibility. Historically, cooperatives have been important agents of socioeconomic development. The most visible example is the Alto Deba region – the cradle of Mondragón, which has a distribution of wealth that is unrivaled in the Basque Country for its equitability – where cooperatives have supported community projects in education, culture, the Basque language, and sports.

However, today's cooperatives need a meaningful perspective for practicing social commitment. Solidarity and self-management are two of the ideas that formed the foundations of this cooperative experience, and, paradoxically, both are losing force.

In recent decades, capitalist businesses have returned to *the social aspect*; this reinvention of social commitment is reflected in Corporate Social Responsibility (CSR) agendas that have been increasingly gaining force. However, the cooperative movement in general, including Mondragón, has reacted late and with nonchalance. It has lagged behind capitalist businesses, assimilating part of this discourse uncritically and ignoring how it is specifically relevant to the cooperative movement.

The basic scheme of the CSR agenda is based on the capitalist business metabolism, and, as a result, the assimilation of those parameters over the long term obscures the cultural wealth of cooperativism. In that sense, it is essential to recover the potential of cooperativism, which is much better equipped than capital to address social needs. Cooperativism needs a theoretical basis for responding to the corporate model of social responsibility; it needs to open up the way for new and existing practices that are based on elements and definitions specific to cooperativism (such as democratic organization, distribution of surplus, integration and social cohesion, promotion of social transformation, and close ties to local communities). These are interesting foundations for creating a vision for the future that can give meaning and projection to cooperatives' social action.

Creating a model of integral participation

Another fundamental challenge for cooperativism in the twenty-first century is the ideal of democratic participation. In fact, the strengths and weaknesses of democracy in cooperativism affect not only its legitimacy but also its ideological foundations.

In the Mondragón cooperatives, concerns about participation are focused on two levels: the institutional level, or enterprise governance, and the technical level, or in the workplace. The main challenge for cooperatives is to continue developing a model of participation that combines participation in governance (strategic) with participation on the job (operational).

The business world seems to be evolving toward increasingly participatory forms of management. Abundant literature exists about new forms of horizontal management, decentralization, and the development of creative potential and workers' involvement, etcetera. These are interesting contributions. However, this new business culture continues reproducing capitalist relations of power because neither ownership nor surplus, nor strategic decisions about the enterprise, are in workers' hands.

Cooperatives face the challenge of creating their own model and style of participation, one that is integral, encompassing both participation on the job and in institutional decision making. Capitalist businesses reduce workers' participation in production, but cooperatives provide the possibility of extending that participation to strategic decision making in the enterprise. That is one of the fundamental traits that differentiates cooperativism. The challenge is to create a model of integral democratic organization that can meet today's needs. To do that, it is crucial to revitalize existing channels of social participation and, if necessary, to reconsider what kinds of organizational models will facilitate the further development of an integral concept of democratic participation.

Deepening community ties

We live in a globalized world, and the Mondragón experience has gone through major changes as it has expanded, both within Spain and worldwide. This expansion calls for reflection on the relationship between its territorial area and others.

Historically, the Mondragón cooperative project has been based on its deeply rooted ties to a particular community environment with specific characteristics. According to José María Ormaetxea, cofounder of Ulgor,

the motivation that comes with building a community has been one of the principal axes of action for those who have taken this project forward.

In today's context of globalization, Mondragón is being threatened by a loss of clear references with respect to the realm of its decision making; it could be on the way to becoming a soulless business mega-group. That, in turn, could lead to weaker internal unity among its cooperatives and to the dispersion of its sovereignty over a large human geography, where no cooperative culture yet exists.

Today's reality and sociological analysis lead us to think that close community ties are fundamental for creating a project for the future. When cooperatives have cultivated that community aspect, it has been easier to attain internal unity, nurture a cooperative culture, and fulfill commitments to other local social agents. Reflecting on the conditions that are needed for fostering a cooperative culture is a major issue for the future, and close community ties seem to be a fundamental element.

A different model of internationalization

The previous point indicates the need to formulate a unique model of internationalization. Today's business expansion requires the formulation and practice of a model of business subsidiaries according to cooperative values. It would not be appropriate to have a model in which the geographic expansion of Basque cooperatives means that the decision-making sphere is moved thousands of miles away. It also would not be appropriate – or coherent – to have a model in which business subsidiaries are created with the exact same objectives and models as multinational capitalist companies. The Mondragón cooperatives need their own model of internationalization, suited to their values.

One element to consider might be regulations for surplus that are oriented toward a fair redistribution of wealth. However, this idea is not yet realistic for many cooperatives, either because their affiliate enterprises are not yet sufficiently profitable or because these types of formulations are not sufficiently developed.

Other elements to consider for defining a model of internationalization are workers' participation in managing affiliate enterprises and social commitment to local communities. The realities and cultural conditions of the different affiliates are unquestionably very diverse. However, the Mondragón cooperative experience has the challenge of formulating its own model of internationalization, combining elements of participation in management and surplus with commitment to

the community, education in cooperative values, and a certain amount of institutional creativity.

Cooperative education in its rightful place

Lastly, it is unquestionable that educating people in cooperative values is fundamental in any perspective for the future. We have mentioned the importance of Arizmendiarrrieta's educational work to the emergence of the first cooperatives. In fact, education is one of the basic principles of the Mondragón cooperatives.

However, in recent years, education in cooperative values has been pushed into the background, while professional training has predominated. Large gaps have been observed in the communication and development of cooperative values, which is why it is obviously necessary to place the goal of a more socially oriented education in its rightful place. It is vital for the members of cooperative bodies to be provided with a systematic, quality education that is constantly renewed with the most relevant critical thinking.

Assessing accomplishments and facing challenges

In summary, the Mondragón cooperative experience is at an unavoidable crossroads. Much can be learned from its correct decisions and its errors, its highlights and its shadows, and its accomplishments need to be assessed. However, an exercise in self-criticism is also in order; weaknesses and current challenges must be addressed without further delay.

The strategic options that are adopted in this respect will determine what possibilities exist for progressively turning around the deterioration of the cooperative project, and helping to humanize the economy and society of the twenty-first century. Much is at stake: the future of Mondragón is not just the future of a hundred or so cooperative enterprises – it is the future of a way of living and doing business differently.

As this new century gets underway, the reasons that led to the emergence of cooperativism still exist and in some cases have intensified, making it clear that cooperativism and community initiative are unquestionably relevant. Today's generations have no time to lose. As the Basque playwright Alfonso Sastre said, "The future is not awaited, it is made."

Notes

1. According to the Basque law on cooperatives, the number of wage workers hired by primary cooperatives cannot exceed 20 percent of the total staff; they must have a minimum of 80 percent cooperative members.
2. Joxe Azurmendi, *El hombre cooperativo. Pensamiento de Arizmendiarieta*, Azatza S.L.: Aretxabaleta, 1992, pp. 235–40.
3. *Ibid.*, p.192.
4. Interview to Alfonso Gorroñogoitia, February 2003.
5. Lagun Aro is a social protection service. In the cooperative's early years, members enjoyed social security coverage provided by the state. However, in December 1958, the government decided to exclude cooperativists under the pretext that they were owners and not employees. Under those circumstances, cooperative members created Lagun Aro as their own Social Security organization.
6. The principles of the Mondragón cooperative were formulated in 1987, when they were approved by the first Cooperative Congress. These principles reflect the direct influence of those proposed by the International Co-operative Alliance (ICA) in 1966, but their practical application goes further. The principles of "retributive solidarity" and "social transformation," for example, are specific to Mondragón. The principles of democratic organization, labor sovereignty, and social transformation are closely united with the core of Arizmendiarieta's ideas, which are the foundations of Mondragón.
7. We should not forget that this is a common denominator among all Mondragón cooperatives, including in the areas of industrial production, credit, consumption, and education.
8. Members' monetary income from cooperatives' surplus.
9. Monthly payments members receive for their work, as an advance payment on the cooperative's surplus.
10. With surplus conversion, which is a process aimed at homogenizing the surpluses of a group's cooperatives, part of the surpluses are deposited into a common fund, from which funds are then redistributed according to the needs of each cooperative. Intercooperative redistribution of surplus reinforces the principle of unity among cooperatives. It is a strategy that promotes a more equitable economic performance among cooperatives, reducing the effects of the economic cycle, and, at the same time, it also promotes retributive solidarity, by homogenously distributing surpluses and absorbing losses.
11. The relocation of members makes it possible to temporarily or definitively socialize employment within the group. Geographic proximity becomes a key question. Priority is given to relocating a worker before allowing him or her to be left unemployed. Thus, the cost of unemployment is lower from both the economic and psychosocial standpoints.
12. Subsequently, the corporation was constituted as a second-tier cooperative.
13. In 2008, sectoral groups were eliminated, leaving the organizational structure as follows: first-tier cooperatives, divisions, and the corporation.

14. I. Basterretxea and E. Albizu, "¿Es posible resistir la crisis?: un análisis desde la gestión de las políticas de formación y empleo en Mondragón," *CIRIEC, Revista de Economía Pública, Social y Cooperativa*, Vol. 67, April 2010, pp. 75–96.
15. A parameter established by Lagun Aro that makes it possible to have a single scale of advance rates at all cooperatives.
16. Law 4/1993, of June 24, article 67, "Euskadi Cooperatives."
17. Doing more with less energy and materials, both during production and for the final products.

8

Forty Years of Self-Management in Popular Housing in Uruguay: The “FUCVAM Model”

Benjamín Nahoum

After three pioneer cases,¹ the housing cooperative movement in Uruguay took off in late 1968, when Law 13.728, known as the Housing Law, was passed (rightly considered one of the best ever approved by the Uruguayan Parliament). For the first time, it opened up the possibility of public financing for families to build the housing they needed without intermediaries.

Just one year later, a government document reported that among all the housing complexes built in the country in 1969, both by public agencies and private companies, it was these cooperatives that had requested the lowest amount of financing, and that therefore had the lowest amortization payments.² Thirty years later, Montevideo governor Mariano Arana commented on this in the preface to the first edition of *A Story with 15,000 Protagonists. Uruguay's Mutual Aid Housing Cooperatives*:

The outcome of this unique experience is notable for various reasons. Validation of the economic and financial aspects, with the establishment of an original and relevant association of public and nongovernmental organizations. Validation of the social aspect as well, involving an efficient, appropriate response to the demands and potentials of the payee family groups...which was extended to common spaces, to community services and the broader environment in which the cooperatives were located. Validation of management, with regard to the collective, self-managed responsibility taken by the cooperative organization at every stage of the work, as well as in its participation in decisions on design.³

These statements prove that the visionary model set into motion more than 40 years ago is now the most successful experience in popular housing ever attempted in Uruguay.

No undertaking of this type, especially considering its important social implications, could be repeated in another context without extreme care and a real risk of failure. Therefore, instead of trying to present a nonexistent infallible formula, it would be more useful to explore the social, economic, technological, and planning determinants of this case of success. That is the goal of this chapter.

The Uruguayan mutual aid housing cooperative system

The Uruguayan mutual aid housing cooperative system combines the efforts of the state – which contributes financing for housing construction and supervises and controls the process – with those of individual beneficiaries, who contribute a substantial amount of the labor needed and manage the entire process.

For this to be possible, these are the requirements:

1. The beneficiaries are organized into an enterprise.
2. They are trained to take on tasks they will carry out during the project (related to construction, but also to management).
3. They receive the appropriate guidance, with all of the information and analysis needed to make correct decisions.

These three requirements for successful housing cooperatives were taken into account by the Housing Law. The first was solved by organizing beneficiaries into a *cooperative*, an enterprise form with a long tradition in Uruguayan society,⁴ and used successfully in the housing sector elsewhere in the world.⁵

To meet training and guidance needs, the Housing Law created a system of Technical Assistance Institutes (*Institutos de Asistencia Técnica*, IATs), which provides "at-cost legal and cooperative education and financial, economic and social services for cooperatives... which may also include technical and construction management services."⁶ The description of the purpose and philosophy behind the creation of these institutes was an affirmation that interdisciplinary work is essential. The goal was not to combine different types of technical support in different disciplines, but to build teams capable of providing comprehensive guidance services.

Article 141 of the Housing Law allowed cooperatives to form higher-level organizations (federations), similar to those of other types

of businesses. This led to the creation of the Uruguayan Federation of Mutual Aid Housing Cooperatives (*Federación Uruguaya de Cooperativas de Vivienda por Ayuda Mutua*, FUCVAM) and the Federation of Housing Cooperatives (*Federación de Cooperativas de Vivienda*, FECOVI), which unites cooperatives that operate with a savings-and-loan structure known as Prior Savings (*Ahorro Previo*).⁷ The founding of these federations was encouraged by the recent creation of a trade union federation, the National Convention of Workers (*Convención Nacional de Trabajadores*), which in 1965 united all of Uruguay's unions, creating broad-based unity in the working class. It was in that context that the FUCVAM was created in May 1970, almost immediately after the implementation of the Housing Law.⁸

The housing cooperative system required individual beneficiaries to meet certain requirements; however, the state, too, had to be restructured to play its designated role. The first step in this direction was the creation of the National Housing Department (*Dirección Nacional de Vivienda*, DINAVI), which began operating as part of the Public Works Ministry, and which today is one of the three main departments of the Ministry of Housing, Territorial Organization, and Environment.⁹ With support from the National Housing Agency, the DINAVI oversees two main areas: the granting of loans, involving project analysis, budgets, credits, property, and legal documentation, etcetera, and administrative follow-up once a loan has been granted.

Another state agency oversees the democratic operation of cooperatives. Initially, it was the General Housing Inspector's Office (*Inspección General de Hacienda*) and subsequently, the General Comptroller's Office (*Auditoría General de la Nación*). It supervises compliance with statutes, including periodic assemblies and elections, and monitors accounting and other activities, issuing "certificates of regularity," which cooperatives must have for any procedure involving state agencies.

Keys to success

More than 40 years later, and after many ups and downs (mostly during the dictatorship), Uruguay's mutual aid housing cooperative system has built fourteen thousand homes for working-class families. Almost a thousand more are under construction, and more than six thousand families in over a hundred cooperatives are waiting for loans to build their homes as part of this system.

Undoubtedly, these figures could have been much higher (three or four times higher?) if the cooperative system had not been practically

banned for almost 15 years.¹⁰ Even so, the achievements are considerable, taking into account that the housing shortage in Uruguay, a country of just over three million, is estimated at sixty thousand to eighty thousand homes.

The potential and effectiveness of the FUCVAM model are clear. A different goal is sustainability, which requires methods that can be repeated and resources that can be reused. This is ensured by the fact that the system generates mechanisms for promoting new cooperative groups (through the Technical Assistance Institutes, parent cooperatives, and above all the FUCVAM), as well as loans, which the cooperatives repay, making it possible to maintain a fund for providing loans to new groups.

What are the keys to this effectiveness and sustainability? In our opinion, and listing them in an order that does not reflect any attempt at setting a hierarchy, those keys are cooperative organization; mutual aid; self-management; the usufruct system of possession (use and enjoyment); public financing; the existence and role of the FUCVAM; and technical guidance.

We will now try to explain how each of these factors has contributed to a system that is both effective (and, as we will see, efficient) and sustainable.¹¹

Cooperative organization

The challenge of self-management in housing construction involves organizing a group of people, most of whom have no previous experience in construction or business management, into an enterprise that must administrate very complex human and material resources. This means that while technical guidance is important, as mentioned earlier, the organizational structure that the group uses to achieve its goals is fundamental.

As an organization of equals, a cooperative is the best vehicle for channeling the potentials of each individual and each family and creating a complex network of mutual support. An inverted pyramid structure (the collective is at the top), a division of tasks, and democratic guarantees all contribute to strengthening the group's capacity for action.

Like other countries, Uruguay has various organizational alternatives for groups of individuals and families with needs, in this case with housing needs. Some of these alternatives were even aimed at replacing cooperatives,¹² but they had very poor results. Others, such as Social Housing Funds (*Fondos Sociales de Vivienda*),¹³ have had positive results,

but they have never produced the same levels of effectiveness and legal security, or the sense of belonging, provided by cooperatives.

Uruguay's tradition of cooperativism is an important factor in the relative success of housing cooperatives, as is the interrelationship of key elements that reinforce cooperative organization: construction based on mutual aid and self-management.

Mutual aid

Mutual aid is an economic resource, but that is not all or even principally what it is. It is an economic resource because the beneficiaries themselves, working collectively, replace hired professional labor to a large extent, cutting costs considerably (both direct and indirect, including payments to state agencies to finance Social Security). This, in turn, makes it possible for much larger sectors of the population to have access to housing. In effect, it is unquestionable that mutual aid cooperatives have been the only possible way for workers to get access to decent housing for quite some time now in Uruguay. Moreover, by participating in mutual aid construction, cooperative members have more possibilities of being involved in management and control of material and human resources.

However, the significance of mutual aid does not end there. The fact that families are building their homes with their own hands brings profound social repercussions. It creates very important values of unity and solidarity within the collective, as well as the conviction that unified efforts make it possible to overcome otherwise insurmountable obstacles.

As a consequence, after building their homes, the members of the group undertake other joint efforts, such as providing services for cooperative members and the surrounding community. Diverse examples of this abound, from bringing sewage services to an area where they were nonexistent, to building a public school for the cooperative and the entire neighborhood.¹⁴

However, 40 years of experience in mutual aid cooperatives in Uruguay demonstrates that some aspects require improvement and close attention to ensure positive results. A report presented to the Forty-Seventh National Assembly of the FUCVAM, held in late 2000, summed up those aspects as follows:

Greater emphasis should be placed on project planning, so that mutual aid is truly efficient. Mutual aid is a resource without cost, but which is precious nevertheless, because it comes from people's

efforts and time, and that makes it necessary to strive for it to be as useful as possible; in the same sense, appropriate training – for construction and for management – serves to improve the results and to obtain something that is discussed greatly these days but seen little, both in the State and in private capitalist businesses: efficiency. Likewise, projects that heavily involve mutual aid should have their own construction methods and systems, involving simple, safe and repetitive procedures. It is not a question of cooperativists learning to be construction craftsmen, but of being able to do well in a number of things which have as little variety as possible, but which complement each other.¹⁵

To reach these goals, projects must be well-planned: they must be conceived as mutual aid projects, with all of their advantages and difficulties. That planning is the responsibility of technicians, but cooperativists have the responsibility of demanding it.

Self-management

Self-management, which is indissolubly tied to the cooperative form of organization, is the tool for ensuring the most appropriate use of resources. The fact that the group itself makes decisions (all decisions, from choosing technicians to paint colors), self-managing the entire process, increases members' sense of belonging and commitment to the work that is being carried out. It is no coincidence that other cases of mass housing construction using mutual aid but not self-management have produced significantly poorer results.

Uruguay has two examples that perfectly illustrate this. One is the MEVIR¹⁶ project, which is practically a contemporary of the cooperative experience and has produced the same number or more homes with constant support from the state. The MEVIR has an extremely efficient business organization, and its highly trained technicians have perfected a number of construction methods and systems for producing homes with considerable quality and efficiency. Moreover, MEVIR's costs are clearly lower than those of private businesses, and are comparable to those of cooperatives.

In the case of MEVIR, self-management has been replaced by well-trained and efficient technocratic management, leading to good physical and economic results. The social product, however, is completely different. Intermediate agencies involved, such as committees of local "prominent" individuals, "bring" the implementation of MEVIR to the communities, tending to reinforce existing ties of domination

and dependence (on the boss, the parish, local authorities, the local strongman). However, in the case of cooperatives, self-management triggers the powerful conviction that things can be done if people are organized and united, and – if necessary – if they fight. The difference between the MEVIR system and cooperatives is the difference between “they gave us the housing” and “we achieved the housing.”

The other example is the Aquiles Lanza Plan to eradicate slum housing, or *categriles*,¹⁷ from Montevideo, which was implemented unsuccessfully by the city government from 1985 to 1991. It failed as a result of the municipal government’s bureaucratic, extremely inefficient management, and because the families involved never really believed in it. While a good number of six hundred homes planned (as the first stage of a total of five thousand) were completed, the program did not continue, and many of the families who originally were part of the program deserted the eight residential areas it covered to return to the *cantegril*.

However, the impact of self-management is not just on a social level. When combined with mutual aid, it reduces construction costs by 30 percent to 50 percent for the same quality as that of privately built housing.¹⁸ This, in turn, reduces subsequent spending, enabling a wider range of families to have access to housing.

In fact, mutual aid without self-management – as stated by the previously cited report to the Forty-Seventh National Assembly of the FUCVAM – leads to the exploitation of those involved. In that case, when they finish the workday at their regular jobs, they must fulfill their mutual aid hours, so that the state, “commission,” or business owner will subsequently give them a home for which they must pay an amount in which they had no say. In the case of self-management, it is the workers themselves who administer the outcome of their efforts, the same way they administer the use of wage labor, the purchase of materials, and the awarding of subcontracts. They decide what will be done and how much it will cost, how much will be paid and for what.

The usufruct (use and enjoyment) property system

A significant percentage of Uruguayan mutual aid housing cooperatives are “user” or “single mortgage” – type cooperatives: the whole cooperative, not each individual member, owns the housing (and therefore is responsible for any debt).¹⁹ The families are collective owners and individual users. The impact of this on the system is hard to imagine, especially when taking into account the preconceived notion that this form of ownership does not coincide with the Uruguayan people’s

idiosyncrasy, so closely tied to the dream of having one's "own" little house.

However, during the dictatorship, when the government issued a decree to try to make all user cooperatives into individually owned properties and thus undermine the FUCVAM's capacity for pressure, the federation managed to collect more than three hundred thousand signatures in a single day – a historic Sunday in February 1984 – to oppose the decree. At the time, the cooperative movement was on its way to becoming a standard bearer in the struggle for freedom and against the dictatorship. That explains the support it obtained, but the most important factor was the rebelliousness of the cooperative families, who were willing to do whatever it took not to lose their status.

That status comes from the "use and enjoyment" contract that each member signs with the cooperative, and via which the cooperative concedes the right to a physical home. All housing belongs to the cooperatives (that is, to all of its members), but each member has usufruct rights to a specific home.

This provides a sense of unity that is absent from other ownership systems, such as common, horizontal, or leased property. There is ownership, but it is collective; instead of creating a barrier, which is what individual ownership does, this form provides unity among cooperativists. Collective ownership also creates value for other things that belong to the whole group, such as common spaces, which are often-forgotten elements in multifamily housing.

The fact that the cooperative is the homeowner also helps prevent speculation in the sale of a home when a member leaves from the cooperative, given that the member receives only the "social part" of the home's value (comprising the payments that he or she made for amortization and interest, plus the economic value of the mutual aid provided and savings from contributions to social funds). The cooperative gives the vacant unit to a new member, receiving in turn from that new member the same "social part" of the home's value that was returned to the former member.

Public financing

Building a home of 60 to 65 square meters with all of its corresponding services costs the equivalent of \$35,000 to \$40,000 in Uruguay when done by a mutual aid cooperative. The same home costs 30 percent to 50 percent more when built by a private business. Likewise, a home comprising one room, a bathroom, and a kitchen, in a roofed space of 32 square meters on 150 square meters of land

(an “evolutionary basic nucleus”), according to the Inter-American Development Bank’s classic formula, costs almost \$30,000 when built by a private business.

These figures for housing construction in Uruguay, which can be surprising at the regional level, are achieved despite many factors: the “social payments” (*cargas sociales*) that must be paid to the state and equal almost 100 percent of what is paid to construction workers; the added-value taxes on materials, which must be paid even by “social interest” programs;²⁰ and laborers’ wages, which fortunately are quite a bit higher than what is paid in neighboring countries. In addition, the Uruguayan climate has its specific characteristics: while it does not have extreme highs or lows, it does have very high average temperatures and rains that are often accompanied by strong winds and high humidity. This leads to extra precautions for thermal- and humidity-related aspects of housing construction, including double walls and careful waterproofing, etcetera.

The high average cost of housing construction is out of reach for working-class households and even for the middle class. Loans, then, are indispensable for building homes. And those loans cannot be obtained from commercial sources because neither the interest nor the payment terms are suitable, except in the case of a home that is being built over a long period of time, for which short-term solutions are unworkable. What is needed, in effect, are low-interest loans that can be paid over a long period of time, and subsidies for the lowest-income groups. This is something that only the state can provide, using taxpayer money that is not subject to the red and black figures of balance sheets.

While various housing strategies and policies have existed in Uruguay since 1968, the cooperative system was created and developed with state support. After a number of initial variations, the annual interest rate for loans was set at 2 percent in Adjustable Units (AU), tied to wage variations. That rate was maintained until the dictatorship, when it jumped to a brutal 7 percent, which at times made those investments more profitable than consumer loans granted by banks.

Once a democratic government was in place, and after long negotiations, the FUCVAM was able to return to the 2 percent interest rate. That, in addition to capital subsidies, provided more reasonable access for groups with low and middle-to-low fixed incomes. Finally, in 2008 a monthly payment subsidy system was established, something the FUCVAM had been demanding for a long time. Payments were set at a sliding-scale percentage based on household income and size.

This support from the state has played an unquestionably important role in the development of the housing cooperative movement. Without loans, it would have been impossible to build; without adequate financing, it would have been impossible to pay.

The support did not end there. During the early years of the subsidy system, the National Housing Department (DINAVI) had a land bank, giving cooperatives and other public housing construction programs access to developed land at appropriate costs, meaning they were not distorted by the rules of the real estate market. That land bank disappeared during the dictatorship, and its reinstatement continues to be a demand of the cooperative movement. However, some municipal governments have created their own land banks. For example, the capital, Montevideo, did so in 1990.²¹

The existence and role of FUCVAM

Without the FUCVAM, Uruguayan housing cooperativism would not have attained the development and social importance it unquestionably has today. Even if the same number of homes had been built – something unthinkable, because for long periods the cooperative housing system was maintained solely by the FUCVAM – they never would have played the same role in national life. Each person acting at his or her own discretion would have created far different results than those produced by the FUCVAM, a unified, homogeneous movement, clearly aware of its objective of providing housing, but equally aware that the problem does not end there.

In its 40 years of existence, the federation has gone through different stages, but one way or another it has always followed a single line, which has guided the movement. It also has had the skill and vision to seek articulation and agreements with other social groups, especially within the trade union movement, and even with political groups (especially at different times during the dictatorship).²² That has enabled it not only to participate actively in other social struggles, but also to have a broad base of support.

The importance of the FUCVAM in the development of the Uruguayan cooperative housing movement could be summed up by saying that without the FUCVAM, housing cooperatives would still exist, but with the FUCVAM, there is a cooperative housing movement.²³

Technical guidance

As mentioned previously, one of the main difficulties to be overcome by the mutual aid cooperative housing system is achieving a very rapid

transformation among groups of families with little to no experience in construction or business administration, so that they can become real enterprises capable of building their own homes.

To solve this problem, the IATs were created. The Housing Law and its regulations established the tasks that had to be carried out, their interdisciplinary character, the maximum honoraria that could be received, and the no-surplus requirement. That is, the IATs, as cooperatives, are also nonprofit entities.

The IATs have the following tasks: organization of the human group; education in cooperative principles; training for management, including theoretical but above all practical, because the best way to create capacities is by *doing*; technical assistance during all stages of administrative procedures and construction; guidance in the allocation of homes; assistance for administrative activities (planning, organization, management, and control); and assistance for the conservation of assets, especially homes and common spaces.

More than 40 years after this system was implemented, and with many thousands of homes built by mutual aid cooperatives, it may be said that the existence of these institutes has been decisive. However, it is also true that conflicts have arisen between cooperatives and technical advisers. In our opinion, the possibility of overcoming those conflicts – which are natural in a relationship that involves association for reaching a common goal: building housing – depends fundamentally on both cooperatives and IATs correctly fulfilling their respective obligations and rights. It is also vital for technicians to understand that their mission is to foster capacities and to provide guidance, but not to manage. In their turn, cooperativists must understand that they alone have the responsibility of management, and that guidance is invaluable for achieving their goals.

The four basic heresies

The different aspects analyzed above are, in this author's opinion, key to the functioning of the complex social engineering signified by a mutual aid user housing cooperative. They are also the clues to understanding how and why the FUCVAM system works.

Nevertheless, four of these aspects are what we like to call “heresies” because they go completely against the paradigms imposed on society today in the capitalist world. They show that “other values” are possible. For that reason, it is worth reviewing them with a more antiestablishment perspective, to analyze how much of a challenge they pose to the very essence of the capitalist system.

In a society that preaches individualism and "take care of your own," the first of these heresies is the *solidarity* that is typical of the FUCVAM cooperatives. This is solidarity not just within each cooperative, but among cooperatives, because "there is no salvation if it is not for everybody," as the song 'Padre' by Spaniard Patxi Andión goes.

That solidarity is materialized in mutual aid. The collective efforts made by cooperativists as they work on each other's homes reproduce that solidarity: the strongest help the weakest, the sharp ones help the slowest, the skilled members help the unskilled, and the best-educated help the uneducated. That solidarity also exists among cooperatives: in union activities, in lending tools, in transmitting experiences, and in "solidarity days," when those who have homes help those who are still building.

Mutual aid represents a leap from the individual adventure of self-building to a collective, planned enterprise. It allows labor to be divided and specialized, making better use of skills and knowledge, as well as access to technical guidance, something that would be unattainable on an individual basis.

The second heresy is to propose *self-management* – that is, to make the idea of our independence hero, José Artigas, into a reality: "We have nothing to wait but for but ourselves."²⁴ It is not an easy task. Much energy and much conviction are needed for a group of inexperienced families to become a construction enterprise for 18 or 20 months, administering hundreds of thousands of dollars and building homes that are better than the ones built by private businesses, despite all of their resources and know-how.

For that little miracle to occur, self-management must be accepted as a collective commitment in which each individual is part of the success or failure. That requires trust in the organization, a division of labor, and planning.

Collective ownership is, perhaps, the most heretical of all of the FUCVAM model's features. Contrary to the individual solutions and individualistic practices promoted by capitalism, in the FUCVAM, people receive loans together, build together, pay together, stay together, and live together.

In a housing cooperative, everyone is a collective owner. No member is the individual owner of any home, and all members are the owners of a little piece of each home. None of them can sell their homes for profit; however, none can lose their homes because of loan default or a real estate deal gone bad. Therefore, collective ownership makes it possible

to overcome the problems and shortcomings of the housing market, limitations that are aggravated by an unregulated market. The FUCVAM model views housing as a right – finally – and not as a commodity. Collective ownership is, moreover, what makes a cooperative endure after the homes are built, and even after the loan is paid. It is what makes it possible to overcome the concept of “yours” and “mine,” and place *the value of “us”* over everything else.

Finally, the anti-neoliberal heresy of the FUCVAM model is to demand and accept *state support*. In this era, when neoliberalism holds that capital should be allowed to do anything it wants without being bothered, and that the state should be a “facilitator,” with demands for a “reduced state” (but not reduced poverty, hunger, or illiteracy), it is heretical to demand public loans and subsidies, thereby making use of what the Universal Declaration of Human Rights says about housing.

However, without the participation of the state, how would it be possible in our countries for a family that earns minimum wage or a little more to pay for a house that costs the equivalent of 10 or 15 years of that family’s income? How would that family have access to land, which is controlled by such a very small number of individuals, who wait for land values to rise before they sell?

It cannot be done without the participation of the state. Without that help, the only things that can be built are precarious settlements and a way of life that is not worthy of being called life. However, it can be done if people’s efforts, determination, and knowledge are supported with land, services, and financing. And that is a task for the state.

Changes and continuity

What is left of the original FUCVAM model now, 40 years later? What has remained, what has been reaffirmed, and what has changed in a country that was under a dictatorship for 12 years, then under four neoliberal-leaning administrations, and that now, since 2005, has been ruled by “progressive” forces, with the left playing a strong role? In a country that was also affected by new technology, postmodern views and globalization? We will try to answer these questions to help understand this model’s capacity for evolution and adaptation, and to understand its essence.

One change is the social background of cooperative members. The first mutual aid cooperatives were formed basically by unionized industrial workers who contributed the added value of their union experience to cooperative operations. Since the 1990s, the movement has

been joined mostly by low- and very-low-income groups, informal workers without any organizational or trade union experience. The crisis of the 1990s in Uruguay and the structural austerity measures recommended and imposed by international credit agencies; deindustrialization; the privatization of numerous public services; and lower wages, which lost half their value in a decade, caused many workers to become self-employed, if not simply unemployed.

Those conditions led to the pioneer experience of "COVIITU 78," a cooperative made up of families who were evicted from an illegal boarding house in Montevideo's Old City. In the years that followed, a number of groups formed that, because of their low income, had to operate in areas allocated for the poorest families, receiving very small loans (at amounts they could repay) in amounts equivalent to what private construction companies used to build minimal, single-room housing.

Even so, working with very few resources and with a population that was not prepared for collective endeavors and had to deal with very serious social problems, and without time to adapt the model and methodology to this new reality, these cooperatives have been successful. While different from the earlier cooperatives, they have achieved the same goals: substantial improvement to families' quality of life; access to housing according to need; increased self-esteem; promotion of their organization; and encouragement of cooperative members' critical abilities through the use of self-management.

Another aspect that has changed is financing regulations for the cooperative system, which emphasize greater socioeconomic heterogeneity by granting differential subsidies. "Cooperatives of the poor" and "cooperatives of the less poor" will no longer exist. That will do away with the serious difficulties previously faced by low-income families, but it presents a new challenge: social integration within more heterogeneous cooperatives.

The greatest continuity in the FUCVAM cooperatives is, perhaps, in their self-management. Beyond the enormous changes that have taken place in the administrative sciences, including hardware and software, these cooperatives were self-managed 40 years ago and are self-managed now, with no room for professional managers or technocracy.

This is very important because self-management may be the most important of all the aforementioned key elements of this system. It is what allows costs to be as low as they are; what causes surplus to be translated into better quality of life instead of profit; and what allows people to grow and the organization to become consolidated. And it is

self-management that creates and establishes the capacities needed for continuing forward in the future.

It is true that management has been professionalized in some cooperatives, and that some tasks have been placed in the hands of those who know how to operate a computer program or who understand numbers better. However, luckily, there are still cooperatives where accounting is done by housewives or self-employed workers who have a hard time adding and subtracting, and whose notions of a balance sheet are reduced to trying to get income to be greater than expenses. And these cooperatives demonstrate that, in the long run, they are more efficient than many businesses that have teams of accountants and management programs. It is not because they know more or because technology is insignificant, but because – if we may paraphrase Artigas – “everything is possible when we depend on ourselves.”

Another aspect that distinguishes the FUCVAM experience and that has been severely put to the test over these last 40 years is technical guidance. As mentioned previously, self-management by individuals without experience in administration or decision making is unthinkable without multidisciplinary guidance that includes education and training. That is the role that the IATs, with their achievements and difficulties, have played during the last four decades. Undoubtedly, they have had positive and negative experiences, but mutual aid cooperativism would not have achieved its current level of development in Uruguay without the support of these institutes.

However, the important task of technical assistance has faced a number of obstacles, and the main one has been lengthy procedures for obtaining financing (either because of political decisions or a lack of resources, which also has been the result of a political decision). This has been a constant – except for the first four or five years of FUCVAM’s history – causing the process to be excessively long, with delays that wear out the group (and its advisors), resulting in some people leaving and others taking their place, and requiring training. As a consequence, the tasks of preparing the group are always in an initial stage, given that the cooperative’s integration only becomes stable when construction is imminent.

In addition, and perhaps because of the abovementioned problems, most IATs have not taken advantage of progress made in the social sciences in the last four decades. Institute personnel do not include experts in social psychology, sociology, or anthropology, which would help to better understand and deal with problems of collective operations. For this very complex endeavor, the tendency is to continue

returning to the work of technical professionals, such as architects, engineers, lawyers, and accountants. This may be due to a certain underestimation of social work by both institutes and cooperatives.

Another difficulty is that the roles of cooperatives and their advisors are not always clear: sometimes advisors are forgotten, and sometimes they meddle in the cooperative's management. This is not to mention problems of communication between technicians and cooperativists, and a lack of appropriate education for technicians, who continue to be trained by our universities to work in and for businesses, not with the population. All of these are things that can be improved, but they persist.

Collective ownership, which is essential to the FUCVAM model, introduced a new paradigm in Uruguayan society. Previously, the concept of ownership involved either state property or individual private property.

The idea of collective ownership, which emerged more from the intellectual sphere and references to foreign experiences than from any Uruguayan tradition (which was nonexistent, unlike other American nations with strong indigenous roots), rapidly took hold in a society that was very willing – ideologically, socially, and organizationally – to receive it.

Thus, despite a certain amount of initial skepticism, a large number of user housing cooperatives formed in just a few years, and the FUCVAM became their federation. The FUCVAM model won so much support that, as mentioned, its supporters were able to collect a large number of signatures to support it in the middle of the dictatorship.

Forty years later, user housing cooperatives continue to form. Many families are choosing this system over individual property, and, more importantly, cooperativists who pay off their loans do not even think about changing to a different system, even though there is no obstacle to them doing so. And for the last decade, the FUCVAM has been devoted to spreading its experience throughout Latin America. Despite the skepticism of intellectuals in many places, people accept this model naturally once they understand it, perhaps because it is more similar to their ancestors' way of life than present-day society, which is based on individualism and competition.

It is also important to note that the FUCVAM has gone from being a sectoral movement fighting for its own interests to an organization that has internalized the interdependence of social problems with the organization of the economy and society. Thus, from the initial struggles to obtain land and loans, and to ensure that advance payments for

construction were made regularly, the FUCVAM moved on to fighting for the same goals but also for the end of the dictatorship; for the repeal of the Law of Impunity that was applied to crimes committed during the dictatorship; for the defense of state companies, when neoliberalism advocated their privatization; and for the conservation of water as a social asset, and against its privatization and sale to foreign entities. In these struggles, the FUCVAM has fought together with the trade union and student movements, human rights organizations and progressive political groups, and it has become increasingly more politicized. However, it has maintained its independence from political parties, even the ones that receive the most votes from cooperativists who belong to the federation. And it has made criticism and proposals into a style that has endured.

A sustainable experience

The FUCVAM model of mutual aid housing cooperatives has not only achieved important results in the Uruguayan housing sector, but has also proven its sustainability. The movement itself generates its own reproduction and development and even its own financing.

In effect, the loan repayments made by the cooperatives themselves, over reasonably long periods, make the system's evolution economically sustainable. All that is required is initial capital for the first enterprises, as was the case in Uruguay with the National Housing Fund. These funds are then rotated, and can be used to finance new housing cooperatives.

According to FUCVAM estimates, loan repayments made by more than ten thousand cooperative families add up to some \$10 million annually, making it possible to finance some three hundred complete homes annually. It may seem like a paltry figure compared to the needs of the cooperative housing movement and the country; however, it is almost the exact number of homes that have been built annually since the Housing Law was passed. This means that if more housing cooperatives existed, their repayments could finance the construction of an even larger volume of units.

The system is not only economically sustainable, it is also socially sustainable. Along with the right to inheritance, the level of organization achieved by a cooperative is passed on to young people who replace their elders, renewing the cooperative.

Therefore, the FUCVAM model is sustainable. It requires support, protection, and encouragement, especially from the state. Nevertheless,

it has all the potentials needed to become a valuable, long-term, and enduring tool for solving the housing problems of the working classes.

Sowing seeds in Latin America

Since the year 2000, and with the help of international cooperation, the FUCVAM has been taking its experiences to Latin America and the Caribbean, sowing seeds in southern Brazil, Paraguay, Bolivia, Honduras, El Salvador, Nicaragua, Guatemala, Argentina, Venezuela, Peru, Costa Rica, and the Dominican Republic.

It is not a question of copying models, but of transmitting experiences. Today, pilot projects for socially produced housing using self-management and collective ownership similar to Uruguay's cooperatives exist in most of those countries. In Honduras and El Salvador, public funding has been made available for similar projects. In Paraguay and Nicaragua, new laws have been approved that open the road to them. In Brazil, a powerful social movement, the National Union of Housing Movements (*União Nacional de Movimentos de Moradia*), has adopted the FUCVAM model as its own. And in Argentina, the Movement of Squatters and Tenants (*Movimiento de Ocupantes e Inquilinos*) continues to grow and to become stronger in its struggles.

This suggests that in a world of consumerism, individualism, and market economy, the heresy of finding solutions to housing problems in solidarity, self-management, collective ownership, and the involvement of the state is natural for the people of Latin America. It signifies a return to the continent's oldest traditions, reflected in the *minka*, the *mutirão*, and the *ejido*. It means promoting self-building by families – which accounts for the construction of 90 percent of Latin America's cities – with organization, guidance, resources, financing, and leadership provided by the people themselves.

A FUCVAM model for socialism?

Can this self-managed, participatory, and solidarity-based model be duplicated in a socialist society? While no similar experiences have been seen in socialist countries to date, we believe that if the FUCVAM model is naturally adapted to the specific characteristics of each case and complemented with existing or future systems, it holds important potential for development. In fact, in many ways, the starting point for cooperatives in these societies would be better than what existed in Uruguay when the FUCVAM first began to be implemented.

Some of these advantages and potentials are as follows:

- The role played by the state as a guarantor of basic needs.
- The political will to find solutions for the housing question.
- The priority placed on housing and social policies.
- The existence of legal frameworks, which, while they would require complementation and adjustment to accommodate the new model, would resolve certain basic problems that pose serious obstacles in market-based societies, such as access to land and supplies.
- The fact that social commitment and its expression in a legal framework recognize the concept of housing as property for people's use instead of as a commodity.
- The allocation of economic resources and materials depending on needs rather than purchasing capacity.
- The existence of strong grassroots organizations and movements with rich experiences in struggle and organization.
- The extensive nature of educational and social promotion organizations with a vocation for community work, which can contribute to supporting the development of self-managed housing.
- A tradition of self-built and self-produced housing by working-class sectors, and the existence in many cases of previous experiences in mutual aid and voluntary work.
- Cooperatives in other areas of society and the economy, in which cooperatives are viewed as important actors in the socialist economy.
- An emphasis on local management systems, which would provide the foundations for needed decentralization in implementing housing programs.
- The existence of subsidy systems, a key element for access and permanence in housing for low-income sectors.

These potentials and advantages for developing housing cooperatives in socialist countries should be used, and certain key aspects should be strengthened for establishing and consolidating a model like the FUCVAM:

- The participation of the state, via simple, efficient mechanisms that combine centralized decision making with a decentralized implementation system that is accessible to the people. The best antidote to corruption and dysfunction is precisely mass participation.
- A system of loans for housing cooperatives that is sufficiently appropriate and inclusive to become a force for multiplying the results of government subsidy policies.

- A strong and consolidated system of theoretical and practical training and multidisciplinary technical guidance for cooperativists and residents that is dynamic, easy to access, and generalized, and that enables initiatives to be self-managed.
- Adaptation of current frameworks, especially legal and financial, to meet the requirements of this new variant for solving the housing question.

Final thoughts

The FUCVAM's existence is an unquestionably essential part of the housing cooperative movement's development in Uruguay; it is an affirmation of the collective and solidarity-based self-management model. How much of this can be repeated in another context, another history, another culture? Perhaps little: an idea, a suggestion, an experience. Perhaps quite a bit more. However, this author has no doubt that, whatever the case, it is always better for people to be the masters of their own fate, even if it means sometimes stumbling and taking a fall.

Notes

This chapter is based on previous articles by the author.

1. Those three cases were the Veinticinco de Mayo cooperative in the city of the same name in Florida province; the COSVAM in Salto; and the Éxodo de Artigas in Fray Bentos. All three were initiated in 1966 without any proper legal framework and by obtaining resources wherever possible (people's contributions, of course, and international cooperation, including the Inter-American Development Bank). However, they made it possible to prove that the idea was viable, backing the inclusion of mutual aid cooperativism in the Housing Law that was being discussed at the time. Subsequently, the people did all the rest.
2. Presidency of the Republic, *Régimen Jurídico de una Política de Vivienda*, Montevideo: Publications Office of the Prosecretaria of Communication and Information of the Office of the President of the Republic, 1972.
3. Benjamín Nahoum, ed., *Una historia con quince mil protagonistas. Las cooperativas de vivienda por ayuda mutua uruguayas*, 2nd edn, Montevideo-Sevilla: Intendencia de Montevideo-Junta de Andalucía, 2008.
4. Since the late nineteenth century, cooperatives have existed in Uruguay in very diverse activities: production (agricultural, industrial, and artisan), consumption, credit, and services, and so on. Today, almost all cooperatives are also in federations by branch or sector (second-tier associations), which considerably increases the effects of their activities.
5. Cases in Chile were an especially important reference in formulating the pioneer initiatives, in drafting the Housing Law's chapter on cooperatives, and in the subsequent implementation of this housing cooperative system in Uruguay. It also has precedents in Scandinavian countries and in Spain.

6. Article 171 of Law No. 13.728 – National Housing Plan. With modifications added by Law No. 16.237, Montevideo: Fundación de Cultura Universitaria (FCU) Documentation Service, n.d.
7. This is another model for which the Housing Law provides, aimed at meeting the needs of middle-class groups, in which the beneficiaries contribute their savings instead of their labor, unlike the mutual aid cooperatives.
8. The need for the federation emerged so quickly that none of the cooperatives that initially formed the FUCVAM had obtained construction loans, a situation that affected only the pioneer groups.
9. Between these different situations, several organizational schemes were implemented with varying results. In fact, during much of the dictatorship that Uruguay suffered between 1973 and 1985, a financial agency – the Mortgage Bank of Uruguay (*Banco Hipotecario de Uruguay*) – was the governing body for housing policy, and therefore, it also regulated the development of the cooperative system, which was harshly repressed during that period.
10. Under the military dictatorship, loans for housing cooperatives were suspended in 1975, and reactivated two years later, but exclusively for cooperatives that already had legal status. It was not until four years after the restoration of democracy, in 1989, that the process of granting legal status to housing cooperatives was resumed.
11. See the following unpublished compilation of articles: “Las cooperativas de vivienda por ayuda mutua uruguayas. Algunas claves,” *El Solidario*, official organ of the FUCVAM, www.fucvam.org.uy.
12. This refers to the “Civil Societies of Horizontal Property,” created by Decree-law No. 14.804 in 1978, during the dictatorship, at a time when authorities had suspended the granting of legal status to housing cooperatives. In theory, these civil societies also were self-managed by their members, but the weakness of their organizational structure and a lack of state control led to many of them becoming real cases of fraud. That forced an administrative investigation, and it was the end – if not the formal end, the real end – of this attempt at an organizational variant.
13. The Housing Social Funds were created by Decree No. 309/68 and were later incorporated into the Housing Law (Chapter XI). These funds were created with contributions by the workers and bosses of specific unionized industries to build homes, and they were managed by administrative commissions that were made up of equal numbers of bosses and workers.
14. Gustavo González, *Cooperativas de viviendas por ayuda mutua. Una experiencia netamente uruguaya*, Montevideo: FUCVAM, 1999.
15. Forty-Seventh National Assembly of the FUCVAM, 2000.
16. MEVIR is the Movement for the Eradication of Unwholesome Rural Housing (*Movimiento para la Erradicación de la Vivienda Insalubre Rural*), created by Law No. 13.640 in 1967 with the purpose reflected by its name. It is a para-state agency led by an executive committee appointed by the executive power, but is largely managed autonomously.
17. These are irregular settlements of precarious housing built by low-income families, similar to Brazil’s *favelas*, Argentina’s *villas miseria*, and Chile’s *callampas*, and so on.
18. Similar percentages of lower costs have been verified in other countries, in cases following the FUCVAM Model.

19. The law also permits the existence of "owners'" cooperatives, which are built collectively, but which then become individually owned property – as does the debt for the loans obtained.
20. Excluding the aforementioned MEVIR.
21. Although there are other cases, the Montevideo government land bank has no counterpart of the same importance outside the capital. That mechanism for access to land is so significant, that in just ten years, it has helped to change the traditional geographic distribution of housing cooperatives in Uruguay: the Montevideo cooperatives, which previously accounted for 60 percent of the nation's total, now account for 80 percent.
22. The role played by FUCVAM in Uruguay's return to democracy was of great significance, earning it a place in the National Programmatic Coordination Committee (*Mesa de la Concertación Nacional Programática*, CONAPRO), which was a sort of "Moncloa Pact" reached between all political and social forces in the transition from the dictatorship to democracy. Unfortunately, the CONAPRO agreements were not implemented subsequently by the government elected in November 1984, or by the ones that followed. Some of those agreements gave decisive support to promoting housing cooperatives.
23. The importance of the FUCVAM as a social and political actor is addressed very thoroughly in several articles. See González, *Cooperativas de viviendas por ayuda mutua*; A. Guerrini, "Nuevos movimientos sociales en la transición: el papel de FUCVAM en relación con el sistema político y los sindicatos," in *Ensayos sobre el Uruguay de los 80. Actores, situaciones e intereses*, Montevideo: CIESU-EBO, 1989; C. Midaglia, *Las formas de acción colectiva en el Uruguay*, Montevideo: CIESU, 1992; and D. Chávez and S. Carballal, *La ciudad solidaria. El cooperativismo de vivienda por ayuda mutua*, Montevideo: Fac. de Arquitectura, Nordan-Comunidad, 1997.
24. José Artigas wrote this in a letter to another independence fighter of the Americas, Martín Güemes, of the Salto province, in 1816, in reaction to the desertion of supposed allies of the people of the Eastern Strip (modern-day Uruguay).

9

Solidarity Economy in Brazil: The Relevance of Cooperatives for the Historic Emancipation of Workers

Luiz Inácio Gaiger and Eliene Dos Anjos

A new social force on the scene

In the last 25 years, Brazil has undergone major changes. On one hand, efforts to establish an effective and inclusive democracy have encountered perceptible resistance. On the other hand, since the late 1980s, we have seen large mobilizations by civil society that have brought social actors who previously were relegated to secondary or subservient roles to a national spotlight, as well as the appearance of new and diverse forms of popular organization in the economy.

These economic production and income generation cases have included countless semi-family or group undertakings in the form of microenterprises, informal partnerships, and a few cooperatives. Their activities range from growing and selling agricultural products to semi-artisan food processing and production, the production of clothing and other articles, services, and – in the case of recovered or self-managed enterprises – industrial production. Along with other forms of subsistence that have become widespread in Latin America, these alternatives have become a refuge for social groups that are marginalized from the conventional value generation and distribution systems established by the capitalist market and by the state.

In the last 15 years, as these new economic experiences have grown in variety and, in some cases, have had tangible success, they have become the object of in-depth, systematic studies.¹ First, it has been acknowledged that these initiatives ensure the immediate survival and subsistence of needy population groups, affected for more than two decades by adverse economic situations. In addition, they make it possible for

participants to learn a trade, fostering their intellectual and professional development.

Because of the community foundations and cultural background of these experiences, based on mutual aid traditions, participants are able to return to forgotten values and practices, giving them new meaning and breadth. Likewise, these experiences provide a way for individuals to build new lives for themselves. In some cases, participants have broken with the paternalistic, clientelistic pattern that prevails in the assistance to low-income groups, giving way to the development of civic attitudes. These attitudes are visible in the increased emphasis placed on personal autonomy, an awareness of civil rights, and active involvement in society as actors engaging in “democratic solidarity.”²

In some cases, these undertakings have gone beyond the boundaries of subsistence and have become what we describe as solidarity economy enterprises (*empreendimentos econômicos solidários*, SEEs).³ Based on a new type of economic rationality, in which the goals of cooperation and efficiency are allies, these enterprises are able to generate surplus, add value to their resources, and expand their activities, reaching minimum levels of stability and visibility in the medium and long terms. In contrast to subsistence enterprises, solidarity enterprises are characterized by a greater degree of internal organization, integration into the market, and articulation with similar actors, public and private agencies, and consultative entities, etcetera.

Solidarity economy as a term or concept gained force in Brazil in the 1990s, when these types of enterprises began popping up all over the country, standing out for their principles of cooperation, democracy, and self-management.

Solidarity economy actors in Brazil

The progressive expansion and growing dynamism of solidarity enterprises gave rise to programs and actions by various civic and public organizations, which promoted them as alternatives to the logic of the market and social exclusion.⁴ Today, there are four principal groups or types of organizations – formed at the initiative of particular actors or institutions – in the area of Brazilian solidarity economy:

1. Solidarity enterprises in which the economic activities of production, services, distribution, finances, and consumption are carried out in an associated, cooperative manner. They are organized as informal groups, associations, cooperatives, and worker-owned commercial enterprises.

In 2007, the first national mapping of solidarity economy in Brazil found twenty-two thousand enterprises that involved 1.6 million members and provided more than five hundred thousand jobs.

2. Civic organizations that support and promote solidarity economy, including numerous NGOs, universities, "enterprise incubators,"⁵ and Christian church agencies, whose pioneer actions began in the 1980s.
3. State agencies responsible for solidarity economy public programs. They range from the National Secretariat of Solidarity Economy (*Secretaria Nacional de Economia Solidária*, SENAES), attached to the Labor and Employment Ministry, to municipal programs for technical guidance, infrastructure, credit, and distribution support.
4. Initiatives and organizations for representing and politically articulating different solidarity economy segments in spaces such as unions, social pastoral organizations, incubators, public administration agencies, solidarity credit entities, exchange networks, and, above all, local and regional forums. One is the Brazilian Forum of Solidarity Economy (*Fórum Brasileiro de Economia Solidária*, FBES), which is responsible for national conferences, debates, and mobilizations. Another is the National Council of Solidarity Economy (*Conselho Nacional de Economia Solidária*, CNES), which was created in 2006 as the most important public agency, representing different sectors of the state and civil society.

The most all-encompassing public actions are conducted by the SENAES, created in 2003, in line with the programs of the administration of president Inácio Lula da Silva. It was the product of deliberations in the CNES and ongoing discussions in thematic committees that represent specific sectors associated in the FBES. These actions involve both promotion (technical advisement, financing, etc.) and studies and publicity (collecting information, conducting studies, and publicizing information).

Debates are constantly taking place between leaders, members, public agents, and academics about the role and course of the solidarity economy as an alternative for development, given the dominant system's evident structural incapacity to provide well-being and security to those who work for a living. That marked political inclination has its deepest roots in the daily lives of those involved in solidarity enterprises, motivated by their moral and intellectual convictions which lead them to find solutions in self-organization. Moreover, the existence of such spaces of common deliberation encourages their civic and ethical commitment.

On the other hand, a presence in politics elevates the image of these enterprises, legitimizing them and giving them a way to fight for and obtain resources. That has given impetus to a movement of convergence and articulation both within and among the different groups or types of solidarity economy organizations mentioned above.

Recent studies on the Brazilian Forum of Solidarity Economy⁶ and solidarity economy politics⁷ show that these initiatives within the solidarity economy sector provide spaces for the restoration of cognitive and symbolic universes, effectively open up new ways to satisfy social demands, and promote the creation of institutional mechanisms for direct participation. In addition, solidarity economy reinforces existing networks and movements and encourages the presence of enterprise members and civic organization representatives in diverse structures of participation, both at the grassroots level and in public spaces.

Origin and meaning of solidarity economy

In countries that are peripheral to the global hegemonic center, economic practices have always existed that are based on labor and reciprocity, with production aimed at meeting social and collective needs. From that perspective, solidarity economy is the continuation of a long-time working-class tradition. Beginning in the nineteenth century, in parallel with capitalism's rise as the predominant economic system, strategies for association and cooperation have ensured the survival of large masses of workers, although not without failures and periods of decline.

Moreover, these experiences in self-management have kept alive principles of production, work organization, and distribution of wealth that are different from the strict rationality of capital. Their history demonstrates that it is impossible for workers to survive by depending solely on what is offered by the capitalist market according to its intrinsic logic, which is determined by utilitarian, individualist principles, and guided principally toward the accumulation of material wealth.

Solidarity economy scholars in Brazil agree on the historic transformations that most influenced the origins and revival of association and cooperation. In surveying macroeconomic factors of the last quarter of the twentieth century, the most important have been changes to the model of capitalist accumulation because of how this has affected the reconfiguration of markets, production structures, and chains, and geopolitics as a whole. These changes are linked to the major crisis of the wage labor system, reflected in massive waves

of unemployment and social exclusion that drive workers to find alternatives sources of income. In the area of ideology, the resurrection of self-managed models is connected with being able to overcome the initial perplexity and disorientation resulting from the discredit of both "socialist" models and the armed-struggle road to power. All this gave way to new social experiments and new ways of analyzing and formulating strategies.

In Brazil, these questions stopped being merely rhetorical as leftist forces came to power and had to provide solutions for their constituencies based on their campaign platforms. In parallel, the evolution of pioneer solidarity-based enterprises, which demonstrated their viability and capacity for generating benefits for their members and surrounding communities, sparked the interest of activists and intellectuals, creating a stimulating environment and producing new advocates of solidarity economy.

While these general historic conditions created the foundations for the origin of solidarity economy, they would have been insufficient without the presence of other factors that were closer to the protagonists of these events. It was a combination of those conditions and the following factors that resulted in these new types of practices. A study conducted in different parts of the country⁸ concluded that the emergence of solidarity economy enterprises is possible, or more probable, given certain specific circumstances or factors. One of these is the existence of working-class groups with cultural references and genuine leaders who value community life, association, or class-based mobilizations. This is especially so when their references come out of experiences of organization and struggle in which these individuals have forged common identities, ties of trust, and skills for the collective defense of their interests and aspirations.⁹

Another decisive factor that is both material and cultural is related to the compatibility of self-managed models with popular economic practices that are part of workers' previous experiences and of their circles of relationships and social influence. These circles include semi-collective, family, and individual arrangements that ensure the survival of those involved. With few exceptions, solidarity enterprises do not fully substitute or prescribe popular economic forms. On the contrary, they strengthen them as they reorganize productive, material, and human resources in a process of metamorphosis that is normally incomplete and essentially hybrid. That is why solidarity economy practices are not necessarily defined by opposition to the capitalist economy. They represent *other economies* that are antagonistic to the historically

subordinate role imposed, for diverse reasons, on working people by the capitalist economy, as well as degraded forms of popular economy.

Another factor or requirement for the growth of the solidarity economy is the mediating action by different entities to channel workers' demands into associated, self-managed alternatives. This is favored by the formation of a political and ideological situation in which the relevance of these new demands and the alternatives they suggest are acknowledged, so that they are able to influence broad sectors within different social movements and political institutions.

Despite debates on the importance of solidarity enterprises, their advance has led to a progressive change in how they are viewed. Until about 12 years ago, solidarity enterprises were viewed more as provisional, local, palliative solutions to poverty and extreme poverty, guided by reactive strategies of defense or resistance. Placed within the broad spectrum of reformism, they were viewed, in the best of cases, as temporary actions pending better conditions that would enable marginalized groups to be able to enter the formal economy and to be organized within the predominant relations of production.

Today, the most accepted view is that solidarity enterprises are a necessary response to urgent demands, and that they are the foundations for reknitting the social fabric of the working classes; without this counteroffensive action, the deterioration of that social fabric would reach intolerable levels. While they are initially reactive, the actors and programs that sustain these enterprises could evolve – and are evolving – into being proactive, with a concrete impact on public policies and decisions that define the course of societies.

From that perspective, these enterprises would not constitute a prepolitical front, but a front of action, a generator of embryonic forms of production, fomenting alternatives for economic and social life. Solidarity economy would thus be a component and a crucial actor in new strategic frameworks and effective processes for structural change, whose formulation and implementation would benefit from the current economic and political juncture in Latin America following the past neoliberal period.

Solidarity economy and the evolution of cooperativism in Brazil

The development of solidarity economy had a rejuvenating effect on cooperativism in Brazil, giving rise to a new generation of cooperatives that have been described as “popular” or “solidarity economy”

cooperatives. It also spurred a return to debate on the main difficulties faced by cooperativism, basically related to a lack of coherence between its doctrinaire principles and its historical development.

The national mapping of solidarity economy conducted in 2007¹⁰ found more than 2,100 cooperatives, which was the equivalent of 9.7 percent of the enterprises surveyed. Most of these cooperatives had begun operating in the previous 15 years, often heavily influenced by the idea of a new form of critical, authentic cooperativism, and the conviction that cooperatives are the most developed form of self-management and of solidarity economy.

The spread of cooperatives that identify with solidarity economy is understandable. Brazil's economic laws do not provide for any other alternatives for legal enterprises that are based on the association of individuals who work in equal conditions and with equal decision-making power, and that are primarily nonprofit and maintain a unique socio-economic (simultaneously economic and social) nature. In that sense, certain solidarity enterprises – such as recovered factories, solidarity credit initiatives, and production (of goods or services) enterprises – must seek formal status as cooperatives.

However, given the origin and behavior of many cooperatives in Brazil, the objective has been to create a new form of cooperativism. This is a need that had been observed since the 1980s, in the settlements led by the Landless Rural Workers' Movement (*Movimento Sem Terra*, MST). The idea was for rural and urban workers to meet this goal with the purpose of going beyond traditional cooperativism and defending justice, equality, and democracy by recovering cooperatives that were deformed or had been created fraudulently.

Nevertheless, in some cases, cooperatives continue to be created solely as a business strategy, to reduce the costs and legal obligations related to hiring wage labor. The creation of false cooperatives, normally in the "production" category, has significantly inflated figures for the sector and provoked extensive criticism, adding to mistrust of cooperatives in and of themselves.¹¹

The success of solidarity initiatives that take the form of cooperatives depends on the virtues that stem from the nature of cooperatives. It depends on their potential for creating socioeconomic environments that strengthen them instead of threatening their existence, and that transform them into differentiated and expandable nuclei within the current noncooperative economic system. The optimism expressed by that view is one of the points of theoretical and political debate about cooperativism's significance and historic potential. Before considering

some of the aspects being discussed today in that respect, it is worth taking a brief look at the history of cooperativism in Brazil.

Cooperativism was first brought to Brazil by European immigrants in the late nineteenth century, mostly in the southern and southeastern regions, as a strategy for overcoming the adversity and neglect that they faced. In those early days, consumer cooperatives were the most prominent and the first to be officially registered. Credit and agricultural cooperatives also were founded, mostly in the states of the cooperative form is the most polishound more than 2,100 cooperatives Río Grande de Sur, Sao Paulo, and Río de Janeiro. Subsequently, consumer cooperatives became especially widespread in the 1950s and 1960s.

However, by the mid-1960s, urban cooperativism was showing signs of stagnation. This was attributed to a lack of official encouragement in the forms of laws and policies for access to credit and technical assistance, which resulted in a series of obstacles to cooperative expansion and survival.¹² Meanwhile, agricultural cooperatives developed and were gradually encouraged by the government with the aim of increasing agricultural productivity to respond to population growth and to increase exports.

The agricultural cooperativism that has predominated in Brazil since then has been dominated by a conservative elite and is basically oriented toward an agro-export economy, or agribusiness. These cooperatives are created by a group of capitalist businesses that unite to enjoy state support for agricultural production and export, benefiting from a policy of state involvement that has brought no significant change for cooperatives' workers or for the Brazilian countryside in general. On the contrary, the agro-export cooperative model has contributed to a concentration of agricultural property and has fed a general mistrust of cooperativism among small farmers.¹³

In that context, cooperatives in Brazil were reduced to a form of economic enterprise that strengthened the class power of large producers, above all in the countryside. In fact, during this model's peak period in the 1980s, studies showed that most Brazilian cooperatives were used as a way of easing and weakening labor relations, leading to subcontracting and lower labor costs.¹⁴ Cooperatives were used by big business to obtain public resources, becoming heavily dependent on government policy and on the ability of their executives to negotiate with political forces linked to state power.

In fact, the legislation that covers cooperative forms of organization and representation was passed in 1971, during the military regime. Thus, it does not have the democratic legitimacy to attract new sectors,

except for pragmatic reasons that generally have nothing to do with the principles of cooperativism.

Nevertheless, beginning in the late 1970s, cooperativism acquired fresh impetus with the creation of a large number of production cooperatives, some of which were genuine cooperatives.¹⁵ This movement became widespread in the 1980s as a reaction to structural unemployment and bankruptcies which resulted from changes in technology and business organization. However, the particular characteristics of genuine workers' cooperatives, described as "self-managed enterprises" or created under the banner of solidarity economy, were not recognized until later, in the 1990s. Since then, a number of authors began to take a different approach to the predominant, mostly pessimistic, theories about the nature of cooperatives and their potential for Brazil's development.

Brazilian cooperativism today

Today, Brazilian cooperativism is heterogeneous in the nature and scale of its activities, in the aspects and complexity of cooperative organizations, and, basically, in its management principles and ideological orientation. On one side, some large enterprises call themselves "cooperatives" but actually operate like conventional businesses. They are oriented toward competing on the market, and aim to professionalize and rationalize their administration using modern technology to achieve the maximum profits.

On the extreme opposite side are small cooperatives that have appeared on the outskirts of major cities and tend to be based largely on self-management and egalitarian principles of self-governance. Generally, their goal is to improve the socioeconomic status of low-income workers so that those workers can meet their basic needs. However, they have few resources.¹⁶

In the middle of these two extremes, the two oldest forms of rural associativism¹⁷ may be found today in the form of numerous cooperatives and other associations for supporting family farming. Historically, these associations were very limited in their goals and realms of activity, without any means of articulation, representation, or public expression. However, they have preserved a culture of association in the countryside, and have served as the foundations for cooperativism among small farmers and for other growing initiatives.

The controversy that now exists in political and academic circles largely focuses on the fact that because cooperativism is so heterogeneous, it is

impossible to issue any one diagnosis or prognosis. Therefore, it is worth focusing on at least three types of cooperatives:

1. Cooperatives that bring together capitalist businesses.
2. False cooperatives, which use the cooperative legal framework to obtain cheap labor.
3. Authentic cooperatives, which are created through a premeditated and deliberate act of association by a group of workers or consumers with the goal of obtaining monetary income, goods, or services, and characterized by democratic decision making in inclusive and egalitarian spaces.

In the first case, *business cooperatives* operate on the market following priorities and strategies similar to those of conventional capitalist businesses, and are sometimes confused with such businesses. They do not necessarily disregard requirements for democratic management processes, such as the equal exercise of decision-making power and the distribution of benefits obtained from economic operations. However, what is most commonly seen, such as in the cases of agricultural and health services cooperatives, is that members' individual interests are prioritized over common goals or the cooperative identity. As a result, the social base of the cooperative becomes weaker, and management and executive power are eventually delegated to a small group, creating major risks for distortion. Plenty of examples of this exist. These cooperatives adapt to and are part of the capitalist economic system, and they give up the specific nature of cooperativism without any major resistance.

False cooperatives, the second case, are actually capitalist businesses that use cooperative legal status to make their workforce more flexible and cut costs. These supposed cooperatives are generally created solely to serve as intermediaries with labor, totally ignoring cooperative principles. The only reason these bogus cooperatives should be mentioned is to clarify the reality of a group of controversial "cooperatives," where it is difficult to distinguish between simple contrivances by the bosses to exploit labor and sincere attempts by workers to find alternatives for employment and income that also provide an experience in autonomy and participation.

In the third case, we refer to *authentic cooperatives*, based on their origins and their operating principles. Nevertheless – and although this may be painful for idealists to hear – many production cooperatives, which are mostly in services, have been shown to be structurally

vulnerable because their activities are usually carried out individually, and they only provide secondary or temporary jobs for their members.¹⁸ Moreover, relations between members are generally contractual, involving very little reciprocity. Studies show that in these circumstances, members turn collective management into the art of constantly reaching agreement among particular, momentary interests, especially when the cooperative represents a complementary or temporary job. For these cooperatives, it is relatively easy to avoid the risk of bankruptcy because it is easier for them to reconcile the individual interests and earnings of their members with the imperatives of preserving the cooperative's capital. However, they are a fragile relationship of association, with few actions motivated by collective needs and aspirations.¹⁹

This state of affairs in Brazilian cooperativism is why the debate on the transformative potential of cooperatives continues. Moreover, it does not support the most optimistic theories about the revolutionary nature of cooperativism, which originated with utopian socialist ideas and continue to be held by a wide range of political currents that look to workers' autonomy and self-management.

As Marx predicted, cooperatives in and of themselves are not in a position to change capitalist society, and, in fact, some become "simple bourgeois partnerships." However, as Rosa Luxemburg foretold, cooperatives do not move inexorably toward dissolution or distortion as victims of historic invariability when associated workers employ capital in a noncapitalist way.

Therefore, what contribution can be made by production or workers' cooperatives to workers' emancipation in the current historical situation, and not in a theoretical postcapitalist future? This may be the most important illustrative effect of cooperatives that were encouraged or created under the aegis of solidarity economy in Brazil.

Solidarity economy cooperatives

Initially, these new popular cooperatives emerged discreetly, without describing themselves as "authentic" or "solidarity-based," and even without comprising an organized movement.²⁰ During the 1990s, new workers' cooperatives appeared daily in the areas of production, services, credit, and distribution. The expansion of these new cooperatives, which actually did practice cooperative principles, inevitably counterposed them to business-oriented, politically conservative traditional cooperatives. Moreover, they indirectly placed a spotlight on the

Table 9.1 Fields of collective activity by cooperatives

Field of activity	Number of cooperatives	Percentage of cooperatives
Production	1,076	51
Supplier of services (or labor)	873	41.1
Distribution	1,176	55.7
Exchange of goods or services	175	8.3
Use of equipment	986	46.7
Use of infrastructure	1,090	51.6
Acquisition of prime materials or supplies	728	34.5
Savings or loans	326	15.4
Obtaining clients or services	487	23.1

Source: SIES, 2007 – Base Unisinos.

ruses used by bosses who created false cooperatives, causing constant confrontation in the area of labor justice. They also sparked discussions within the trade union movement about returning to historic values of workers' struggles, such as autonomy and the dealienation of labor.

By the late 1990s, it was evident that a new generation of cooperatives had emerged in the gaps of traditional cooperativism or in open defiance of it. One way or another, these new cooperatives were spurred by a broad set of initiatives that had been influenced by the nascent solidarity economy.

In 2007, a national mapping of solidarity economy collected information on 2,111 predominantly urban cooperatives. Forty percent of them had up to 30 members and 64 percent had up to 65 members. The number of members has decreased recently in just 18 percent of these cooperatives, and has grown in 41 percent of them.

The principal activities of solidarity-based cooperatives are related to agricultural and livestock production; the manufacture of food, beverages, textile products, and lumber; and commerce, recycling, business services, and finance. Cooperatives are often created by several individuals or families to jointly carry out productive activities that were being carried out individually or by the individual family. The principal collective activities²¹ of cooperatives include 175 fields (see [Table 9.1](#)).

In 2006, the year before the data was collected, 43 percent of cooperatives had ended the year with a positive financial balance, while 16 percent had negative results. More than 78 percent declared that they had received some type of external technical or political support, from

government agencies, civic organizations, incubators, universities, or labor organizations.

Viability and sustainability

The positive results obtained by many solidarity enterprises created greater receptivity to theories about how they support popular struggles. One key question on the agenda of incipient studies of solidarity economy revolved precisely around identifying the intrinsic elements of these enterprises that ensured their viability and progressive consolidation. It was a question of investigating whether or not the new popular solidarity economy, propelled to a good extent by the force of circumstance, could become an essential element of a specific economic rationality capable of sustaining enterprises on the basis of effective results, but without reducing them to an act of volunteerism with few opportunities for enduring or for creating social cohesion. The idea was that if it was possible to assess the vital forces that spring from the self-management of solidarity enterprises, with advantages over other forms of organizing work and economic production, it would be easier to more accurately calculate their potential for development.

Historically, the aspiration of working-class cooperativism has been precisely to create self-activating and self-sustainable business organizations that are superior to capitalist businesses. Our studies²² have addressed the question of different forms, and the outcome has led us gradually to a conclusion that is summed up in a concept of the solidarity economy enterprise. It is based on the following general formulation: the success of these initiatives depends on their capacity for combining an entrepreneurial logic – that is, seeking results through planned action and the optimization of productive, human, and material factors – with a solidarity-based logic, so that cooperation functions as a source of economic rationalization, producing tangible effects and real advantages over individual action and nonsolidarity-based cooperation. The productive rationality of solidarity-based enterprises is based on the specific potentials of coordinated labor and democratic management by the collective. When these levers work, these enterprises can be superior to small producers' artisan and individual work, more productive than their conventional business counterparts, and more rewarding than those based on wage labor.²³

Studies on different types of solidarity enterprises have confirmed that affirmation. A study by Gaiger in 2001²⁴ provides a comparative analysis of cooperatives in services, industrial, and agricultural production. Despite the wide variety of activities they carry out, a common

factor of success is the extent to which they have been able to socialize the production process, both in regard to work and management.

This study also found that associated labor is the most important element of these enterprises. Moreover, it acquires symbolic value: it gives people a concrete experience marked by ideals of justice and equality, in which productive labor is enriched from a human, cognitive perspective. As a nonvertical form of organizing work, cooperatives guarantee real satisfactions: the exceptional status of being a business co-owner and manager, having decision-making power for the benefit of the individual and the collective, recovering self-esteem, and living from one's labor as an edifying, dignifying action.

Despite these merits, the highly selective context of the economy obliges us to ask whether or not cooperatives can be profitable enough to survive and become consolidated. Is the cooperative's nature of associated labor – its most important characteristic – a source of efficiency for solidarity enterprises that differentiates them from conventional production forms? Conclusions of research on this question may be summed up in four proposals:

1. The economic success of enterprises, when verified, is linked to internal conditions whose positive effects stem proportionally from their socially cooperative nature.
2. Solidarity and cooperation in the work process generate efficiency, making them specific sources of competitiveness and viability for cooperatives.
3. Despite modest margins of surplus and the tendency for that surplus to be distributed equitably, solidarity cooperatives consistently show signs of economic viability.
4. The viability and sustainability of solidarity cooperatives do not require mechanisms for exploiting workers, making those cooperatives essentially different from the capitalist enterprises.

Internal and external organization

Subsequent studies by Gaiger²⁵ have shown that the extent to which these enterprises meet the needs and aspirations of their members was dependent on the organizational form chosen, the weight of their solidarity-based ties, and the intensity with which those ties produced the abovementioned effects. The best solidarity enterprises were found to be self-managed cooperatives that were based on comprehensive socialization of the means of production and on collective labor processes that were managed democratically. In these types of industrial and

agricultural production cooperatives – which have the highest levels of self-management and cooperation – these elements were viewed as essential.²⁶

These findings were in line with those of other studies on the positive effects of workers' participation in cooperatives, including those of Estrin, Jones, and Svejnar in 1987²⁷ and Defourny in 1988;²⁸ in recovered factories;²⁹ and in enterprises that had been socialized, or nationalized, by the state, including in particular Espinoza and Zimbalist, 1984.³⁰ They also coincided with many of the findings of more recent studies using data from the first national mapping of solidarity economy in Brazil.³¹

The analysis covered 21,855 enterprises surveyed by the mapping, taking into account the following internal and external factors: "solidarity-based methods" was the term used to describe aspects of self-management (democracy, member participation, and enterprise autonomy) and cooperation (mutual aid, socialization of the means of production, nonprofit behavior, and community involvement), while "entrepreneurialism" referred to efficiency (ability to operate economically, ensuring the enterprise's survival in the present without compromising the future) and sustainability (ability to create the conditions for operating in the medium and long terms, without passing on the costs to society, such as what occurs when polluting technology is used).

Although most of the enterprises analyzed met these requirements to a limited extent, they all followed one fundamental positive relationship: each level of entrepreneurialism achieved corresponded with a proportionally higher level of solidarity-based methods. A general consistency or correlation existed between entrepreneurialism and solidarity-based methods, and cases of unilateral development were a minority. Certain practices of entrepreneurialism in particular were accompanied by high levels of solidarity-based methods, evident in a dynamic that was simultaneously economic, social, and political in being stronger economically, observing social rights, and protecting the environment.

A detailed study of these situations made it possible to discern the channels of convergence that are progressively established between these two practices: when a certain level of democratic management is achieved, enterprises take on the role of solidarity economy actors. First, they may be involved in their communities and in political and economic articulation. Or, in a second variant, they may invest primarily in policies that value workers, including stable remuneration, social benefits, and human resource training. These actions are not just

Table 9.2 Performance of solidarity economy enterprises (SEE) in relation to organizational form

SEE form of organization	Entrepreneurialism coefficient	Solidarity-based coefficient	Integrated coefficient
Informal group	0.7035	1.6526	2.3630
Association	0.6542	2.1471	2.8064
Company	1.0060	1.9663	2.9862
Cooperative	1.3653	2.3434	3.7080
Total SEEs	0.7525	2.0026	2.7600

Source: Authors' elaboration based on SIES, 2007 – Base Unisinos.

the result of objective conditions; they also reflect political decisions, guided by an enterprise's identity and its plans.

Cooperatives showed to be more inclined toward the second variant or channel of action, which can be explained by an emphasis on pragmatism and concern with goals of efficiency and sustainability. However, it should not be forgotten that, according to our data, the consolidation of basic mechanisms for democratic management should be the first step for all solidarity enterprises, including – but not limited to – cooperatives. One extremely important finding was that in a general assessment of solidarity-based and entrepreneurial behavior, cooperatives scored higher than other enterprises (see [Table 9.2](#)).

The figures in [Table 9.2](#) for both coefficients³² also show that components of self-management, cooperation, efficiency, and sustainability are stronger in the case of cooperatives. That “integrated” or combined coefficient is exceeded only when considering SEEs formed from recovered capitalist enterprises (with an integrated coefficient of 4,514.3), most of which became cooperatives.

Workers' cooperatives (including those that produce goods and/or services) predominated in the mapping, for a total of 1,331. Seventy percent of them have up to 30 working members and 87 percent have up to 65 members. The overall financial health of workers' cooperatives was better than average, including economic performance, members' remuneration levels, and social benefits.³³

Despite their external actions or connections (low levels of community involvement compared to other SEEs), workers' cooperatives had self-management mechanisms that were more solid and used more frequently than in other enterprises, including for strategic economic questions. That explains why cooperatives had the highest combined coefficient of solidarity-based methods and entrepreneurialism.

Solidarity cooperatives and workers' emancipation

The mapping data supported the idea that cooperatives that identify with solidarity economy, despite their small number (9.7 percent of the total surveyed), are one of its pillars. Under today's conditions, they are an appropriate tool for defending workers and for developing other economic practices. Given that workers' cooperatives predominated among cooperatives in the survey, they deserve further examination. In fact, production cooperatives, in which the challenge of establishing new social relations is most intense, are viewed as the basic foundation of the solidarity economy.³⁴

It is useful to compare workers' cooperatives with other areas of cooperativism in Brazil. According to the data from 1998,³⁵ the ratio of nonmember workers (employees who are permanent or temporary wage workers) to members is almost 10 percent in the traditional agricultural cooperative sector. However, that figure drops sharply to a ratio of 1:45 in cooperatives that produce services and to 1:125 in cooperatives that produce goods.

In a workers' cooperative, like in any cooperative, members are the legal co-owners of the enterprise, with equal rights to voice and vote. In workers' cooperatives, this means that two fundamental conditions of capitalist business and production logic are suppressed: private ownership (and thus separated from labor) of the means of production, and the existence of a "free" workforce, which has been separated from the means of production and divested of capital. Therefore, workers' cooperatives do not meet the essential requirements for the social relations of production based on wage labor, which are typical of capitalist production. The relations of production that exist in workers' cooperatives are not obliged to fulfill, and are not necessarily suitable for fulfilling, the same purposes: extracting and appropriating surplus labor; achieving maximum profitability for the constant accumulation of capital; and commodifying labor so that it is disconnected and alienated from everything it produces.

Breaking with wage-labor-based social relations of production opens up an objective possibility for cooperatives of constituting a new social form of production – that is, a new structure of mutual relations between individuals involved in the process of appropriating and transforming nature. These relations are determined by the social place that individuals occupy in relation to the conditions and results of the diverse production processes in which they partake, and by their role in those processes.³⁶

Every mode of production has a specific social form of production that has predominated, in addition to other forms that are absorbed and adjusted to the first form's logic as it becomes dominant. Thus, when the goal is to overcome capitalism's anti-emancipatory structures, the possibility of building or maintaining other forms is decisive. Without taking this reality into account, it is impossible to discuss the Marxist theory of transition.³⁷

The capitalist system involves extremely strong determinants that go against the social form of cooperative production, beginning with the fact that the capitalist market is the sole economic environment. The competitive logic of that market and the social relations it creates also undermine possibilities for cooperatives to participate actively in public affairs and political life. Cooperatives also face powerful internal obstacles resulting from factors inherited from the unique historical development of capitalist productive forces and social relations that surround them, and that are reflected in the material system of production, the social division of labor, and the working-class culture created in capitalist factories.

Despite all of this, cooperatives are better than capitalist enterprises in many aspects. In cooperative relations of production, workers tend to be reconciled with the fruits of their labor, and they tend to subjectively overcome a state of alienation whose causes have been suspended. It no longer makes sense to conceive of labor as an instrument, to choose profit as the main objective, or to choose between ethical considerations and economic expediency. This way, the economy is reinserted into social relations and its utilitarian aspect is reduced. It is also reincorporated into the political aspect of collective life, stimulated by cooperative self-management. This is fundamental for political dealienation and for cooperative members to be involved as citizens outside of their cooperatives, once power within the cooperative has been socialized among all members, instead of being conquered by some of them.

This critical thinking that is developed in the collective praxis of protagonists in the world of labor is part of the process of forming class consciousness, which is indispensable for any effective change that seeks to benefit workers. It also functions as a providential antidote against the traditional authoritarianism of the Latin American Left.

Relations of cooperation also face the challenge of overcoming one of the most persistent legacies against workers' interests: the social division of labor. Separating physical and intellectual work in the production process separates management and leadership tasks from those of implementation, and in a larger context, it excludes those who are directly

involved in production from political and strategic planning. These differences are essential for reproducing social classes, for maintaining hierarchies, discrimination, and inequality. These divisions also creep into workers' political parties and activities: leaders who are intellectuals, or who are former workers who became intellectuals, generally "monopolize all leadership activity, leaving the physical political work to the grassroots members."³⁸

In the face of these problems, the economic, social, and political equality of solidarity enterprises is well-known. While their members are aware that they cannot and should not completely do away with differences in remuneration, they do try to lessen them considerably, especially by eliminating discrimination against workers who are considered less productive and profitable by the capitalist system because they are older, women, or chronically ill.³⁹

However, there is another, more basic challenge: a social form of production – with its particular social relations – only develops and expands when broader historic transformations lead to a reorientation of the productive forces, so that this form is appropriately adapted to the task of developing those forces. For example, a capitalist enterprise would have been useless during the rise of feudalism or as part of the colonial slave system. Not until many years later, with many difficulties, was the capitalist form of production viewed as valuable and indispensable, and did the accelerated development of productive forces in that direction make sense. In our era, however,

Capitalist relations of production tend to introduce a qualitative degeneration of the productive forces, as problems that affect individuals and society are hidden behind ever-renewed forms of consumption, requiring new productive forces that are increasingly more alienated from what could be considered as "legitimate" necessities.⁴⁰

Therefore, the task is not to lead the productive forces to their full development, because this is something that is always historically determined, and it would heighten the meaning given to those forces by capitalism. The task is to establish alternative goals and different types of rationality, in qualitative, holistic, integrating terms that are compatible with individuals and collectives, and that respect our interdependence and the legitimate plurality of the human experience, taking into account present and future threats to our existence. If not, ever-growing needs that cannot be satisfied by the logic of incessant accumulation will continue to be generated.

Cooperatives and solidarity enterprises in general return to and revitalize age-old demands of workers' struggles against exploitation and alienation, and their attempts to create higher values, such as justice, equality, and freedom, which are sources of ideals, especially socialist ones. These ideals are propelled by their ability to respond to expectations for human rights and dignity.

However, the long-term relevance of cooperatives will depend on the ability of cooperatives to ensure the survival of broad layers of the population and provide them with better lives. Having to confront extremely difficult contingencies is not a defect since the roads to transformation open up only through praxis, in historic conditions that are always specific.

The virtue of cooperatives is that we are not resigning ourselves to immobility until the world capitalist order has become weakened and defeated. We cannot demand changes at the level of institutions responsible for regional, national, and global development – much less by the major counter-hegemonic actors – if those changes have not been realistically carried out and incorporated into concrete practices of work, economic production, and citizen participation. Above all, as Gorender said, the times of determinism and teleology are over.⁴¹

Notes

This chapter is the result of research that was financially supported by Brazil's National Council of Scientific and Technological Development.

1. Luiz I. Gaiger, ed., *Formas de resistência e de combate à pobreza*, São Leopoldo: Unisinos, 1996; Paul Singer and André Souza, *A economia solidária no Brasil: a autogestão como resposta ao desemprego*, São Paulo: Contexto, 2000.
2. Gaiger, "A economia solidária e o valor das relações sociais vinculantes," *Katálysis* 11.1 (2008): 11–19; Jean-Louis Laville, "Solidariedade," in Antonio Cattani et al., *Dicionário internacional da outra economia*, Coimbra: Almedina, 2009, pp. 310–14.
3. Gaiger, *Formas de resistência e de combate à pobreza* and "Empreendimento econômico solidário," in *Dicionário internacional*, pp. 181–7.
4. Singer and Souza, *A economia solidária*; Genauto França Filho and Jean-Louis Laville, *Economia solidária: uma abordagem internacional*, Porto Alegre: UFRGS, 2004; Gaiger, ed., *Sentidos e experiências da economia solidária no Brasil*, Porto Alegre: UFRGS, 2004.
5. Organizations that specialize in the creation of enterprises and in initial support (guidance), until the enterprises are well-established.
6. Karen Edelwein, "Economia solidária: a produção dos sujeitos (des)necessários," (PhD diss., Pontifícia Universidade do Rio Grande do Sul, 2009); Aline Santos, "O movimento da economia solidária no Brasil e os dilemas da organização popular," (PhD diss., Universidade do Estado do Rio de Janeiro, 2010).

7. Genauto França Filho et al., *Ação pública e economia solidária; uma perspectiva internacional*, Porto Alegre: UFRGS, 2006; Vanderson Carneiro, "Da dimensão econômica à dimensão política: a Economia Solidária sob a perspectiva do conflito social," (master's thesis, Universidade Federal de Minas Gerais, 2006).
8. Gaiger, *Sentidos e experiências*.
9. In that way, it was observed that popular cooperatives that were the result of social struggles, as opposed to those that were externally induced, not only have better economic indicators, but also demonstrate more community solidarity and more political involvement in society.
10. This mapping was technically the equivalent of a broad survey, not a census or sample screening. However, given that it provides information on 22,000 enterprises in 2,274 municipalities and 24 units (states and the federal district), it could be considered as a good picture of the solidarity economy in Brazil.
11. Statistics alone are not enough to distinguish between authentic and false cooperatives, and this mission has fallen to public oversight agencies – which have not been exempt from controversy for being excessively rigorous – and studies on cooperativism. See Jacob Lima, "O trabalho autogestionário em cooperativas de produção; o paradigma revisitado," *Revista Brasileira de Ciências Sociais*, 29.56 (2004): 45–62 and "Cooperativas falsas ou cooper-gatos," in Antonio Cattani and Lorena Holzmann, *Dicionário de trabalho e tecnologia*, Porto Alegre: UFRGS, 2006, pp. 71–7; V. Piccinini, "Cooperativas de trabalho de Porto Alegre e flexibilização do trabalho," *Sociologias*, 6.12 (2004): 68–104; and G. Druck and T. Franco, *A perda da razão social do trabalho: terceirização e precarização*, São Paulo: Boitempo, 2007.
12. José Schneider and Roque Lauschner, "Evolução e situação atual do cooperativismo brasileiro," in *O Cooperativismo no Brasil: enfoques, análises e contribuição*, Rio Grande do Sul: Friedrich Naumann e Associação de Orientação às Cooperativas, 1979, pp. 1–58.
13. Ibid.
14. Lima, *As artimanhas da flexibilização: o trabalho terceirizado em cooperativas de produção*, São Paulo: Terceira Margem, 2002; Valmíria Piccinini, "Cooperativas de trabalho de Porto Alegre e flexibilização do trabalho," *Sociologias* 6 (2004): 68–104.
15. That movement also included other alternative forms of production, such as recovered factories and workers' self-management. See Lima, *As artimanhas da flexibilização*.
16. Singer and Souza, *A economia solidária*; Gaiger and Benno Asseburg, "A economia solidária diante das desigualdades," *Dados*, 50 (2007): 499–533; Eliene dos Anjos, "As singularidades das cooperativas autênticas," paper presented at the 14th Brazilian Sociology Congress, Rio de Janeiro, Brazil 2009.
17. Associativism is a broad term that refers to traditions and a diverse set of practices involving organizing into associations, cooperatives, and so on.
18. The variability of their employment rates does not mean that these cooperatives are therefore instigators of more flexible labor relations; this is a question that is not well understood. This variability is common to many economic sectors, such as family farming, small business, and

- subcontracting. Moreover, these cooperatives are a progressive element in the face of this situation because workers are not subjected to playing a passive role, as they are in wage labor, and have more space to decide how to organize their work.
19. Gaiger, "A racionalidade dos formatos produtivos autogestionários," *Sociedade e Estado* 21 (2006): 513–44.
 20. Except for the cooperatives that resulted from workers' occupation and recovery of capitalist businesses, and the agricultural production cooperatives created by the Rural Landless Workers' Movement, both of which were based on communal principles and representational organization.
 21. Collective activity refers to anything that is done jointly by members and therefore classifies as a cooperative. It is not always an activity involving labor, such as when there are no wages or need to organize the productive process. No clear or reliable data is available on classification of activity by economic sector.
 22. Gaiger, "Empreendimento econômico solidário."
 23. In making these comparisons, it is necessary to maintain a realistic view by verifying what workers in solidarity enterprises win or lose compared to the alternatives that are concretely within their reach.
 24. Gaiger, "Virtudes do trabalho nos empreendimentos econômicos solidários," *Revista Latinoamericana de Estudios del Trabajo*, 7.13 (2001): 191–211.
 25. Gaiger, *Sentidos e experiências* and "A outra racionalidade da economia solidária. Conclusões do primeiro Mapeamento Nacional no Brasil," *Revista Crítica de Ciências Sociais* 79 (2007): 57–77.
 26. Gaiger, *Sentidos e experiências*, p. 385.
 27. Saul Estrin, Derek Jones, and Jan Svejnar, "The Productivity Effects of Worker Participation: Producer Cooperatives in Western Economies," *Journal of Comparative Economics* 11 (1987): 40–61.
 28. Jacques Defourny, "Coopératives de production et entreprises autogérées: une synthèse du débat sur les effets économiques de la participation," *Mondes en Développement* 16 (1988): 139–153.
 29. Aline Santos, "O processo de trabalho capitalista e a dinâmica das fábricas recuperadas," *Economia Solidária e Ação Cooperativa*, 2.2 (2008): 77–89.
 30. The latter is especially interesting because it is a comparative, broad, and detailed study of 35 enterprises that were handed over to workers by the Salvador Allende government in Chile. In comparing their data with a vast amount of literature on the subject, the authors concluded that a clearly positive relationship exists between participation and productivity, highlighting the greater effectiveness of the new forms of social control and the effects of collective retribution and stimulus on innovation in management and production. See Juan Espinoza and Andrew Zimbalist, *Democracia económica: la participación de los trabajadores en la industria chilena – 1970–1973*, Mexico City: Fondo de Cultura Económica, 1984, pp. 163–234.
 31. Studies on the solidarity economy had increased in recent years, but a lack of global and systematized data restricted surveys to a qualitative approach. They were valuable for examining the particular traits of these enterprises, but insufficient for identifying predominant tendencies and their effects on workers' living conditions. Since 2007, the mapping has made it possible to change the scale of analyses and return to theoretical and political

discussions of major theories, although the database has been little-used to date.

32. Technical details of the method used are omitted due to a lack of space, but they may be consulted in Gaiger, "La economía solidaria y el capitalismo en la perspectiva de las transiciones históricas,"; and in José Coraggio, ed., *La economía social desde la periferia; contribuciones latinoamericanas*, Buenos Aires: Editorial Altamira, 2007, pp. 79–109.
33. The best average remuneration of members is observed in ranges of one to two minimum wages (25.7 percent in workers' cooperatives, compared to 7.5 percent of all enterprises) and of two to five minimum wages (15.6 percent compared to 3.2 percent). Social benefits, which cooperatives should also provide to all of their members, are one of their serious weaknesses, but cooperatives still offer more social benefits than other enterprises. In particular, workers' cooperatives report relatively better rates compared to other cooperatives. The widespread practice of renouncing these benefits seems to be explicable by the priority that enterprises place on economic solvency.
34. Singer, "A recente ressurreição da economia solidária no Brasil," in Boaventura de Sousa Santos, *Produzir para viver: os caminhos da produção não capitalista*, Rio de Janeiro: Civilização Brasileira, 2002, pp. 81–130.
35. OCB/DETEC/Database Brazil, 1998.
36. Maurice Godelier, "D'un mode de production à l'autre: théorie de la transition," in *Recherches Sociologiques*, 12.2 (1981): 161–93.
37. This issue was addressed extensively in the article: Gaiger, "Nouvelles formes de production non capitalistes au Brésil," *Revue Tiers Monde* 190 (2007): 309–24.
38. Singer, *O que é socialismo, hoje*, Petrópolis: Vozes, 1981, p. 51.
39. Gaiger and Asseburg, "A economia solidária."
40. Singer, *O que é socialismo*, p. 26.
41. Jacob Gorender, *Marxismo sem utopia*, São Paulo: Ática, 1999.

10

Worker Self-Management in Argentina: Problems and Potentials of Self-Managed Labor in the Context of the Neoliberal Post-Crisis

Andrés Ruggeri

Since the late 1990s, cases of workers' self-management have proliferated in all types of production (of goods and services) enterprises throughout Argentina, attracting enormous solidarity and the attention of researchers and activists. So-called "worker-recovered enterprises" (WREs)¹ are attempts to self-manage bankrupt production enterprises that have been abandoned by the capitalists, with the primary objective of preserving sources of employment. The situation that is created leads workers to embark on a complicated, risky course, one that requires their maximum effort, so that they can be successful where the capitalists failed. In this context, their survival is useful in analyzing how self-management can be achieved in adverse conditions, even more strained by operating within the logic of the market.

Recovered enterprises are a relatively recent phenomenon in Argentina and are closely related to the effects of neoliberal economy policy on the country's productive structure and working conditions. Among other things, this means that their emergence is directly connected to the massive shutdown of whole industries and the consequent unemployment of millions of workers.² In these conditions, the first WREs were desperate reactions by workers trying to save their jobs in any way that would allow them to escape the social marginalization that appeared to be their certain destiny. The living conditions of unemployed workers were visible threats for those who still had jobs, driving them to develop

strategies for survival beyond old trade-union resources that were no longer useful. In fact, the unions had lost all capacity for pressuring business owners in the context of massive unemployment, in a society where jobs had been highly prized assets for the enormous majority of workers.³

This process of neoliberal hegemony in which WREs were born was not independent of a worldwide process of capitalist globalization that brought major changes to production and consumption structures, the organization of work, and the role of the state apparatus, especially after the collapse of the socialist bloc.⁴ Argentina was the Latin American country where the postwar “welfare state” probably was most successful in ensuring an operational network of social security and services for the population, and it was seriously affected by this global neoliberal hegemony, which was brutally manifested during the Carlos Menem government.

In the early 1990s, the Washington Consensus⁵ established a Decalogue of neoliberal ideas that were generally adopted as unquestionable rules by the majority of the region’s governments. In many Latin American countries, so-called austerity measures, privatization, downsizing of the state, and financial appreciation processes were carried out simultaneously, leaving a desolate outlook by the mid-1990s.⁶ The old welfare states were swept away, crushing workers’ achievements and subjecting society to the threat of massive unemployment. The new neoliberal state apparatus broke up the old model, privatizing public enterprises and dismantling most of the social security systems that had been built over decades, and it radically changed the role of the state, which became almost exclusively devoted to ensuring the interests of large economic groups.

Despite an increasing amount of resources devoted to the expansion and maintenance of security or support networks, they were insufficient: spiraling unemployment resulting from the economy’s rapid deindustrialization grew several times faster. As a result, different population groups that were socially united under the category of “unemployed” began organizing and pressing their demands, leading to many and diverse forms of organization and a proliferation of microenterprises, cooperatives, and self-managed enterprises of all types.

This radical version of neoliberalism that took hold of Argentina in 1989 crashed in December 2001, a few years before the spectacular global collapse that resulted from the implementation of this policy on an international scale. While Argentina was not the only country to suffer this type of crisis, it may have been the most extreme case. In the

rest of the world, resistance to what was being described as the global neoliberal system began to manifest, both in antiglobalization protests (in the most powerful capitalist countries) and in popular governments that began winning elections in Latin America, especially after Hugo Chávez's victory in Venezuela in late 1998.

This new context of resistance to global neoliberalism led many intellectuals and activists around the world to describe some of these popular expressions of resistance and reaction to the crisis in Argentina as part of a global antiglobalization movement.⁷ However, what we have seen – especially in the case of recovered enterprises – is that while the Argentine process is related to a global context, it has its own specific characteristics.

By analyzing the WREs and the process of their formation, especially political processes and changes in workers' subjectivities, we can assess the relationship between this movement and the possibility of a global struggle against capitalism. It is unquestionable that Argentine and Latin American WREs emerged more as a form of resistance to extreme situations stemming from neoliberal crisis than as an anticapitalist ideological alternative. However, they also shed light on crucial questions related to reformulating an economic and social project for achieving a worker-controlled economy.

A brief characterization of recovered enterprises as self-managed enterprises

In assessing the concrete aspects of the phenomenon of worker-recovered enterprises, we will base ourselves on the work carried out by a team from the Open Faculty Program of the University of Buenos Aires,⁸ especially the data from a third census of WREs conducted in late 2009 and early 2010,⁹ compared to the previous two censuses, conducted in 2002 and 2004.¹⁰

According to that data, Argentina had a total of 204 recovered enterprises in 2009. In 2004, that total was 161, meaning that the number grew by 44 in five years. This growth contradicts a widespread opinion that WREs were exclusively the consequence of the 2001 crisis, and therefore represent a stagnant process that waned after that year.

At present, the country's two hundred-plus self-managed enterprises provide jobs for some 9,400 workers. In the last four years – also in contrast with the image of the disappearance or mere survival of WREs – more than 2,400 new self-managed jobs have been added, including those in recently created WREs and additions to older ones.

Forty-two percent of WREs belong to metallurgical or other manufacturing industries, 19 percent to the food industry, and 22 percent to nonproduction-related services, such as health care, education, and the hotel industry. Most WREs are categorized as small and medium enterprises (SMEs), according to the number of workers, with the average being 30-plus workers. The average worker is quite specialized, but difficult to place outside of the industry in which he or she has spent most of his or her working life.

This characteristic is related to what are typically long processes of struggle and occupation of factories and other workplaces to make them productive again, involving many months (more than nine for WRE cases that began in 2001 and five for subsequent cases). These long periods of conflict end up being obstacles to the permanence of the highest-qualified workers, or those whose skills have greater demand on the market, such as administrative and executive personnel. Thus, workers who remain in the WREs are generally those who have no other option.

The resulting typical workforce is made up of workers with a certain level of specialization and many years at the same company, with 75 percent over 35 years old and 20 percent over 55; most of them men. The presence of women is influenced by the characteristics of the Argentine labor market as a whole, with certain industries and jobs occupied almost completely by men (that is the case with the metallurgical and printing industries, where the few women employed work in administration or cleaning). In other industries – such as education, health care, and the textile industry – the opposite is true, although these cases are far fewer in number.

In addition, WREs are spread throughout the country, with a distribution that is closely related to Argentina's economic structure and the industries that were hardest hit by the neoliberal offensive of the 1990s. This is reflected in the fact that 50 percent of WREs are in the Buenos Aires metropolitan area, and most of those located outside the capital are in the industrial area of Santa Fe province. In addition to the Buenos Aires metropolitan area, there are cases in the rest of Buenos Aires province and in Santa Fe, Córdoba, Chaco, Entre Ríos, Corrientes, Jujuy, La Rioja, San Juan, Mendoza, Río Negro, Neuquén, Chubut, La Pampa, and Tierra del Fuego (in 15 of the country's 24 provinces).

Another important feature of WREs in Argentina is their legal status as production cooperatives. According to our figures, 95 percent of WREs have this status, while the remaining 5 percent is made up of other types of cooperatives, undefined cases that are involved in conflicts,

and cases of comanagement between workers and former owners or other business people.

The cooperative form is chosen for several reasons. A production, or workers', cooperative is the legal form of organization that adapts best to the self-management aspects adopted by WREs. Its legal status is easy to obtain and provides important advantages, such as lower taxes and the possibility of being recognized by a bankruptcy judge as "continued production" of a factory or business that has been declared bankrupt.¹¹ As a cooperative, a factory can operate legally on the market and benefit from any state appropriation of the facilities, machinery, or other assets of the former enterprise. Moreover, and just as importantly, in forming a cooperative, workers can control the plant without inheriting the generally large, sometimes multimillion-dollar debts left by former owners.

In regard to health and social security benefits, the WREs have serious problems in adapting to regulations for ensuring workers' rights. This is due principally to a lack of specific regulations that apply to these cases of cooperativized former wage workers.¹² The absence of a specific law for workers' cooperatives places WREs and other similar cooperatives in a situation of legal ambiguity. Recently, this situation increasingly has become a subject of internal discussion, given the "aging" process of recovered enterprises, with a majority of workers having been veterans when the self-management process began.

The Workers Solidarity League (*Unión Solidaria de Trabajadores*, UST), a WRE in Avellaneda that is part of the National Association of Self-Managed Workers (*Asociación Nacional de Trabajadores Autogestionados*, ANTA), stated in March 2010 that it was necessary to have a specific legal status for self-managed workers – different from that of other type of cooperativists and from that of wage workers – for recognizing their labor and social security rights, which until now have been ignored or left up to the workers themselves. It is important to take into account that in Argentina, as in other Latin American countries, the state health and social security systems have deteriorated seriously as the result of more than two decades of neoliberal policies, making the question of social coverage for workers a top priority.

Regarding productivity, despite the efforts of their members, most recovered enterprises have not achieved the maximum productive output of their installed capacity. While significant improvement was made between the start of their operations and the first two years of work, subsequent expansion has been problematic and slow, and WREs sometimes reach a point of stagnation. The reasons for this are

diverse, including the disastrous state of machinery and facilities in most cases, obliging workers to invest heavily to make it operational. These investments are almost impossible in situations where capital is lacking, leading to situations of great sacrifice in which workers contribute their labor power without receiving income that exceeds the threshold of survival. At the same time, this conduct – forced by circumstance – demonstrates an important level of maturity because it is a pledge of commitment to the future progress of the self-managed enterprise.

Difficulty in breaking into the market is the main reason cited by WREs for their economic problems. Even after several years of operations, they have not been able to achieve sales levels that would allow them to make maximum use of their productive capacities. Most administrative and executive personnel who oversaw sales abandoned the enterprise amid conflict, and production workers must collectively assume these tasks.

In some cases, WREs resort to a form of subcontracting (*trabajo a façon*) in which a capitalist outside the enterprise contributes prime materials and supplies and pays a fixed price for the final product. Because product marketing is left up to this capitalist, the cooperative's profit levels are very low. However, in some very difficult cases, this is at least one option for allowing operations to begin.

One decisive factor in this situation is the role played by the state, which has the ability to help prevent these problems from becoming obstacles that can lead to the failure of a WRE. However, in addition to a hostile legal system and a legislature that is very vulnerable to changes in "public opinion," the executive power at its different levels has yet to develop anything more than instruments for partial and not very effective assistance. Some subsidies do reach the WREs, representing support that is important, but not decisive.

Additionally, there is still no clearly defined public policy that is consistent with the goal of consolidating workers' self-management. The lack of a legal framework does two things: it leaves too many aspects up to judges' interpretations, and it places the WREs in illegal or precarious situations. Moreover, no development or training programs exist that would give workers tools for collective management based on real situations.

The influx of new WREs has placed more workers before the same challenges faced by millions of others during critical periods in Argentina: either they defend their jobs under self-managed forms, or they become part of the large army of the structurally unemployed, most of them

workers who are ill-suited for being reabsorbed into the labor market because of their ages or trades.

While this appears to be a rather negative situation, the starting point was much worse: shuttered businesses, unemployed workers who could not feed their families, rundown facilities, an absence of capital, a lack of involvement by the state, business fraud, and other elements that determined the creation of WREs. Despite all of this, in the last five years, WREs increased in number and generated more than 2,400 new jobs. They undertook solidarity-based cultural and educational initiatives and provided work and dignity to their members.

The relationship between recovered enterprises and the Argentine state

The Argentine state, shaken by the extreme institutional, political, and economic national crisis of 2001, had no other capacity for response than to repress the occupation of production facilities by workers seeking to protect their jobs. However, in a situation of quasi-institutional dissolution, these conflicts involving several thousand workers were not the most pressing problem. Initially, government policy was to ignore the occupations, allowing those conflicts to take their course.

In 2003, when Néstor Kirchner became president, the national government began to generate mechanisms of support, very incipient ones, in the Labor Ministry and the National Institute of Associativism and Social Economy (*Instituto Nacional de Asociativismo y Economía Social*, INAES).¹³ During those early years of the country's post-2001 economic and institutional recovery, confusion prevailed regarding state policy on the WREs, which was characterized more by inaction than by consistent policies. The creation of support programs and financing for small subsidies was the main initiative. This contradicted the hostility that judges and even low-ranking state officials sometimes showed toward WREs. Episodes of repression also marked this period,¹⁴ although to a lesser extent than in preceding years.

The state's current position on WREs continues to be heterogeneous and sometimes confusing, although at a different level. The federal government meets the needs of WREs in a scattered and frequently contradictory way. Provincial state governments have yet to distinguish themselves on this issue, and the city of Buenos Aires has made a major retreat under the government of Mauricio Macri.¹⁵ When he took office in 2007, Macri did away with specialized teams that were being formed to provide services to recovered enterprises, and he eliminated subsidies

that were the best in the nation, not only in monetary sums but also in the quality of intervention.

In response to that, however, the national government began granting more subsidies to WREs. The ministries of Labor and Social Development, as well as the INAES (which had played a marginal role until 2005, despite being the state institution for supporting cooperatives), developed a more active policy. They became more important after the disappearance of support from the Buenos Aires city government for cooperatives in greater Buenos Aires and nationwide.

Despite that, this splintered policy does not seem to be carried out within common parameters of action; instead, it depends on the intentions and occasional spaces that exist in each government ministry or agency. Moreover, the workers themselves and their organizations or representatives generally must bring pressure and ferret out every possibility they can for access to state subsidies.

Another major problem with these fragmented actions is that the state is limited in providing more consistent support to the WREs because of the restrictions posed by the precarious legal status of self-managed work. The numerous lines of subsidies, credit, benefits, and guidance available for private companies generally do not reach recovered enterprises, because they are unable to overcome the required bureaucratic obstacles. Moreover, these obstacles are generated by the actions of the state itself, which does not seem to have any intention of making any progress on the matter for the time being. All of this comes down to a chicken-and-egg dilemma: the WREs cannot be given the benefits that other economic sectors receive because they do not meet the legal guidelines, and, at the same time, they cannot meet those guidelines because their specific situation is not taken into account in legislation, and no actions are taken to correct their precarious legal status.

Recovered enterprises cannot access the credit given to traditional companies, and the subsidies they receive tend to be practically at the level of micro-financing, in stark contrast with the large subsidies received by many large businesses. This causes and reinforces a web of production and labor difficulties that begin with the creation of the WREs and are outside the control of their members. Thus, a large number of WREs are condemned by action or omission to remaining on the threshold of subsistence.

Another reason for the absence of economic policy on recovered enterprises is the fact that certain academic circles consider WREs to be solely a question of social policy. Therefore, they cannot be included in any programs for promoting SMEs or other types of businesses. Also,

because they are viewed as labor or social conflicts instead of economic and productive units, they are confined to the real or imaginary field of "social economy." This means that the agencies assigned to them are not interested in strengthening the self-managed sector; rather, their aim is to solve or palliate the problem of unemployment (in the case of the Labor Ministry), attenuate the social consequences of unemployment that generated WREs (in the case of the Social Development Ministry), or support WREs that are cooperatives (in the case of the INAES).

This lack of state policy is a serious problem for the development of self-managed work. The lack of a regulatory framework, tools for promotion and development, and institutes for research and training aimed at improving the quality of self-managed work and scientific/technological development and innovation, leaves workers to fend for themselves in a hostile capitalist market. The absence of an overall economic strategy that includes and even prioritizes self-managed labor – which develops the enormous potential of the working class to manage its own future and that of the economy – is the ultimate reason for the abovementioned situation.

Collective management mechanisms in recovered enterprises

While the concept of self-management is frequently utilized in a broad sense¹⁶ for all types of social and political relations, here we will try to limit it to cases of workers' economic management. By "self-management" we mean "workers' management of an enterprise unit without capitalists or bosses, conducting their own organization of work under non-hierarchical forms."¹⁷

Self-management of an enterprise means that the workers collectively decide on the organization of the labor process, production norms, the use of surplus, and the enterprise's relationship to the rest of the economy and society. It is important to note that we are talking about cases within the framework of capitalism, which either are isolated or are part of articulated strategies of social organizations and movements involved in working-class struggles to improve living conditions in a situation of social abandonment and the dissolution of wage relations for many workers.

What distinguishes enterprises that are self-managed by their workers from other types of enterprises is their principal political and symbolic capital: the collective form of management. This process of self-management is a dynamic that must be maintained permanently

and voluntarily by the workers; it cannot emerge from any type of law, but from workers' decision and practice.

While self-management or "collective management" is the most frequently cited characteristic of recovered enterprises, the concrete forms it takes are not easily reflected in global statistical data, much less in fragmented case-by-case reports. In each case of a WRE, the dynamic of self-management and how it is practiced depend on the situation of the original group of workers during the conflict that led to the WRE's creation; its capacity for achieving legal recognition despite any difficulties; the form it uses to restart production; and the characteristics of the collective of formerly wage workers that now lead it.

The intensity and nature of the initial conflict that leads to the recovery of a factory has been identified as the most important factor in the self-management dynamic.¹⁸ One hypothesis in this sense is that an interrelationship exists among the intensity of the conflict, the collective democracy that workers need to establish, and the egalitarian mechanisms that are used subsequently in dealing with questions related to decision making and equality in the workday and income levels.

Given that almost all WREs have adopted the cooperative form, they must take into account formal legal mechanisms that regulate the cooperative's operation, basically in the area of decision making, which is essential for any self-management process. Cooperatives have two basic management bodies: the administrative council and the general assembly of all members. In traditional cooperatives, the administrative council oversees management, while assemblies are organized only for a few particular reasons: annual reports and leadership elections. Everything else is decided by the council, and only one annual assembly is required by the law. However, in recovered enterprises, the relationship between the two bodies tends to be totally different.

With respect to that, it may be said that outside WREs – both in academic and management circles, as well as the cooperativist technocracy – there are two opposing views of this relationship. The first, which tends to idealize the process, holds that everything should be decided by assembly, and WREs are considered as a type of permanent soviet. The other assumes that such a view is unrealistic, or even false, because management cannot be done in a permanent state of deliberation, and doing so is the source of many management problems. The first view emphasizes the "social movement," while the other defends the need for "serious cooperativism," something that WREs must move toward sooner or later if they do not want to run the risk of failure. Neither

of these two views seems to consider the concrete reality of recovered enterprises as the main factor.

Our research found a situation that was quite different from that of traditional cooperatives in Argentina. In the last census of the Open Faculty Program,¹⁹ just 8 percent of WREs said that decisions were made by administrative councils. The vast majority of WREs gave their councils a variety of operational tasks that, because of their immediacy, form of implementation, or routine nature, were impractical for assemblies to address. Thirty percent of WREs explicitly said that their assemblies carry more weight than the administrative councils. The rest said that their administrative councils were responsible for administrative, commercial, legal, and customer relations issues, and so on. According to these findings, administrative councils functioned more as the representatives and day-to-day administrators of cooperatives' routine affairs, rather than as an authority equivalent to a board of directors,²⁰ which is sometimes the case in traditional cooperatives.

The 8 percent of WREs where everything is decided by the administrative council coincides with the 8 percent that hold annual assemblies. National legislation on cooperatives requires these annual assemblies, which must be minuted and are subject to INAES oversight. However, the reality for most WREs is closer to the management model of using more frequent assemblies, which has become more widespread. An overwhelming 88 percent said they hold assemblies periodically, and even more amazing was the frequency: 44 percent hold assemblies weekly and 35 percent hold them monthly.

Evidently, the assemblies are very important for WRE workers. While some analysts attribute the importance of the assembly body to an expansion of direct democracy during the mass mobilizations of 2001 and 2002,²¹ it is important to highlight other factors that, in our judgment and without ignoring that influence, help to understand this situation.

The first is that the depth of the conflict that leads to WREs tends to form collectives that dissolve any previous forms of organization, both in management and the trade unions, due to profound changes in the structures of workers' relations. This leveling-out of everybody involved makes an assembly a more logical form for debate and decision making.

Secondly, assemblies are a constant element in working-class organizations. Even bureaucratic union leaderships must use assemblies as a validation mechanism during labor conflicts. The assembly is a working-class tradition, not simply the result of crisis-related

mobilizations or the emergence of new social movements. Of course, the fact that most of WREs formed at the same time as those mobilizations may have promoted this practice during that time period.

Lastly, an assembly is the most effective way of ensuring that all members of a recovered enterprise participate in decision making in the context of self-management. It is hard to imagine self-management without assemblies, and research confirms that.

Therefore, the relationship between the regular bodies of cooperative management – the administrative council and the general assembly – acquire specific forms in WREs that are more in line with their origins in workers' struggles for their jobs than with traditional cooperativism. The imprint of these origins and their working-class background appears clearly in the inverted traditional roles of council and assembly; while this may be true in many different ways and to different degrees, it tends to impose the weight of collective direct democracy over that of representative democracy.

The composition and rotation of seats on WRE administrative councils also reflected a transformation in leadership roles: there is no automatic transfer of any hierarchy that existed before the workers took over management. The principal change involves not only the disappearance of the boss figure, but also a complete transformation in management roles. This transformation affects rank-and-file workers' access to council posts – although we should note that these posts are a far cry from the power exerted by posts in the board of directors of conventional capitalist enterprises – and substantially changes trade-union representation and leadership roles. Former union representatives often do not become part of cooperative administrative councils. This formation of new leadership in WREs is much more laborious than in the unions because the new WRE leaders have many management and other responsibilities that union delegates do not have.

In any case, the high level of participation in assemblies reduces the importance of leaders. At the same time, the fact that most administrative council members were and are workers and not the former executives reflects a phenomenon of democratization of the relations among workers, as well as a radical change from the roles they held in the previous organization of labor. We are underlining this because it is something that is generally taken for granted, without empirical confirmation on a general level.

However, reducing self-management to decision-making methods or workers' rights does not take into account the repercussions that come with a production process that is different – although in various

degrees – from that of a traditional capitalist business. Without ignoring the enormous difficulty and challenge involved in this transformation of the logic of economic production, it is worth examining the changes to the organization of work and the production process itself that take place in WREs. These may be the aspects that most reveal the depth of change that occurs in workers' self-management.

In WREs where attempts are made to democratize the production process itself, it is possible to go further than recovering jobs, and to envision the creation of a different logic of work and, therefore, a different logic of production and of worker-worker relations and worker-society relations.²² However, this is also the area where change is the most difficult, and where more factors are involved.

One major constraint on democratizing the production process is the technology used in an enterprise, especially in manufacturing.²³ As we know, the availability, organization, and arrangement of production technology are some of the main factors in the organization of the labor process. The knowledge that comes with years of working with production technology logically leads workers to tend to use this knowledge before trying to experiment with something new. Nevertheless, an absence of machinery, requirements, or specialized workers makes it necessary to improvise creatively.²⁴

As we have seen, production conditions tend to vary from enterprise to enterprise, and the needs and shortages that emerge when production is restarted in a WRE immediately pose the question of how to organize labor. The group's ability to start the entire production process tests workers' knowledge about the enterprise's operation (mechanical and nonmechanical) and their ability to overcome any potential obstacles.

In analyzing the internal workings of WREs based on these variables, we find complex and heterogeneous situations. An analysis of this data makes it possible to establish certain commonalities and sketch out a starting point for a more complete analysis of management forms, work organization, and distribution of income among workers. For this, in-depth, case-by-case studies are needed. However, it is quite clear that the self-management dynamic is complex enough not to be reduced to a single aspect (such as decision making or equal income among workers), or a single moment of the process (decision making vs. production).

At the same time, the heterogeneous solutions that WRE workers apply to similar problems show that, at least for the time being, there is no single course of self-management. It is evident that, based on cooperatives' rules and traditional practices, no standard solution can be provided for a problem that requires workers' creativity and effort.

All of us – social actors and academics who support these self-management processes, policymakers, and workers themselves – have the opportunity to contribute to the development of a new type of logic for production relations and for management, beyond the experiences of WREs themselves.

Problems of self-management in the capitalist market

As mentioned earlier, the biggest difficulty with self-management cases like WREs is the economic aspect: maintaining horizontality and solidarity while also being economically effective,²⁵ to be able to achieve a decent living for workers. This is twice as difficult in the context of the capitalist market.

Recovered enterprises, then, can demonstrate in practice the potentials and limits, in the current circumstances, of self-management as an economic and social practice. And we are referring concretely to the economic conditions of self-management, analyzing concrete processes, not abstractions or idealizations. What are the conditions and problems for self-management in WREs? What solutions have been found, if any, and what progress has been made?

The theory, and the very concept of self-management and its practical implementation, must be nourished by concrete experiences. For the first time in a long time, cases of self-managed enterprises like the WREs in Argentina have endured long enough that we are able to learn more about their dynamics outside of exceptional junctures. Below is a brief breakdown of some of the key problems and solutions that workers have encountered in everyday practice, mostly outside of any theoretical conceptualizations or intentions.

Political and socioeconomic context

Without taking into account the relations of production, the social and cultural logic, and the political context of self-management experiences, any analysis of their problems would be an abstract, ahistorical intellectual process. In any circumstance of social transformation, understanding its context is decisive to understanding its determinants and starting point.

We have noted the neoliberal context in which WREs emerged in Argentina, as well as their defensive character. While workers' objectives initially were limited to responding to that reality, they have evolved and become more profound as a result of their conflicts with society, especially the state and the market. By taking into account that political

and socioeconomic context, it is possible to understand the enormous difficulties faced by WREs and to assess their achievements.

From this perspective, it is important to note that self-management processes cannot escape the influence of the capitalist market in which WREs must operate. The challenge is to preserve and develop a particular logic of economic rationality for self-management, even when forced to follow the market's rules of competition. In that sense, even though workers feel like the "owners" of their labor process, they cannot break away from the ultimate truth of alienated labor: the production of commodities for exchange on a market whose logic and purpose is beyond their control. They alone cannot make up for the lack of a social order in which self-managed labor can exist without the hegemonic social relations created by capital.

It would be a different scenario in a context of production relations where the market is not the principal mechanism for the appropriation and distribution of production. The introduction of self-managed enterprises in a mixed economy that is run by a socialist state would place the starting point for this process in a qualitatively different place, which cannot be addressed here. Study of the Yugoslavian experience, with all of its historical limitations, may provide some basic clues.²⁶

Legal precariousness

In general, WREs in Argentina are immersed in a legal process governed by a bankruptcy law that does not make workers the main beneficiaries, and that seeks to resolve the situation by selling off business assets. While occupation by a group of workers who have organized a production cooperative may achieve control over the enterprise and usufruct rights to its facilities by winning favorable court rulings and the application of expropriation laws, worker ownership of the enterprise is not guaranteed in the great majority of cases.

This lack of a legal definition for WREs hinders their formal operation and access to credit, and places the entire processes in a state of medium- and long-term uncertainty. Because they cannot complete their acquisition of ownership of the productive unit, the workers are in a state of insecurity that conspires against their possibility of creating strategic planning tools. The WREs have demanded legalization, pressuring for expropriation laws or the reform of the bankruptcy law in order to ensure workers' control over the means of production in their enterprises.

On the other hand, this legal precariousness has forced WREs to maintain a capacity for permanent mobilization as a way of ensuring

control over jobs without any formalization or institutionalization. That situation also has led WREs to strengthen collective control of the enterprise, seek social legitimacy, and establish relations of solidarity.

Nevertheless, resolution of the legal situation would allow WREs to more easily deal with basic problems. For that to happen, self-managed enterprises would require a legal classification that recognizes their collective nature, provides their workers with the minimum labor rights assured by the state for wage workers, accepts their economic and not just social dimension, implements policies of support, and recognizes them as socially owned property whose development should benefit their members and society as a whole.

A lack of working capital

In Argentina, WREs generally begin operating solely with their workforce, and, in some cases, whatever raw materials remained in stock. Without access to credit, it is very difficult for them to become operational, except at the cost of enormous sacrifice. Some government subsidies exist to ease this situation, but results are insufficient.²⁷

How workers are able to obtain the level of capital or financial resources needed to begin and maintain production is one of the most decisive and interesting aspects of these cases. Channels for achieving this without exploiting workers and while also being able to meet people's needs in an environmentally sustainable way is, at a minimum, the main challenge for this form of management.

If self-managed enterprises are really not based on capitalist accumulation, then they must implement an internal logic that avoids and controls tendencies to adopt any type of capitalist logic that justifies the exploitation of workers and society in general. Democratic and solidarity-based management, with all of the complexity of its mechanisms for participation, is the key to generating a noncapitalist logic for guiding the WRE's functioning.

In the Argentine context, an absence of that type of noncapitalist logic at the level of the national economy makes the task even more difficult. The practice of equality and collective management in WREs constantly clashes with the needs of the market, as well as with the values and ideas that workers have internalized from the capitalist culture in which they were born and have lived all their lives.

Self-exploitation, directly or due to an external boss

WREs' lack of working capital, often combined with their difficulties in developing a marketing structure (which is clearly related to the previous

points) and their small-scale operations, forces a significant number of them to resort to production for third parties, such as the aforementioned *a façon* work.²⁸ In this case, a business or business owner, whom workers incorrectly tend to refer to as “the client,” provides the raw materials and guidelines for production and rents an WRE’s labor force and the use of its machinery and facilities. This “external boss” then pays the WRE for its finished product at a significantly lower price than the price the WRE would receive if production were its own.

In these cases, self-management is reduced solely to certain parts of the production process, and, what is worse, the surplus goes almost entirely to the indirect boss. The exploitation, or primary extraction of surplus value, is more hidden in these cases than in market relations, and is disguised as a relationship between equals: one who possesses the working capital (the indirect boss) and one who works and controls part of the means of production (the self-managed collective).

In a certain sense, this is “self-exploitation,” a concept in academic circles that is frequently associated with recovered enterprises.²⁹ In cases of *a façon* work, it is clear that the exploitation is being done by a boss disguised as a “client,” and that it is accepted by WRE workers for lack of a better alternative on the market. In other cases, self-exploitation is associated with long workdays, maintaining features of the work process inherited from the former capitalist business, low income, and other circumstances that are negative for workers, even when compared to their private business counterparts.

However, these analyses of self-exploitation in WREs generally equate self-managed workers with wage workers, ignoring all of the elements that restrict WREs: the factors that led to their creation, the state of the business, and the collective decision making typical of these enterprises. They also fail to consider other circumstances involving the humanization of the workplace, such as comradeliness, solidarity, and collective action. Even more significantly, these analyses do not address the basic question of whether or not WREs have the essential element needed for exploitation: capitalist accumulation.

Relationship to the market

Self-managed enterprises are an attempt to collectively solve problems of production, generally by taking on democratic forms of management, and guided by the logic of solidarity among workers and with society. That solidarity-based and egalitarian logic contradicts the logic of maximizing profits and market competition under the rules of capitalism. The rhythms of internal democracy under workers’ management,

their ways of solving problems, and the solidarity exercised among workers and between workers and society cannot be reconciled with the obligations imposed by market competition, forcing self-managed enterprises to adapt at least part of their operations to market rules. The pace of production and the organization of work frequently must be adapted to the requirements of the production chain into which they are inserted. These and other requirements of the market either alter or threaten to alter the logic of self-management because they must be adapted to concepts of efficiency, viability, and performance that are foreign and that respond to a need for accumulation by other links in the chain.

The way that these opposing logics are reconciled or adapted to each other is another powerful characteristic of WREs, and one of WREs' largest problems. Despite having to comply with the rhythm and pace of production imposed on them by the operation of the markets into which they are inserted, recovered enterprises try not to be subjected to other forms of exploitation that are widespread throughout the world. For example, they attempt to maintain a workspace that is humane, which is one of the major changes in the working conditions of recovered enterprises. Moreover, the inclusion of nonproductive and solidarity-based activities in the enterprise's facilities, especially when these activities are related to the community – using collective work time, space, and organization for actions that are not part of the capitalist rationality – is an unusual form of altering the social functions of the enterprise and raising workers' awareness about their role in society.

In this friction between two different types of logic about the concept of work and enterprise, the purpose of production is tested and debated. Capitalist businesses seek capital accumulation, using different forms of organizing production to maximize benefits by exploiting workers. Self-managed enterprises must find a way to grow and operate under a rationale that does not seek this accumulation; instead, it must be under a rationale that seeks to build a business that will allow workers to enjoy basic living standards, that will be able to provide jobs to others, and that will be socially integrated. For this to happen, self-managed enterprises must fight to maintain and expand their essence against any tendencies imposed by market competition.

The labor process

Self-management implies a different dynamic in relations among the workers involved, not just in management decisions but also in the production process itself. It means that workers appropriate the labor

process, with the possibility and obligation of changing the rules that govern that process in capitalist businesses.

However, almost none of the WREs have made significant changes to the organization, pace, or characteristics of the labor process.³⁰ Those types of changes would require not only an injection of capital, but also the ability to dismantle the previously existing production process and to recreate it under new conditions.

Nevertheless, relations between workers and the labor process have reflected the inevitable consequences of taking control of the workplace. The changes may be few, but they are significant. The most notable aspect that this author found³¹ was that almost all changes involved some of the most irritating aspects of the capitalist labor regime. These changes are related to workers' personal freedoms and the dignity that comes from knowing that they, the workers, really do control what is happening in the enterprise. These changes are especially manifested in the characteristics, length, and pace of the workday, which is more humane than a typical workday for wage workers.

It is important to point out that these changes to the quality of working life do not make self-managed workers less productive; in fact, the opposite is true. When such changes can be made compatible with good administration of the pace and organization of work, in most cases they lead to increased productive efficiency.

Production and technology problems

The relationship among the available technological tools, their role in the organization of production, and their importance when determining possibilities for changes to the labor process and the possibility of producing socio-technological adaptations³² and what we refer to more broadly as social innovations³³ are some of the richest and most complex dynamics of self-managed enterprises. One of the biggest limitations for WREs is how to organize self-managed production within a technological framework that was designed for capitalist accumulation.

To analyze this situation, it is essential to take into account the fact that technology is not neutral; its design and use and even its dismissal are part of how relations of production are structured.³⁴ How machinery is arranged in a plant and how the chain of production is organized can (and in most cases does) imply the need for an authoritarian management structure to carry out the work and force a new associative structure to reproduce the former way of organizing production, restricting conditions for self-management.

Therefore, self-managed production is affected by an appropriation of production technologies designed for different social relations. Socio-technological adaptation and social innovation allow workers to move gradually toward adapting their technology to the new social relations they are attempting to build in their enterprise. This path is an enormously difficult one when it is not articulated by a state that has science and technology policies for including self-managed enterprises in a production strategy with socialist objectives.

Impact on local and social development

The impact of Argentina's WREs on local communities is not just economic, in maintaining or generating jobs; it also has cultural and social dimensions. WREs have made it possible to rebuild and create social ties between workplaces and local communities.

Most WREs have not forgotten the enormous social solidarity that they sparked among broad layers of the population, something that was decisive to their recovery. They have engaged in solidarity-based activities with their local communities to reciprocate the solidarity and support they received during the conflicts that led them to become WREs. These activities, which may appear to be antieconomic, include the lending of space and facilities for cultural activities, schools for the lowest-income groups in the community, and donations and collaboration with social organizations and movements. These are not just strategies for political legitimization; they are basically workers' heartfelt way of giving back for the solidarity received. These community actions, which run completely counter to capitalist rationality, have a fundamental role in counteracting the harmful effects of interaction with the market.

Finally, we should note that workers' recognition of what is implied by the change generated in the process of building a self-managed enterprise is a fundamental requirement for being able to create a new awareness that goes beyond what is needed for everyday activities. Assuming that workers' subjectivity or political awareness changes solely because they are part of a group that ended up forming a recovered enterprise is ingenuous, and shows a lack of understanding about this reality.

In the case of a type of self-management designed as an economic alternative that can be part of and articulated with a state through socialist planning, this means specifying concepts and identifying their problems and advances. Unlike the Argentine case, where workers have had to develop almost the entire self-management process without state support, or with very few tools, the state would have to help strengthen these experiences, not just in the economic or technological aspects,

but also by promoting the development of workers' social and political awareness.

Final considerations

Argentina's WREs have been viewed in two ways: as a definitive solution to capitalist globalization, and as a circumstantial solution due solely to a sharp crisis that will disappear with the country's economic recovery. However, the reality is more complex. In 2010, we found that these workers' enterprises not only were surviving, but also had grown in number and in employment. Currently, there are 205 WREs with 9,400 workers. They have increased the volume of their production, and despite numerous legal, financial, and political obstacles to their development, they are prospering and solving the problem that led to their creation: preserving jobs.

At the same time, the capitalist market in which they operate imposes conditions that force them to use temporary solutions that go against their process of internal democracy, labor egalitarianism, and social solidarity. Moreover, the Argentine state has not managed to draw up a policy that includes the existing enterprise forms that are outside the practices of conventional businesses.

As enterprises that are neither state nor private and that are different from traditional cooperatives, WREs have been developing genuine self-management in practice, despite many challenges and limitations. The WRE experience in Argentina may be useful for thinking about the reality and potentials of self-managed labor beyond the abstract proposals of ideologues or jurists, and taking into account the common circumstances of Latin American workers.

This adoption by heterogeneous workers' collectives of tasks and lines of work that were previously carried out by the other pole in the contradiction between labor and capital does not occur without resistance, or even a lack of commitment and responsibility on the part of some groups and individuals. The overcoming of major obstacles like the ones mentioned here, both internal and external, is not exempt from conflicts, which impact the viability of recovered enterprises.

The Argentine case shows that workers' management of production units is a difficult reality, but in the end, it is a reality. The lessons from these processes, involving not only effort and suffering but also joy over workers' achievements, should nourish critical thinking that builds practices from the ground up that are guided by the logic of solidarity, breaking with the selfish logic of capitalism.

Notes

1. The term “recovered enterprise,” which is more inclusive than “recovered factory,” emerged from the leaders in the first such cases, who sought to highlight their goal of recovering both the source of employment and the productive unit for the national economy. For a more precise definition, and to avoid any confusion about who is doing the “recovering,” we added “by the workers” to complete the acronym WRE. In Spanish, the term is *Empresas Recuperadas por los Trabajadores* or ERT.
2. D. Azpiazu and M. Schorr, *Hecho en Argentina, industria y economía, 1976–2007*, Buenos Aires: Siglo XXI Editores, 2010; M. Sulfas, “El contexto económico. Destrucción del aparato productivo y reestructuración regresiva,” in E. Hecker, M. Kulfas, F. Sanchez, Briner, and Cusmano, *Empresas recuperadas*, Buenos Aires: Secretaría de Desarrollo Económico, 2003; Julián Rebón, *Desobedeciendo al desempleo. La experiencia de las empresas recuperadas*, Buenos Aires: Ediciones Picaso/La Rosa Blindada, 2004; Andrés Ruggeri, *Las empresas recuperadas. Autogestión obrera en Argentina y América Latina*, Buenos Aires: Ediciones de la Facultad de Filosofía y Letras, 2009.
3. Hernán Harispe, “Trabajo y sindicalismo,” in *La economía de los trabajadores: autogestión y distribución de la riqueza. Selección de trabajos presentados al Primer Encuentro Internacional*, Buenos Aires: Ediciones de la Cooperativa Chilavert, 2009; V. Basualdo et al., *La industria y el sindicalismo de base en Argentina*, Buenos Aires: Atuel, 2010.
4. Ricardo Antunes, “Los sentidos del trabajo,” Buenos Aires: Taller de Estudios Laborales/Herramienta, 2005; Hernán Harispe, “Trabajo y sindicalismo.”
5. John Williamson, “A Short History of the Washington Consensus,” paper commissioned by Fundación CIDOB for the conference ‘From the Washington Consensus towards a New Global Governance’, Barcelona, Spain, September 24–25, 2004.
6. E. Basualdo et al., *El proceso de privatización en Argentina*, Buenos Aires, Universidad Nacional de Quilmes, 2002, p. 12.
7. James Petras et al., *Produciendo realidad. Las empresas comunitarias*, Buenos Aires: Topia Colección Fuichas, 2002; Mauricio Schoijet, *La crisis argentina: los movimientos sociales y la democracia representativa*, Mexico City: SITUAM-Plaza and Valdés Editores, 2006; Betsy Bowman and Bob Stone, “La cooperativización como alternativa al capitalismo globalizador,” in *La economía de los trabajadores*.
8. The Open Faculty Program is a university research and extension program that has been coordinated by the author of this chapter since 2002. It is attached to the Faculty of Philosophy and Letters of the University of Buenos Aires, Argentina. It specializes in WRE support, assessment, and research. Since 2004, one of the program’s features is a Recovered Enterprise Documentation Center, which is located in the facilities of the Cooperativa Chilavert Artes Gráficas, a recovered printing company in Buenos Aires.
9. Ruggeri, “Las empresas recuperadas en Argentina,” report on the third WRE survey, University of Buenos Aires, Faculty of Philosophy and Letters, 2010.
10. Andrés Ruggeri, Carlos Martínez, and Héctor Hugo Trincherro, “Las empresas recuperadas en Argentina,” report on the program’s second survey, University of Buenos Aires, Faculty of Philosophy and Letters, 2005.

11. This possibility is considered as an exception to the current bankruptcy law. As this chapter was being written, the administration of president Cristina Fernández had sent a bill to Congress that would provide for the category of "continued production by a workers' cooperative" as one option for judges to take into account. The bill was put forward by two of the organizations that represent WREs.
12. Polti Natalia, Mazzoli Penélope, Calderón Soledad, Sarlinga Mariela, Verónica Vázquez, "Las empresas recuperadas y la seguridad social: trabas a la hora de enfrentar problemas relacionados con los riesgos del trabajo y la (im) previsión social," in Ruggeri, *Las empresas recuperadas. Autogestión obrera*, pp. 115–124.
13. Public agency that attends cooperatives.
14. In 2004, the most serious cases of direct oppression occurred in Gatic Pigüé, now the Textiles Pigüé cooperatives, in the south of Buenos Aires province, and in Farmacia Franco-Inglesa in the capital, which could not be recovered.
15. Mauricio Macri, the son of one of the country's most powerful businessmen, is the top leader of the purest expression of the Argentine political right, the PRO, a neoliberal party. In 2007, he won the election for head of government of the city of Buenos Aires. His administration, as expected, brought an enormous retreat in the capital district's social and cultural policies.
16. Paulo Peixoto de Albuquerque, "Autogestão," in Antonio David Catan, *A outra economia*, Porto Alegre: Veraz Editores, 2003.
17. Ruggeri, *Las empresas recuperadas. Autogestión obrera*.
18. Gabriel Fajn, *Fábricas y empresas recuperadas. Protesta social, autogestión y rupturas de la subjetividad*, Buenos Aires: Centro Cultural de la Cooperación, 2003; Ruggeri et al., "Las empresas recuperadas."
19. Ruggeri, "Las empresas recuperadas en Argentina."
20. The board of directors is the body that manages a conventional capitalist business, representing the parties that possess the company's stocks. In contrast, participation in a cooperative's administrative council is not related to the capital that each member has; instead, the council is elected by the membership.
21. Fajn, *Fábricas y empresas recuperadas*; Mabel Thwaites Rey, *La desilusión privatista: el experimento neoliberal en la Argentina*, Editorial Universitaria de Buenos Aires: Buenos Aires, 2003.
22. Several researchers have addressed this point. See Fajn and Rebón, "El taller ¿sin cronometro? Apuntes acerca de las empresas recuperadas," accessed on January 25, 2006, <http://www.herramienta.com.ar/print.php?sid=300>; Ruggeri, *Las empresas recuperadas. Autogestión obrera*; Henrique T. Novaes, *O fetiche da tecnologia. A experiência das fábricas recuperadas*, São Paulo: Editora Expressão Popular, 2007.
23. Novaes, *O fetiche da tecnologia*.
24. See Héctor Hugo Trinchero, "De la exclusión a la autogestión. Innovación social desde la experiencia de las empresas recuperadas por sus trabajadores (ERT)," in *La economía de los trabajadores*; M. Vieta, "Desafíos e innovaciones sociales en las empresas recuperadas por sus trabajadores," in Ruggeri, *Las empresas recuperadas. Autogestión obrera*.

25. New definitions are needed, of course, for “effectiveness,” “profitability,” “feasibility,” and “viability,” that are not defined exclusively in market terms.
26. Dan Jakopovich, *Sources of the Democratic Deficit in the Yugoslav System of “Self-Government,”* 2009, <http://www.zcommunications.org/sources-of-the-democraticdeficit-in-the-yugoslav-system-of-self-government-by-dan-jakopovich>.
27. Ruggeri, “Las empresas recuperadas en Argentina.”
28. Ruggeri, *Las empresas recuperadas. Autogestión obrera* and “Las empresas recuperadas.”
29. Fajn and Rebón, “El taller ¿sin cronómetro? Apuntes acerca de las empresas recuperadas,” accessed January 25, 2006, <http://www.herramienta.com.ar/print.php?sid=300>; Pablo Séller, *Fábricas ocupadas. Argentina 2000–2004*, Buenos Aires: Ediciones Rumbos, 2004.
30. Novaes, *O fetiche da tecnologia*; Ruggeri, *Las empresas recuperadas. Autogestión obrera*, and “Las empresas recuperadas.”
31. Ruggeri, “Las empresas recuperadas.”
32. Novaes, *O fetiche da tecnologia*.
33. Trincherro, “De la exclusión a la autogestión”; Ruggeri, *Las empresas recuperadas. Autogestión obrera*.
34. Novaes, *O fetiche da tecnologia*; Renato Dagnino, *Tecnologia social, ferramenta para construir outra sociedade*, Campinas: IG/UNICAMP, 2009.

11

From Cooperatives to Enterprises of Direct Social Property in the Venezuelan Process

Dario Azzellini

The current process of change underway in Venezuela is aimed at the country's social and economic transformation. While at first the goal was to build a "solidarity-based and humanistic economy," since 2005, it has been to overcome capitalist logic and social relations by building a "21st Century Socialism". In January 2007, president Hugo Chávez announced that the challenge was to create workers' councils in workplaces, which, in the long term, together with other councils (communal, farmers, students, etc.), would replace the bourgeois state with a "communal state."

When Chávez was sworn in as president in February 1999, the country was in the midst of a profound structural crisis which had begun in the 1980s. Capital flight and deindustrialization caused the shutdown of thousands of factories. Initially, the government renationalized central operations of the oil industry and tried to promote domestic private industry with low-interest loans and protectionist measures.

It soon became evident that most of the private sector was not interested in democratizing the country's economic structures, much less in transforming the economy. Business owners accepted government aid and at the same time actively sabotaged government policies. The private sector was not an ally in carrying out economic transformation that centered on human development and that subordinates the economy to society's needs.

The victories of the Bolivarian movement against the April 2002 coup and against the 2002–03 "business strike" – achieved with the decisive support of mass mobilizations – opened up the way for laws, measures, and social practices with a view to a structural transformation of the

economy, outlining the framework for a new economic model. Various business forms of self-management and comanagement emerged during that period.

Initially, and especially after 2004, the Venezuelan government attempted to promote democratic management by supporting the massive creation of cooperatives for all types of businesses, including joint ownership and management with the state or private business. Beginning in early 2007, the idea of workers' councils began to be used in official discourse as the official governing guideline for the organization of workers in medium and large businesses, although the number of workers' councils that have formed to date is very small.

With the commitment to building socialism that was adopted in 2005, the government began nationalizing industry, strategically important businesses (electricity, communications, etc.) and unproductive businesses (several of these had been shut down during the "business strike" and occupied by their workers). The expansion of the productive sector under state or collective ownership has also been promoted.

The type of economy that the government has tried to strengthen has been called different names: solidarity-based, popular, and communal.¹ Actually, no clear distinction between these terms exists. The systematic implementation of measures to support this sector began in 2004, with the creation of the Ministry of Popular Economy (*Ministerio de la Economía Popular*, MINEP), which was renamed the Ministry of Communal Economy (*Ministerio de la Economía Comunal*, MINEC) in 2007 and then the Ministry of Communes (*Ministerio para las Comunas*, also MINEC) in 2009. Since then, this sector is generally referred to as "popular economy"; however, in the context of building, fostering, and consolidating this type of economy in communities, the term "communal economy" is also used.

The idea of cycles or circuits of communal production and consumption that has imbued the concept of a popular or communal economy in Venezuela is based on the ideas of István Mészáros regarding the transition to socialism, in his book *Beyond Capital*.² Mészáros advocates building communal systems (based on communities and cooperative principles) for production and consumption, in which labor determines relations of exchange between people.

The strategy for building an economy with a perspective that goes beyond capitalist logic and toward the democratization of economic cycles is centered on expanding and consolidating an economy based on self-administered production units that are promoted by the state. This strategy is oriented by a model of radical endogenous development:

sustainable development based on local resources and potentials, collective administration of the means of production, and a more active role for the state in the economy. The idea is to build production chains by linking together small, self-managed enterprises, such as cooperatives, with medium enterprises that are comanaged by workers and state institutions or communities, and linking both with large state enterprises charged with strategic production of goods and services, and comanaged democratically by the state and its workers.

Cooperative precedents in Venezuela

Before the Chávez government, the social or solidarity economy sector in Venezuela was totally underdeveloped and marginal. In February 1999, only eight hundred cooperatives with about twenty thousand members were registered,³ and most were in the finance and transport service sectors.⁴ Cooperativist culture was not very developed, not even in the cooperatives that existed, many of which followed a capitalist logic with a reformist orientation.

In the 1960s, various agricultural cooperatives emerged, receiving state support during the 1961 agrarian reform. However, most of these cooperatives were rapidly transformed into businesses with wage-earning peasant farmers who had no say in decision making. The state provided support with a view to “pacifying” mass movements of the period, within the framework of concepts promoted by a US program, the “Alliance for Progress.”⁵

Subsequently, in 1966, the first cooperative law was passed, creating the National Superintendency of Venezuelan Cooperatives (*Superintendencia Nacional de Cooperativas de Venezuela*, SUNACOO)⁶ and regulating state support. During the 1970s, a cooperativist tendency arose that was influenced by young Catholic community activists who “adopted cooperativism as a tool for social transformation.”⁷ A number of successful cooperatives were set up by farmers and artisans, especially in the states of Lara, Trujillo, Falcón, Táchira, Mérida, and Barinas, in part as a result of political and cultural work by the Venezuelan Communist Party (*Partido Comunista de Venezuela*, PCV) and the PRV-FALN guerrilla group (*Partido Revolucionario de Venezuela – Fuerzas Armadas de Liberación Nacional*).⁸

The cooperatives created during this period attained the highest level of articulation, with the formation of 18 regional cooperative federations in 1967 and the national cooperative federation, CECONAVE (*Central de Cooperativas Nacional de Venezuela*), in 1976. Among the regional

federations is the Central Cooperative for Social Services of the state of Lara (*Central Cooperativa de Servicios Sociales de Lara*, CECOSOLA), founded in Barquisimeto in 1967. CECOSOLA is considered the country's most successful cooperative – at least among those created before the Chávez administration – and is made up of a network of 80 production and consumer cooperatives with two hundred thousand members, three hundred of whom work in the cooperatives.⁹

State promotion of cooperatives

The 1999 Venezuelan Constitution placed special importance on cooperatives as a means of economic inclusion, democratic participation (article 70), and decentralization (article 184). It stipulated that the state was legally responsible for “promoting and protecting” cooperatives (articles 118 and 308). The goal was for cooperatives to receive massive state support for attaining social and economic equilibrium,¹⁰ and it was believed that their solidarity-based internal operations would emanate into their surrounding communities.

Initially, beginning in 2001, the government concentrated on facilitating the creation of cooperatives with the Special Law of Cooperative Associations (*Ley Especial de Asociaciones Cooperativas*, LEAC), passed that year. The law removed a previous requirement of feasibility studies for registration, eliminated registration fees, reaffirmed their income tax exemption, and emphasized the state's obligation to support them.

Until 2004, state support was focused on individual cooperatives. The work of different institutions was not well-coordinated, and new cooperatives were not created on a mass scale. However, after defeating destablization attempts by opposition forces, the Venezuelan government devoted itself to promoting domestic production and more systematic economic restructuring.

In 2004, the MINEP (now MINEC) was created, and together with other institutions, it more actively promoted cooperatives. Two presidential decrees, in 2003 and 2004, required all state institutions and enterprises to prioritize contracts with small businesses and cooperatives. In many institutions that had contracts with private companies for cleaning, security, and other services, the workers at those companies were encouraged to form their own cooperatives and pursue direct contracts.

The SUNACOOB and other institutions began offering workshops on cooperativism (values, principles, basic organization, rights and duties under the new law, etc.) and supported the formation of cooperatives

by workshop participants. Under the supervision of the MINEP, a labor training program was created, *Vuelvan Caras* (renamed *Ché Guevara* after its reorganization in 2007). Although the initial goal was 50 percent higher, by late 2007, *Vuelvan Caras* had trained eight hundred thousand people and founded 10,122 small and medium production units, the vast majority of which were cooperatives, employing six hundred thousand people.¹¹ Many other cooperatives were created spontaneously as the result of state discourse and policies.

In Venezuela, cooperatives receive loans under preferential conditions and with more flexible requirements as part of microcredit programs covered by the Microfinance Law. Very small cooperatives can even obtain interest-free loans. Access to credit is organized by state-owned banks created for that purpose (*Banco de la Mujer*, *Banco de Desarrollo Económico y Social*, *Banco del Pueblo Soberano*, *Banco de Fomento Regional los Andes – Banfoandes*) and other financial institutions. All together, these state entities invested more than one billion dollars in cooperatives between 2003 and 2008.¹²

This combination of favorable conditions led to a boom in cooperative registration beginning in 2004. By mid-2009, some 274,000 cooperatives had registered,¹³ and 27 percent of them – 73,968 – were officially certified cooperatives, according to the SUNACOOOP.¹⁴

According to SUNACOOOP, in 2008, 49.38 percent of working or active cooperatives were in the service sector, primarily in tourism, business services, cleaning, industrial maintenance, and hairdressing salons. Production cooperatives accounted for 25.3 percent, mostly in agriculture, livestock, fishing, manufacturing, and industry, while 11.48 percent were in transport and 7.64 percent were communal banks. Without counting communal banks – which are the financial units of community councils, and were given that legal status for the lack of a better alternative – the remaining 62,000 cooperatives accounted for 2,012,784 members, which represents about 13 percent of the economically active population.¹⁵

Shortcomings of state support for cooperatives

Unquestionably, it would have been impossible to create so many cooperatives in Venezuela without state support. Most Venezuelans who have formed cooperatives come from the most marginalized sectors of society. They usually do not have capital for investing in cooperatives, and they do not have access to loans from financial institutions. Moreover, their generally low level of education and lack of experience in interacting with institutions make it even more difficult for

them to deal with all of the administrative requirements for forming cooperatives.

However, the exponential growth in the number of cooperatives described above, made it impossible to keep pace in creating efficient state mechanisms and structures for supporting cooperatives, inspecting them, and supervising the correct use of government aid. The SUNACOO, for example, had only eight auditors in 2005, and every audit took about two days.¹⁶ There was a lack of trained, skilled personnel for running support workshops, especially in the technical and accounting areas. In fact, public officials at government ministries and institutions involved admit that many cooperatives' accounting practices and SUNACOO's inspections have been insufficient.¹⁷

At the same time, many cooperatives in formation as well as those already existing have been affected by the ineffectiveness of state financial and services institutions. Approved financing takes months to be delivered, and the same occurs with equipment and machinery, which sometimes fall short of what is specified in contracts with the cooperatives involved. Institutions often do not provide the required technical assistance to cooperatives.¹⁸ In the case of agricultural cooperatives, it has not been unusual for them to resort to committing their harvests to agro-industrial companies to be able to plant because government aid did not arrive on time. Likewise, many of the Vuelvan Caras cooperatives have had to wait months and even more than a year to receive land, despite having benefited from extensive training.

Shortcomings also exist within cooperatives themselves. "Because no training is required for [cooperative] formation or membership, it minimizes the importance of principles, values and democratic practices, making cooperatives equal to any capitalist business."¹⁹ In many cases, this translates into a lack of cooperative values and principles, organizational plans, cohesion within cooperatives, and integration among them. A considerable number of cooperatives have registered as such simply because it costs nothing, and they are seen as tools to receive public monies. Some registered cooperatives are actually family businesses, while others exist only on paper, for the purpose of embezzlement or tax evasion.

Internal organization of cooperatives

Despite all of the difficulties and shortcomings, Venezuela's new cooperatives generally have an unquestionably democratizing effect on labor and an emancipatory effect on workers. Individuals involved in cooperatives generally know that being a member means that everybody has

the same rights and obligations; therefore, there are no bosses to give orders. The absence of a vertical hierarchy, along with democratization of the organizational structure, creates a more satisfactory and pleasant work environment.

At the same time, these elements help workers to have a more complete perspective on production processes, increasing their responsibility and commitment. Carmen Ortiz, a member of the *Textileros del Táchira* Cooperative – a textile factory recovered by its workers that was organized as a cooperative – explained:

Working in a cooperative is much better than working for somebody else; working for other people is like being a slave. But it is not like that in a cooperative, because you work the way you want. Of course, that does not mean that you do whatever you want in a cooperative; no, you do what you are supposed to do without anybody having to tell you.²⁰

Democratic management is what substantially differentiates cooperatives from private capitalist businesses and conventional state enterprises. In cooperatives, workers' participation in decision making is generally direct. According to Venezuela's cooperative law, the highest decision-making body is the general assembly, although decisions on minor questions may be delegated (LEAC, articles 21 and 26). At the very least, the assembly generally decides the most important matters, such as the election of executives (at least five: general coordinator or president, treasurer, secretary, internal comptroller, and education coordinator), production goals based on sales commitments, workers' monthly income or *advances* (*anticipos*), distribution of surplus, debt acquisition, and the inclusion or exclusion of members.

Decisions are usually made by a simple majority, although changes to rules or the cooperative's dissolution or fusion with another one require a three-fourths majority (LEAC, articles 17, 70, and 71). The voting mechanism is proposed and decided by the assembly itself. In general, leadership posts (executives and work area coordinators, etc.) are elected by secret ballot, while other decisions are made by hand vote.²¹ All cooperatives must turn in to the SUNACOOOP minutes of assemblies where the most important decisions are made. The SUNACOOOP monitors cooperative compliance with the requirements of at least one general assembly at the end of the fiscal year (where allocation of surplus and other important matters must be decided), and a minimum number of quorums, which are stipulated in each cooperative's regulations.²²

Democratic decision making is a learning process that helps to develop workers' abilities and tends to improve production processes, given that

nobody knows those processes as well as they do. Workers begin to learn about other areas in their enterprises and to contextualize their concrete knowledge about certain phases or stages of production. With this broader view of the production process, they also acquire a capacity for making more general decisions. This helps workers to overcome the social division of labor (a foundation of bourgeois society), the division between manual and intellectual labor, and, consequently, divisions between different workers, teams, and areas. Obviously, that does not mean the elimination of specialization, which is especially necessary in advanced and complex production processes. On the contrary, it means offering everybody the possibility of an overall perspective that facilitates general decision making and prevents the technical division of labor from producing privileges and differences in status (i.e., social division of labor).

In Venezuela, the legal status of cooperatives also was applied to cases of enterprises recovered by workers and/or nationalized by the government. Comanagement, that is, shared administration, was justified by co-ownership of the enterprise's stock by workers and state institutions. Factories were recreated as public corporations with 51 percent as state property and 49 percent as the property of the cooperative formed by the workers. All important decisions affecting the factory were made during weekly assemblies, while decisions involving broader implications had to be approved by the corresponding ministry, given that the state was the majority owner. Currently, this organizational form is no longer used in cases of recovered or nationalized enterprises; instead, workers are encouraged to organize workers' councils.

Limitations of cooperatives

The cooperative promotion strategy used by the Venezuelan government is not free of contradictions. There is a risk of cooperatives being used by capitalist businesses to subcontract their workers, evading the guarantees and rights established in labor legislation for more flexible working conditions. Some trade unions fear that the mass spread of cooperatives will blur relations between employers and employees, diminishing their respective responsibilities and, therefore, the class relations that continue to exist in the Venezuelan capitalist system.²³

In an empirical analysis of 15 cooperatives, Piñeiro²⁴ found that their democratic practices were weakened by internal conflicts. Those conflicts were rooted principally in workers' lack of professional and administrative experience: most were women without any work experience at

all, not even in the informal sector. Conflicts were heightened by an absence of collective supervision mechanisms for ensuring compliance not only with everybody's rights, but also with their obligations and responsibilities. Moreover, in some cooperatives, and more frequently in newly formed ones, democratic management also was affected when decisions were made by small circles of executives or even just the president, without consulting the assembly.

The initial idea that cooperatives would naturally produce "for the satisfaction of social needs" and that their internal solidarity, based on collective management, "would spread spontaneously to local communities," proved to be false. Most cooperatives followed the logic of capital. They concentrated on maximizing profits without supporting their local communities. Many refused to admit new members, fearing a loss of income, and some cooperatives even focused on producing for export instead of meeting pressing local and national needs first.²⁵

This shows that while having many owners instead of one generally means improved working conditions because of a reduction in vertical hierarchies, it does not necessarily produce basic changes to external enterprise operations. Many Venezuelan cooperatives continued to resort to capitalist competition, exploitation, and efficiency. Their members adopted the capitalist logic of maximizing profits and casting aside social considerations and solidarity.

In some sectors, this conduct by cooperatives caused opposition to their legal ownership of the means of production. Consequently, in some enterprises comanaged by workers and state institutions, the workers themselves have opposed that model, proposing instead that all company stock should be state property, and that the workers should practice democratic management with a workers' council.

For example, INVEVAL, the first enterprise expropriated by the government and turned over to its workers as 51 percent state property and 49 percent workers' cooperative, established a "socialist factory" model beginning in mid-2008. One hundred percent of its stock belongs to the state, but the factory is totally administered by the workers. As one worker said, "We did not remove one capitalist so that 60 capitalists would emerge." The workers themselves realized that as owners of these large and medium enterprises, they were being pushed toward capitalist logic, and that they were living solely to work and pay off debt they had assumed to buy the shares of stock that corresponded to the cooperative.

Moreover, in the INVEVAL cooperative – as in other cooperatives that limit themselves to establishing the simplest organizational structure

suggested by existing cooperative legislation – the fact that the executive board was made up of just five members also generated discontent. The separation between shop-floor work tasks and decision making increased apathy among workers and distanced them from the executive board. Likewise, the cooperative legal framework is not necessarily conducive to workers' direct administration of enterprises.²⁶

In reaction to this, the INVEVAL workers accepted a proposal made by Chávez in January 2007 to deepen the revolution by forming *workers' councils*, and they immediately decided to elect a factory council with 32 members. The council, made up of representatives from every department and other voluntary workers, now discusses all questions that previously were discussed only by five members of the cooperative's executive board. The council has several commissions: social/political, finance and administration, responsibility and follow-up, discipline, technical aspects, and services. Each commission presents work reports, proposals, and ideas in general to the "council," which functions as a general assembly of all the workers.

On the other hand, some scholars say that the biggest problems and obstacles for the successful operation of Venezuelan cooperatives are the "capitalist" orientation of their members, their lack of knowledge about labor and administrative processes, and the ineptitude and intervention of state institutional personnel who are sent to accompany and support them.²⁷ Moreover, most cooperatives, including those formed by Vuelvan Caras, have integrated into or been assimilated by the capitalist market.

In fact, the majority of the hundred Endogenous Development Zones (*Núcleos de Desarrollo Endógeno*, NUDES) created as part of Vuelvan Caras for the formation of cooperative networks that would contribute to overcoming capitalist exchange logic have not met their initial goal. The expectation that social production chains and networks would emerge was met only in a few cases, generally where another social organization already existed, and where the state had especially promoted the creation of these networks.²⁸ Instead of forming a new social or solidarity economy, most cooperatives were placed at the service of monopolies that control the country's distribution and markets.

This situation has produced sharp criticism of the Venezuelan policy of promoting cooperatives. However, while a good number of cooperatives are poorly managed or not even really cooperatives, many who sympathize with the Bolivarian process defend that the cooperative sector will become consolidated in the medium term. Based on all of these experiences, the SUNACOOOP restructured its training programs for future

cooperativists, especially boosting social and political education. It also began working much more closely with organized communities.

The success rate for cooperatives may seem low: only 20 to 30 percent of registered cooperatives were active in 2008, but note that many did not even attempt to start production. However, the total number of working cooperatives actually represents an enormous increase compared to what existed in 1998. The government also views the experience accumulated as highly valuable, and therefore does not consider that its efforts have been a losing investment. While small businesses do not follow the cooperativist philosophy, the creation of a large number of them represents, in and of itself, a certain “democratization of capital” in the framework of the Venezuelan economy, which is characterized by an extremely monopolistic and oligopolistic market.²⁹

Socializing cooperatives by converting them into direct social property enterprises

In response to this experience, the Venezuelan government tried to foster socially responsible conduct among all businesses – state, private, and collectively owned – by using positive incentives. In 2005, the idea arose of creating Social Production Enterprises (*Empresas de Producción Social*, EPS) as the basis for a transition to a socialist production model. It was assumed that enterprises could be socially responsible, independently of their ownership form. It was hoped that these EPSs, with the incentive of state aid (loans under preferential conditions, technical assistance, contracts) would value social benefit over private benefit and orient their production toward meeting social needs instead of being guided by the capitalist logic.

In reality, no official or universally valid definition exists for the EPSs. Different state institutions have used different concepts. For example, the EPSs formed by or with the help of the state oil company, *Petróleos de Venezuela S.A.* (PDVSA), must deposit part of their profits into a PDVSA fund for financing community projects. This is more like an additional tax than community involvement. Also, many enterprises that actually do not meet EPS requirements are registered as EPSs to get access to state benefits.³⁰

Beginning in late 2007, no more new EPSs were formed, amid expectations surrounding new enterprise forms that were supposed to be created based on a constitutional reform.³¹ In short, it was determined that for cooperatives or any other enterprises to orient their activities toward meeting social needs and not just maximizing their own profits,

they must be controlled jointly by their workers and society, especially the local communities they affect.

The term EPS began to be used again in 2008, but this time to refer not to Social *Production* Enterprises but instead to Social *Property*³² (*Propiedad* in Spanish) Enterprises, which are also called Socialist Enterprises. These new EPSs may be “indirect social property” enterprises, which are administered by the state with some unclear space for worker participation, or “direct social property” enterprises, which are directly administered by their communities and workers. The latter are generally promoted by the state with the aim of creating local production units that produce needed goods (fundamentally food products and construction materials), and of providing services to local communities, such as water, gas,³³ garbage collection, Internet access, and transportation.

In these new Direct Social Property Enterprises (*Empresas de Propiedad Social Directa*, EPSDs), workers are from the communities where they are located. The communities decide, through their Communal Councils,³⁴ what enterprises are needed, how they will be organized, and who should work for them. Generally, communities receive supported from state institutions in the form of workshops for drawing up the plan of their choosing for organizing a community enterprise.³⁵ As of late 2009, 271 of these enterprises had been formed nationwide; 1,084 additional enterprises were comanaged by the community and the state.³⁶

In addition to the new EPSDs promoted by state institutions such as the MINEC, some of the cooperatives that operated under comanagement forms and that decided to return their share of stock to the state have demanded that the entire cooperative become a direct social property enterprise. For example, INVEVAL is now under that “property” or management model.

As part of the 2007–13 National Economic and Social Development Plan, the goal is to open more than two hundred EPS enterprises, also referred as “socialist factories.” Most are being built by governmental agreements with Belorussia, China, Iran, Russia, and Argentina, with the transfer of technology and know-how. The idea is to strengthen Venezuela’s independence and sovereignty by building a national production network that will reduce imports and dependence on other countries. By September 2008, 31 of these EPSs were operating (14 in milk, 4 in plastic materials, 10 in corn, and 3 in auto parts), and by late 2009, some 70 to 80.³⁷ In line with the EPSD organizational model, workers at these factories are chosen by communal councils, and state institutions contribute only enough specialized workers to train the

others. As workers are trained, the enterprise's administration and specialized jobs are supposed to be transferred gradually to the communities and workers, respectively. However, in many cases, institutions and enterprise managers do not make much of an effort to organize this training process.

Currently, as part of public policies, small and medium businesses are being created as or transformed into direct social property enterprises. The EPSD enterprise organizational model, which is viewed as a social or socialist property, seems to be more promising than previous initiatives such as traditional cooperatives, especially for activities related to basic needs. One factor that can facilitate the success of new EPSDs is that they are connected with communal councils, with which the people strongly identify.³⁸

The principal goal of integrating these enterprises with their communities is to avoid the errors of Yugoslavia, where worker-controlled enterprises had to operate as part of a market system, and thus they were socially isolated and competed with each other.³⁹ It is also hoped that with this integration and, even better, with joint democratic planning with communities, it will be easier to avoid or overcome the logic of mercantile relations and really orient enterprises toward the satisfaction of social needs.

On the other hand, in the case of large or strategically important enterprises, the management models that are being proposed distribute control over the enterprise among workers, local communities, and other actors. The Socialist Workers' Councils (*Consejos Socialistas de Trabajadores*, CST), the largest forum for workers' councils in Venezuela, proposed a model based on multiple, combined administrative councils that include representatives of the state and even raw materials producers.⁴⁰

For the time being, enterprises with workers' councils continue to be the exception. The first council was formed in Sanitarios Maracay, and it lasted nine months. Subsequently, councils were created in INAF, a faucet and piping factory occupied by its workers in 2006. Initially, cooperatives had been formed in both of these enterprises. The Gotcha textile factory in Maracay, occupied in 2006, was a similar case. The INVEVAL workers introduced councils in early 2007. Councils were formed at other factories, most of which had been occupied by their workers after tense conflicts.

Experiences with these different models of ownership and administration of the means of production in Venezuela have led to the conclusion that enterprises must be socially controlled to ensure that they at

least attempt to meet social needs. They must be controlled directly or indirectly by communities and society as a whole.

Final considerations

In summary, it may be said that in Venezuela, a large variety of steps is being taken to promote structural changes in the economy and to democratize the relations of production. Some are aimed at going beyond capitalist exploitation of wage labor, the separation of manual and intellectual labor, and the separation of enterprises and the social groups affected by their activity. In this process, conditions are being created to overcome capitalism in the medium or long term. Other steps are aimed simply at a more limited democratization of the capitalist economy that focus on legal property and promote all types of enterprises without setting out to establish socialist relations of production, in which society controls the production process, ensuring that social needs are met.

The majority of enterprises in Venezuela are not yet administered by their workers or communities. While the creation of workers' councils has been the official line since late 2006 and especially since 2007, a large part of the state administration has instead tried to hinder or prevent their formation.

In addition, many self-described "socialist enterprises," in the form of communal cooperatives or direct social production enterprises, reproduce capitalist logic regarding the social division of labor, alienation, and maximizing profits by private or collective control of the means of production. It should come as no surprise that establishing socially committed production processes that are not guided by capitalist rationality is extremely difficult. Concrete experience has shown that it is very easy to fall back on old habits and capitalist practices, even regarding the simplest questions. This is especially true with issues such as job tasks and income distribution, decisions that have proven to be very problematic in an environment that continues to be capitalist.

Recognizing the limitations of traditional cooperatives (where control over management is held solely by the workers' collective) does not mean that cooperatives cannot play an important and totally compatible role in building socialism. While they are not necessarily socialist, they can be useful for building socialism in small businesses and at a local level, especially for those economic activities that are not strategic or related to basic consumption.

After having experimented with different forms of ownership and management, Venezuelan workers and the state prefer – at least

officially – the model of “direct social property” enterprises for those activities related to the needs of local communities or national interests. That is, the view is that those enterprises should be democratically administered by their workers together with affected communities organized into communal councils or other forms of self-government.

These are not just theoretical debates. In Venezuela, the question of “another economy” is on the practical agenda. In recent years, despite many errors and problems, a large variety of cooperatives, EPSs, and other alternative enterprise models have emerged, and a large variety of steps taken over a brief span of time has produced many successful initiatives. The Venezuelan transformation process continues to be very open and flexible: the search for new enterprise models continues, from the top down and from the ground up. And in recent years, grassroots initiatives have increased.

The parallel existence of old socioeconomic structures and experimentation with alternative enterprise models is costly. The restructuring of state enterprises into “indirect social property” forms, which has been planned for some time, is urgently needed, as are more effective mechanisms against corruption in state management. Clientelistic or patronage networks of corruption in politics and state administration must be dismantled. The most effective way to achieve that is by democratizing state management so that “workers’ control” truly exists. Since state bureaucrats would lose their prerogatives and ability to enrich themselves with state resources, institutional, administrative, and political resistance to such transformation of state management must be expected and acted upon.

To build an economy that does not follow capitalist rationale, it will be fundamental to link all the different new enterprises and create the conditions for them to operate without state support. This will be decisive to achieving radical endogenous development, and not just a repetition of an industrialization policy for replacing imports under a bureaucratic state administration – that is, continuing the profit-driven, oil export-based model that has characterized Venezuela.

Notes

1. With subtle differences, these are different ways of referring to a type of economy that is not principally oriented toward the production of surplus value, but instead toward equality through decent remuneration and collective ownership or management, as well as solidarity among workers and toward communities.

2. István Mészáros, *Beyond Capital. Towards a Theory of Transition*, London: The Merlin Press, 1995, pp. 759–70.
3. Figures range from 762 to 877 to 900. See Dorotea Melcher, “Cooperativismo en Venezuela: Teoría y praxis,” *Revista Venezolana de Economía y Ciencias Sociales* 14 (2008): 95–106; Camila Piñeiro Harnecker, “Democracia laboral y conciencia colectiva: Un estudio de cooperativas en Venezuela,” *Temas* 50/51 (2007): 99–108; and Juan Carlos Baute, accessed March 18, 2010, http://www.sunacoop.gob.ve/noticias_detalle.php?id=1361.
4. Melcher, “Cooperativismo en Venezuela.”
5. Benito Díaz, “Políticas públicas para la promoción de cooperativas en Venezuela,” *Revista Venezolana de Economía Social* 6.11 (2006): 149–83.
6. Institution charged with registering and supervising cooperatives in Venezuela.
7. Oscar Bastidas Delgado, “El Cooperativismo en Venezuela,” paper presented at Cooperativism in the Americas workshop organized by UNIRCOOP, San Jose, Costa Rica, 2003, p. 23.
8. Díaz, “Políticas públicas,” p. 152.
9. Michael Fox, “CECOSESOLA: Four Decades of Independent Struggle for a Venezuelan Cooperative,” accessed June 19, 2006, <http://www.venezuela-analysis.com/articles.php?artno=1755>; Melcher, op cit.
10. Díaz, “Políticas públicas,” pp. 160–3.
11. Ministry for the Communal Economy (MINEC), “Reseña histórica,” accessed August 12, 2009, <http://www.misioncheguevara.gob.ve/contenido.php?id=215>.
12. Baute, op. cit.
13. Ibid.
14. Ibid.
15. Ibid.
16. Harnecker, “The New Cooperative Movement in Venezuela’s Bolivarian Process,” *Monthly Review Online Magazine*, December 5, 2005, <http://mrzine.monthlyreview.org/harnecker051205.html>.
17. Steve Ellner, “Las tensiones entre la base y la dirigencia en las filas del chavismo,” *Revista Venezolana de Economía y Ciencias Sociales*, 14:1 (2008): 49–64.
18. Harnecker, “Principales desafíos de las cooperativas en Venezuela,” *Revista Venezolana de Economía y Ciencias Sociales*, 14 (2008): 49–64.
19. Delgado, “El Cooperativismo en Venezuela,” pp. 54–5.
20. Dario Azzellini and Oliver Ressler, *5 Fábricas – Control Obrero en Venezuela*, documentary, Caracas/Berlin/Vienna: Azzellini/Ressler, 2006.
21. Harnecker, “Democracia laboral.”
22. Ibid.
23. Ellner, “Las tensiones entre la base.”
24. Harnecker, “Democracia laboral.”
25. Harnecker, “Venezuelan Cooperatives: Practice and Challenges,” paper presented to the 28th International Labor Process Conference, Rutgers University, New Jersey, United States, March 15–17, 2010.
26. In the case of INVEVAL, the main problem was that, to combine the workers’ cooperative and state management, the enterprise took the form

of a public corporation in which the workers' cooperative participated as a stockholder.

27. Melchor, "Cooperativismo en Venezuela."
28. Harnecker, "Principales desafíos de las cooperativas en Venezuela," *Cayapa: Revista de Economía Social Venezolana*, 8: 15 (2008): 37–60.
29. Ellner, "Las tensiones entre la base."
30. Díaz, "Políticas públicas," pp. 157–8.
31. This was rejected by a referendum in late 2007.
32. "Property" is understood as a more complex and encompassing concept that is not limited to legal property over or "ownership" of the enterprises' stock or means of production, but, rather, it refers to the ability to exercise control over them, to control *de facto* the management process.
33. A community-controlled liquefied gas distribution network for household consumption.
34. Communal councils are a form of local self-organization based on direct democracy.
35. Azzellini and Ressler, *Comuna en construcción*, documentary, Caracas/Berlin/Vienna: Azzellini/Ressler, 2010.
36. Aurelio Gil Beróes, "Los consejos comunales deberán funcionar como bujías de la economía socialista," accessed January 4, 2010, <http://www.rebelion.org/noticia.php?id=98094>.
37. Harnecker, "Venezuelan Cooperatives: Practice and Challenges."
38. Azzellini, "Poder constituyente en movimiento: 10 años de proceso de transformación en Venezuela," in Marco Coscione, *América Latina desde abajo: cuando no nos acomodamos a la realidad*, Santo Domingo: MIUCA, 2010, pp. 43–55; Azzellini and Ressler, *Comuna en construcción*.
39. Michael Lebowitz, *Construyámoslo ahora. El socialismo para el siglo xxi*, Caracas: Centro Internacional Miranda, 2006, pp. 102–3.
40. Ministry of People's Power for Labor and Social Security (MinTrab), "La gestión socialista de la economía y las empresas. Propuesta de trabajadores(as) al pueblo y gobierno de la República Bolivariana de Venezuela," Caracas: MinTrab, 2008, pp. 15–16.

Part IV

Cooperatives and Cuba's Path to Socialism

12

Agricultural Cooperatives in Cuba: 1959–Present

Armando Nova González

It may be said that cooperativism in Cuba is quite young because it did not begin developing significantly until after the 1959 revolutionary victory. Prior to that, the revolutionary program of Joven Cuba, the organization of followers of Antonio Guiteras¹ in the 1930s, implicitly recognized cooperatives as an alternative for the social organization of production. Also, the 1940 Constitution contained references to state support for the formation of cooperatives. However, that was never implemented, and the de facto cooperatives that existed at the time actually were associations, because Cuba did not have any laws on cooperatives.

Before the revolutionary victory, large landholdings predominated in agriculture and farming cooperatives did not exist in any substantial number. In 1959, just 9.4 percent of landowners possessed 73.3 percent of the country's land, demonstrating the high concentration of wealth with respect to that fundamental means of production for the agriculture sector.²

The foundations of the development of cooperativism in Cuban agriculture were laid when the first and second agrarian reform laws were passed in May 1959 and in 1963, respectively, following the 1959 revolutionary victory. Those laws transferred more than 70 percent of the country's farmland to the Cuban state, creating the state agriculture sector. The total land area nationalized was initially 5.5 million hectares, of which 1.1 million were given to Cubans who did not own land, but who worked the land as tenant farmers, sharecroppers, squatters, and other forms of land user. More than one hundred thousand of these Cubans benefited from the reform, and the state ended up with 7.8 million hectares (71 percent of the total surface area).

Creation of the first post-1959 agricultural cooperatives

Agrarian policy on the use of nationalized land in the early years following the 1959 Revolution was clearly expressed by prime minister Fidel Castro at the closing of the First Farmers Congress, in February 1959:

To be able to maintain consumption, maintain wealth [and] carry out the Agrarian Reform, the land cannot be distributed into a million little pieces... Cooperatives should be set up in places that are propitious for this type of production and planned farming should be done on the land.³

The first cooperatives of the revolutionary period were the well-known agricultural associations (*asociaciones campesinas*), which were formed during the initial years following the 1959 victory. These were the embryos of what would later be cooperatives. The cooperativist movement in agriculture began in Pinar del Río province, and initially it comprised some ten thousand farmers in 87 cooperatives, mostly beneficiaries of the agrarian reform.

In 1960, banking institutions such as the Cuban Bank for Agricultural and Industrial Development (*Banco de Fomento Agrícola e Industrial de Cuba*, BANFAIC), which granted farming loans, and the US-owned Cuban Land & Leaf Tobacco Company, which granted loans for tobacco farming, left the country or disappeared. Tobacco growers in Pinar del Río needed a mechanism for continuing to obtain loans, and it was decided to create the Credit and Service Cooperatives (*Cooperativas de Créditos y Servicios*, CCS).

The CCSs were formed on a voluntary basis by farmers who had received land through the agrarian reform. They joined together in a CCS to get access to loans, procure new types of technology (which were too expensive or complex for individual producers to acquire), and obtain other benefits in marketing, prices, and so on.

In 1961, the National Association of Small Farmers (*Asociación Nacional de Pequeños Agricultores*, ANAP) was founded to represent both individual farmers and cooperative members, and initially, it provided loans and other aid. The agricultural associations existed in parallel with the CCSs until the 1980s, when they all became CCSs.

After the 1960 sugarcane harvest, sugarcane cooperatives (*Cooperativas Cañeras*) were created, in large part on nationalized land that was previously part of the pre-1959 large estates owned by sugar producers, and

their members were mostly landless rural workers. In 1961, there were 621 sugarcane cooperatives with a total of 169,054 workers and an average size of 1,409.1 hectares. A year later, their number had declined to 613, but they still controlled 12 percent of the country's land.⁴

These cooperatives received their land and means of production for free with usufruct rights, and initial assets included agricultural machinery, buildings, and two million arrobas (one arroba equals 25 pounds) of planted sugarcane. In addition, the state provided the cooperatives with loans to ensure they would be able to meet previously set production plans, with the state as the sole buyer of their production.

The development of these sugarcane cooperatives brought with it the need to divide them into groups, to organize their dealings with the corresponding sugar mills. This led to the creation of a higher organizational level, the sugarcane group (*Agrupación Cañera*). In 1961, a total of 25 groups had been created.⁵

Inexperience with this type of production organization, however, in addition to the low educational level of cooperative managers and the disregard for administrative experience accumulated previously to the 1959 Revolution, created financial disarray that drove most of these cooperatives deeply into debt. After the 1962 sugarcane harvest was complete, it was decided that these units would become state farms.

In reality, the sugarcane cooperatives were a form of agricultural workers' administration, given that the state possessed all of the means of production and the results of that production. Moreover, these cooperatives did not have an investment and operational fund derived from profits, underscoring their total dependence on the state.

A new, more socialized form of cooperative

During the 1970s and particularly starting in 1975, after the First Congress of the Cuban Communist Party, the decision was made to support and develop the cooperative movement among farmers who had received land under the agrarian reform. The need to move to more advanced forms of production was proposed, and the Agricultural Production Cooperatives (*Cooperativas de Producción Agropecuaria*, CPAs) were formed.

The CPAs were made up of private farmers who contributed their land and other means of production to the cooperative on a voluntary basis. Unlike the CCSs, the CPA members sold their resources to the cooperative, received payment for them, and became collective owners and workers.

Compared to the CPAs, the CCSs were a less socialized form of production, because CCS members maintained their status as individual owners of their land and other means of production. If at a given moment they decided to leave their CCS, they could do so and still own the land and other means of production with which they had joined the cooperative.

The CPAs, along with the previously formed CCSs, gave rise to an important cooperative movement in Cuban agriculture.

Cooperativization of the state agricultural enterprise starting with the crisis of the 1990s

After this initial process of the development of agricultural cooperativism, it showed little change and instead became stagnant. All subsequent development of Cuban agriculture was the result of a policy based on state property of the land. Until 1993, 82 percent of the country's land was under various forms of state ownership and management.

The Cuban agriculture model was characterized by the predominance of state enterprises with large-scale production ("gigantism") and a high level of centralization. It was based on industrial agriculture with a high level of input consumption and a large amount of investment and equipment per hectare; at the same time, it had a high level of external dependence. In the 1980s, especially in the latter half of the decade, this model began to show signs of exhaustion, and a number of the sector's economic indicators reflected the reality of the problem.⁶ The collapse of the socialist camp was the trigger that, given this exhausted agricultural model, sparked an economic crisis in the Cuban agriculture sector and the economy as a whole. At the same time, it turned out that the cooperative forms that had existed until then, the CPAs and CCSs, were better prepared than the state enterprises to continue operating under tense conditions of scarce resources. In 1992, 85 percent of the CPAs were profitable, as seen in [Table 12.1](#).

The performance of the CPAs, which was positive, contrasted with that of the state agricultural enterprises, whose financial performance was completely the opposite. In 1990, according to data provided by the Ministry of Agriculture (MINAG), only 27 percent of state agricultural enterprises were profitable, and this situation worsened with the economic crisis of the 1990s.

The satisfactory operations of the CPAs compared to the state agricultural enterprises was achieved because the CPAs' scale of production was smaller; this was an advantage over state gigantism, adopted under

Table 12.1 Economic performance of CPAs, 1987–92

CPA	1987		1988		1989		1990		1991		1992	
	Quan.	%	Quan.	%	Quan.	%	Quan.	%	Quan.	%	Quan.	%
Participating farms	1,377	100	1,357	100	1,331	100	1,339	100	1,260	100	1,190	100
Cane	423	31	428	32	414	31	407	30	396	31	390	33
Other crops	954	69	929	68	917	69	932	70	864	69	800	67
Cost per peso	0.85		0.77		0.75		0.75		0.76		0.74	
Cane	0.83		0.76		0.74		0.73		0.73		0.78	
Other crops	0.86		0.77		0.75		0.76		0.79		0.70	
Profitable	896	65	1,165	86	1,055	79	1,065	80	966	77	1,008	85
Cane	300	71	450	105	380	92	373	92	359	91	345	88
Other crops	596	62	715	77	675	74	692	74	607	70	663	83

Source: Prepared by the author based on data from the Agriculture Ministry and ANAP.

the influence of the “green revolution” or agricultural industrialization. It was also because the CPAs exercised their ownership rights with respect to their decisions and results. The CPAs efficiently used their limited material resources and labor, with better use and conservation of their natural resources.

Within the context of the economic transformations carried out in Cuba to emerge from the economic crisis, it was decided to begin a process of changing the relations of production in the agriculture sector, with the goal of facilitating the development of productive forces. In October 1993, the Basic Units of Cooperative Production (*Unidades Básicas de Producción Cooperativa*, UBPCs) were formed according to the following principles, issued by the Political Bureau of the Cuban Communist Party on September 10, 1993:

- A connection between the human being and the land as a way of stimulating interest in work and a concrete sense of individual and collective responsibility.
- The self-sufficiency of members and their families through cooperative efforts, as well as the progressive improvement of housing conditions and other aspects related to workers’ well-being.
- Rigorous association between worker income and production.
- Extensive management autonomy. The units of production proposed should administer their own resources and become self-sufficient in terms of production.

On September 20, 1993, the Council of State passed Decree-law 142, which laid the foundations for the creation and operation of the UBPCs. Among their rights and duties, they were to be “the owners of production,” and at the same time, “sell their production to the State through the enterprise or in the way that [the State] decides.” They were to have legal status and to operate bank accounts, and to meet their “corresponding fiscal obligations as a contribution to the general spending of the nation.”

The UBPCs were created through the subdivision of state agricultural enterprises, initially in the sugarcane sector, which possessed vast tracts of land and a high level of per-area resources. The workers of these state enterprises were given parcels of land with limitless usufruct rights, rent-free to this day, and they were sold other means of production through soft loans with grace periods. The UBPCs thus came into being with major financial debt in an extremely difficult economic situation, within the context of the national economic crisis.

These agricultural workers became collective owners (cooperativists) overnight. From then on, they had the right to collectively elect their leaders, who periodically had to present reports on their mandates to the members.

The more than 20-year trajectory and positive experience of the CPAs served as a model for the projection and formation of the UBPCs. Over time, however, the UBPCs have become a transfigured form of state enterprise with nonsatisfactory results. In short, it has been suggested that they do not have the necessary autonomy. This situation has caused a significant number of the UBPCs to be unprofitable at this time, having become institutions that do not provide incentives, in that they do not practice the distribution of profits.

The weight of cooperatives in Cuban agriculture

With the creation of the UBPCs, the structure of Cuban agriculture had changed significantly by the late 1990s. As seen in [Table 12.2](#), the agricultural area cultivated by cooperatives of different types rose from 15 percent in 1989 to 70 percent in 1999.

The creation of the UBPCs was significant for all of Cuban agriculture, and particularly for the sugarcane sector. Before the advent of the

Table 12.2 Structure of the use and possession of the land in Cuba

	1989		1999					
			Total		Agricultural		Cultivated	
	Th. ha	%	Th. ha	%	Th. ha	%	Th. ha	%
Total	10,972	100	10,972	100	6,687	100	3,701	100
State	8,997	82	5,890	54	2,234	33	903	24
Nonstate	1,975	18	5,082	46	4,453	67	2,798	76
UBPC			3,117	28	2,756	42	1,739	47
Sugarcane			1,602		1,485		1,346	
Other crops			1,515		1 271		393	
CPA	868	8	723	6	615	10	372	10
Sugarcane	490		408		23		218	
Other crops	378		315		592		154	
CCS	857	7	897	9	780	11	475	13
Individual producers	250	3	345	3	302	4	212	6

Source: Prepared by the author based on the Cuba Statistical Yearbook, ONE, 1989 and 1999.

sugarcane UBPCs, only 16 percent of the land used for growing sugar had been cooperativized by CPAs and CCSs. The creation of the UBPCs made it possible to cooperativize more than 90 percent of this land.

In 2004, of the 2,046,700 hectares of agricultural land that were under total control of the Ministry of the Sugar Industry (MINAZ), 1,912,300 hectares were under cooperative forms of production, the equivalent of 83 percent. UBPCs held 62 percent, CPAs 15 percent, and CCSs 6 percent. If we only take into account the areas actually used for growing sugarcane (1,061,200 hectares), then 90.6 percent of them (or 961,900 hectares) were under the three different forms of cooperatives.⁷

By the end of 2003, the MINAZ production system had 885 UBPCs, with 707 of them devoted to sugarcane and 178 to diverse crops, live-stock, and forestry. The UBPC was the predominant form of organization in sugarcane production. Of the total cane-growing area controlled by cooperatives, 74.2 percent was run by UBPCs, 16.7 percent by CPAs, and 7.2 percent by CCSs.

Of the total number of cane-growing UBPCs overseen by the MINAZ, 333 (47.1 percent) were profitable; the CPAs devoted to cane-growing totaled 375, and 83.2 percent of them were profitable, and cane-growing CCSs totaled 139, with 101 of them (73 percent) profitable.

By the end of 2003, some 237,000 farmers were part of this cooperative system (96.3 percent in UBPCs, 27 percent in CPAs, and 15.8 percent CCSs), the equivalent of more than 25 percent of the total labor force in the agribusiness sector (including agriculture, industry, transport, security, and others). These cooperatives produced more than 80 percent of industrially processed sugarcane, as well as most of the sugar industry's food and forestry output.

Current situation of Cuban agricultural cooperatives

According to the National Office of Statistics (ONE), in 2009 there were 3,037 CCSs, 1,078 CPAs, and 2,283 UBPCs in Cuba.⁸ That is, most agricultural cooperatives were CCSs, followed by the UBPCs, and then the CPAs.

We should note that the CCSs and private farmers show better average production and economic results than the CPAs. Currently, the CCSs and CPAs produce 57 percent of the country's food output with just 24.4 percent of the arable land. They report just 3.7 percent and 1.7 percent, respectively, of their land as idle. They produce 56 percent of milk (state enterprises produce 15 percent), and have more than 55 percent of milking cows, more than 50 percent of cattle, and 59 percent

of pigs. No official statistics are available about the financial performance of CCSs and private farmers (results are provided without differentiating between the two), but it may be assumed by their production results that they are generally more efficient.

The most successful organizational form is the CCS because it is able to maintain a real sense of ownership, which benefits its operations and sustainability over time. Moreover, the CCS has much broader management powers than the CPA, and that is even truer when compared to the UBPC.

However, there has been a tendency to excessively increase control over the CCSs, with the creation of an administrative group for resources, machinery, transport, land, and so on that administers the aspects of marketing, supply, and so on of the cooperative. This hinders the operations of and represents additional costs for the cooperative because they have to pay for indirect workers who could well be part of a marketing cooperative that could be contracted by several production cooperatives if needed.

Moreover, it has also been seen that throughout this process of the evolution of the CPAs, they seem have a tendency to disappear, given that a major proportion of their members has no ties with the original founders, which can lead to the loss of a sense of belonging. The CPAs have a generational problem, in that most of their founders have retired or died.

With respect to the UBPCs, they continue to face various difficulties and problems, some of which have existed almost since their very creation 15 years ago, and others which have emerged over time. These include the following:

- A commitment to sell most of their production to *Acopio* (the state distribution enterprise): more than 70 percent of their primary production,⁹ and a certain quantity of their non-primary production. The prices paid by *Acopio* are much lower than those paid by the supply-and-demand farmers' markets (*Mercado Libre Agropecuario*)¹⁰ and generally do not cover costs.
- The UBPCs are not recognized as enterprises, nor do they have the autonomy of enterprises. They are subordinated to an enterprise (an intermediate-level organization comprising various UBPCs) which guides, determines, and centralizes decisions, including what should be produced, whom they should sell to, at what prices, what supplies they will receive, what investments should be made, and other aspects.

- They receive resources through centralized assignment, given that there is no market for supplies or equipment for producers.
- Livestock UBPCs may not take their primary production (milk and meat) to the supply-and-demand farmers' markets, and it is the same case for rice-, citrus fruit-, and potato-producing UBPCs.
- They have difficulties with internal accounting and with the stability of cooperative members.
- A low level of motivation among members, given that the cooperatives do not promote the distribution of profits among them.
- In short, the UBPCs do not have the autonomy necessary to operate successfully. This situation has caused a significant number of UBPCs to be unprofitable at this time.

It may be deduced, from the above list, that the problems and difficulties currently faced by the UBPCs and the agriculture sector in general is due to the fact that the property question has not yet been resolved throughout the production cycle of production, distribution, exchange, and consumption.

Recent changes

Beginning in 2007 and over the course of 2010, a number of steps have been implemented to try to revive the agriculture sector, such as higher state prices for milk, beef, and agricultural products. Moreover, the MINAG has undergone a process of decentralization, as have other state agencies that are delegating their functions to new, municipal-level structures. MINAG municipal offices are becoming key spaces for operations and decision making, and are helping to simplify the ministry's structures and functions.

The most important step has been the distribution of idle farmland¹¹ with usufruct rights to individuals and cooperatives (Law 259 from 2008). This is leading to a new landholding scenario for the Cuban agriculture sector, in which nonstate producers are becoming predominant, particularly the CCSs and private farmers. These two forms may go from holding 18.5 percent of the land to 35 percent (see [Table 12.3](#)).

The need to continue forward with changes in agriculture

The abovementioned difficulties for Cuban agricultural cooperatives remain, despite the recently adopted decisions. These measures have not significantly changed the management powers of cooperatives or

Table 12.3 Forms of land possession (percent of agricultural land)

	State	Nonstate	UBPC	CPA	CCS and private**
2007	35.8	64.2	36.9	8.8	18.5
2010*	26.0	74.0	29.9	8.8	35.3

Notes: * Estimated; ** Includes beneficiaries of Law 259.

Source: Prepared by the author based on the Cuban Statistical Yearbook, ONE 2009.

the context in which they operate – that is, the realization of property by the cooperatives.

In order to unleash the forces of production, the relations of production must be changed. That involves an analysis of how the question of property is resolved in the agriculture sector, and the steps to be taken to achieve the realization of property.

The property form determines the nature of the connection between the producer and the means of production, not just in the process of material production, but also in relations of exchange, distribution, and consumption. Therefore, the property form also determines the quantity and form of distribution of the income. Property should not be defined exclusively as possession or not of a title deed. The concept of realization of property is much more all-encompassing because it includes the fact that individuals or collectives can make their own decisions throughout the cycle of production, distribution, exchange, and consumption.

The distribution of land has initiated changes in the relations of production as a necessary condition, but it is insufficient, and a number of systematic measures are required throughout the production cycle to achieve the realization of property. Therefore, that process must continue to be examined, and appropriate solutions should be found by taking steps such as the following:

- Establishing a market for production supplies, services, and goods where producers can go, according to the purchasing ability they have created through their production results, and buy what they need at an appropriate time and at prices in line with the prices they receive for their products.
- Allowing producers to be able to decide what they will produce and to whom and where they will sell, according to the behavior of the market and social requirements.

- Diversifying forms of marketing as an alternative to monopolistic or oligopolistic forms, and allowing producers to sell to consumers as directly as possible, thus enabling them to feel like they really are the owners of what they produce and to obtain an important part of the value that is achieved through sales:
 - Creating and organizing second-degree marketing cooperatives¹² that respond to the interests of the producers. Their range of action could include concentrated markets, direct sales to tourist centers, restaurants, the processing industry, and products for export and/or the retail market.
 - Increasing retail outlets where the producers themselves, including cooperatives, can sell directly.
 - Direct marketing and sales, according to the logistics and organizational forms that are established.
- Allowing producers to freely hire the labor force they need.
- Providing necessary financing and technical assistance to producers who are new to agricultural production.

Final considerations

- The Cuban agricultural sector is made up of five types of production entities: the UBPCs, CPAs, CCSs, private, and state. These five organizational forms, in turn, comply with or correspond to different forms of ownership and possession; the first three are considered as cooperative forms.
- The problems and difficulties currently faced by the UBPCs and the agriculture sector as a whole show that the forces of production are at a halt. Therefore, production relations must be modified so that the question of the realization of property is achieved throughout the production cycle of production, distribution, exchange, and consumption.
- It is worth noting that the forms seen to be most efficient are the CCSs and private farmers. This leads to the conclusion that an in-depth analysis and assessment of property forms are needed.
- With the distribution of land with usufruct rights to CCSs and private farmers, which tend to be the most productive, a major increase in food production could be expected if the abovementioned measures were to be implemented.
- The new agricultural production model to be set in motion, based on the UBPC, CPA, CCS, and state and private enterprise – that is, a diversified model in terms of property forms – should begin with the

measures and transformations required to achieve the realization of property, releasing the forces of production, with an emphasis on the local community.

Notes

1. Antonio Guiteras was a Cuban revolutionary socialist. As a member of the "Government of 100 Days," which took power after the overthrow of the Machado dictatorship in 1933, he passed measures benefiting workers and farmers, including the distribution of land.
2. J. Acosta, "Las Leyes de Reforma Agraria de Cuba y el Sector Privado Campesino," *Economía y Desarrollo* 12 (1972).
3. *La Reforma Agraria obra magna de la Revolución*, Vol. 1, Havana: Oficina del Historiador de la Ciudad de La Habana, 1960, p. 43.
4. F. Sulroca and B. de la Peña, presentation for the fortieth anniversary of the Agrarian Reform, Institute of History, Havana, 1999.
5. Ibid.
6. A. Nova, *La agricultura en Cuba: evolución y trayectoria (1959–2005)*, Havana: Ciencias Sociales, 2006, p. 36.
7. F. Sulroca, A. Reinaldo, R. Quintero, and J. C. Figueroa, *Las organizaciones cooperativas en la agricultura cañera cubana*, Havana: Ministerio de la Industria Azucarera, 2004.
8. Oficina Nacional de Estadísticas, http://www.one.cu/aec2009/esp/09_tabla_cuadro.htm, accessed November 13, 2010.
9. A. García, "Mercado agropecuario. Evolución actual y perspectiva," *CUBA: Investigación Económica* 3/4 (1997): 116.
10. Editor's note: unlike other state-run farmers' markets, the Mercado Libre Agropecuario farmers' markets sells products at prices based on demand and supply, not fixed by the state.
11. Initially, 1,758,900 ha.
12. Several workers' cooperatives reach an agreement to create a second-degree cooperative to market their products. The value achieved in the process of circulation would be basically reinvested in motivating the producers.

13

The UBPC: A Way of Redesigning State Property with Cooperative Management

Emilio Rodríguez Membrado and Alcides López Labrada

The technical, economic, environmental, and social characteristics of agriculture make it the most complex sector of the Cuban economy. Different socioeconomic models have been experimented with in the sector, and the major structural transformations of recent years have produced a mixed economy with varying forms of property and management.

This chapter will examine one of the forms that comprises the Cuban agriculture sector: the Basic Unit of Cooperative Production (*Unidad Básica de Producción Cooperativa*, UBPC). An understanding of its origins and theoretical/methodological underpinnings is essential for analyzing the basic concept and content of the UBPC. Its emergence should be viewed as the culmination of a dialectical process of continuity and change, and a new attempt to resolve the contradictions of Cuban agricultural management that have amassed over the years.

Moreover, it is important to look at the question of why the economic output of the UBPCs is not in line with their resources. What factors are keeping UBPCs from operating as real cooperatives? What management model should UBPCs use to turn around their current situation and boost their contribution to Cuban agriculture?

The UBPC, a synthesis of the road traveled by Cuban agriculture

The UBPCs bring together the best aspects of the diverse forms of agricultural organization that have existed in Cuba since the triumph of the Revolution and the first Agrarian Reform Law was adopted in May

1959. To understand the UBPC, we must study its precedents in state and cooperative sectors.

State-organized agriculture

The history of state-organized agriculture is a succession of unfinished experiments, including People's Farms, Municipal Enterprises, and Permanent Production Brigades, the latter being the most comprehensively developed attempt.¹ According to Cuban economist José Luis Rodríguez: "The organizational forms that state agricultural adopted beginning in 1959 were diverse and ever-changing, based on different accumulated experiences and the economic management system that was in place during each period."²

When production and economic goals were not met, a shift was made to a new organizational model without having exhausted the previous one. These were errors caused by discontent with the system that had been inherited from the prerevolutionary period, as well as inexperience with economic management. A certain amount of voluntarism also may have been an element in these decisions. It was believed that agriculture would be transformed as the result of mechanization and the use of chemicals, and while considerable investment was made in those two areas,³ the human factor was neglected (creating sufficient incentives, living and working conditions, and a sense of belonging, etcetera).

Despite this, there were undeniable achievements for Cuban agriculture by state enterprises and the reforms carried out through the late 1980s.⁴ Still, problems and conflicts began to accumulate, leading to the system's exhaustion. Some of these were as follows:

- The conflict between technological development and economic results.
- The conflict between enterprise size and management methods.
- The conflict between rural social development and agricultural employment.
- The conflict between production results and satisfaction of people's needs.

The cooperative form of agricultural development

The UBPCs are also the result of previous cooperative development. Like state enterprises, cooperatives emerged from the first Agrarian Reform Law. Because of that law, control over more than 50 percent of the country's land⁵ went to small and medium-sized property owners, and cooperatives were viewed as a priority for the allocation of land that was nationalized.⁶

The cooperative movement took two directions: one was designed for private producers and the other for agricultural workers. The forms that different cooperatives took basically depended on what types of members they had.

Cooperatives as associations of agricultural workers

The first attempts to create cooperatives occurred within the state sector in late 1959, on the recently nationalized lands of large ranchers and rice growers. However, these cooperatives were so short-lived that they were not included in some of the books consulted for this chapter; only the sugarcane cooperatives that were created subsequently are mentioned.⁷

Sugarcane cooperatives were created on the nationalized lands of large producers after the end of the 1959–60 sugarcane harvest. This was the first formal, institutional attempt to create workers' cooperatives. The theoretical basis was the Marxist concept of cooperativization by agricultural workers after taking political power. According to Engels:

The big estates, thus restored to the community, are to be turned over by us to the rural workers who are already cultivating them and are to be organized into co-operatives. They are to be assigned to them for their use and benefit under the control of the community. Nothing can as yet be stated as to the terms of their tenure.⁸

The regulations and guidelines of these sugarcane cooperatives reflected certain relevant ideas:

- The creation of a structured organization with national, provincial, and regional levels and clearly defined functions at each level.
- Acknowledgement that “the basic units of our Organization are Cooperatives, in which our production force is located, and to which we should pay the greatest attention every day.”⁹
- The regional groups oversaw accounting and provided guidance to cooperatives, as early examples of today's management centers.¹⁰
- Cooperatives administered the “people's stores,” which soon totaled 881 nationwide.¹¹
- One of the main goals was to intensify production to be able to free up other land for diversified production and subsistence crops.
- The existence of an Executive Council that is formed and elected by the cooperative's members, along with an administrator appointed by the National Institute of Agrarian Reform (*Instituto Nacional de la Reforma Agraria*, INRA), until the cooperative acquired experience.

- The cooperative was given greater autonomy as it gained management abilities.¹²
- The possibility of using a seasonal or temporary workforce.

On the other hand, these sugarcane cooperatives also demonstrated certain shortcomings in their conception, and were different from today's cooperatives in several important ways:

- The administrator was appointed by the INRA.
- Surpluses were distributed – at least during the first five years – in a predetermined way: it was only possible to distribute 20 percent among members, and the rest was used collectively for improving living conditions.
- As a result, cooperatives' autonomy was very limited.

In a very short time, sugarcane cooperatives gave way to state farms. According to Figueroa, "The short life of this cooperative experiment did not allow all of its potentials as a socialist form of production to be verified."¹³

Most authors¹⁴ attribute the replacement of sugarcane cooperatives with state farms to a lack of management personnel and qualified workforce, as well as limited resources and unsatisfactory economic results.

Without refuting that, it is important to place these cooperatives in their historic context, which included profound class struggle and a rapid radicalization of the Cuban Revolution. At the same time, the above-mentioned limitations should be taken into account; they created problems for internal democracy, the scope of decision making, economic management, and members' notions of themselves as cooperativists.

The renationalization and return to state management of the sugarcane cooperatives signified the abandonment of workers' cooperativism in Cuba's road to socialism. The prevalent ideas were that "real cooperatives cannot emerge from the proletariat. Real cooperatives would be a retreat for the proletariat, and instead, they would be an advance for small farmers,"¹⁵ and that cooperatives were just "a stage of transition to state farms."¹⁶ This view determined a number of subsequent events: cooperatives became the "farms of the entire people" (*granjas del pueblo*), and cooperativization, until 1993, was associated solely with private owners.

Cooperatives as associations of small private producers

The Cuban Revolution strengthened farmers' associations (*asociaciones campesinas*) that existed in some parts of the country. Forms of economic

cooperation among private agricultural producers were promoted, especially after the formation of the National Association of Small Farmers (*Asociación Nacional de Agricultores Pequeños*, ANAP), such as the Credit and Service Cooperatives (*Cooperativas de Crédito y Servicios*, CCS) and Agricultural Societies (*Sociedades Agropecuarias*).¹⁷

Despite these measures, cooperativism was not encouraged, and no strategy existed for promoting its development until the mid-1970s. Cooperativism was hurt by ideas that held nationalization to be absolutely necessary for achieving the socialization of Cuban agriculture.¹⁸

Few cooperative forms existed during that historical period because "in Cuba's situation, in having greater available quantities of land ... and receiving state aid in the form of cheap loans, profitable prices, machinery services, technical help and fertilizers, etc., small farmers ... can maintain individual forms of property, which are more pleasing to them, and have growing income"¹⁹ ...and "the shortcomings in state agriculture ... do not encourage any tendency ... toward socialist forms of production."²⁰ That is, a large part of the country's private farmers were not motivated to join cooperatives.

In addition, the policy of not encouraging cooperatives was reinforced by state control over small mercantile production to prevent it from evolving into capitalist forms of production. The principal tools for that control were price controls, having the state as the only supplier, and the state's status as the sole purchaser of all production.

A major shift in the cooperative movement came in the mid-1970s, with references to cooperatives that were made during the fifteenth anniversary of the first Agrarian Reform Law²¹ and the First Congress of the Communist Party of Cuba (PCC).²² At both of those events, the socialist character of cooperative production was accepted in official discourse and described as a superior form of production. Based on those reflections, the Agricultural Production Cooperatives (*Cooperativas de Producción Agropecuarias*, CPAs) were created.

It is important to understand the operations and magnitude of the CPAs, because they influenced the creation of the UBPCs, which essentially adopted the CPA economic model. The CPA management model is characterized by the following:

- The existence of collective property, for the purpose of attaining its members' well-being via socialist production relations.
- Integration with the Centralized Management and Planning System as a guarantee of harmony between collective and social interests. The CPAs receive social, or public, requests, which, after a negotiation process, become their production goals.

- State aid for their reinforcement and development.
- Recognition of their legal status and the establishment of monetary/mercantile relations with other economic subjects.
- Cooperative democracy.
- The formation of a common fund (*patrimonio*), comprising individual contributions.
- The creation of economic surplus that is distributed according to individual work contributions, and advance pay (*adelantos*) as part of cooperative members' monthly income.

This new form of organization allowed CPAs to be more efficient than state enterprises. As Zaldívar demonstrates, CPAs, throughout the 1980s, were more cost-efficient for most products, achieving average production costs per unit (quintal) that were around 6 times and up to almost 13 times more favorable for some products.²³

While CPAs performed better than state enterprises, they did not completely escape the problems of Cuban state agriculture. Figueroa shows their increasing "contamination" from problems such as gigantism and workforce shortages. Between 1978 and 1992, the average size (in hectares) of CPA grew almost five times, and even if the number of members also increased it was almost three times slower than the increase in agricultural land.²⁴

Therefore, CPAs, like state agriculture enterprises, have been characterized by the following:

- Gigantism; CPAs obtained more land by merging cooperatives and adding state land.
- The addition of state land was not accompanied by a proportional increase in the number of CPA members. Therefore, CPAs became dependent on wage labor, abandoning one of the principles of cooperativism.
- CPA autonomy, recognized by the law, was reduced significantly by direct state intervention. Quotas and directives were imposed on cooperatives, reflecting their scant power of negotiation with the state institutions.
- CPAs changed rural culture: as the factory-like workday became the norm, advance pay became the main interest of members, who lacked a sense of belonging.

These problems were determined by a lack of understanding about the specific characteristics of CPAs as a different form of social property, requiring other channels for the subordination of the members'

collective interests to society's interests. Their need to have more economic independence than state enterprises and to be able to organize work, planning, and control, as well as the creation and distribution of income, was not recognized.

Significance of the UBPCs

The constitution of the UBPCs, like other measures taken in the early 1990s, was a response to the need to transform the country's production base and reformulate – to a certain extent – its economic relations. One decisive factor was the difficult situation in Cuba following the collapse of the Socialist Bloc, increasing and aggravating structural factors that had become manifest in agriculture. This situation caused Cuba's agricultural system to become inoperable and unsustainable, and required a radical change in how the land was used.

The UBPCs were a socialist and a very *sui generis* solution to the national agricultural crisis, as opposed to the neoliberal formula that was used in many countries, involving the privatization of land and other means of production. Instead, the UBPCs have been an attempt to collectively exploit the land, which was legally owned by the state, by using the cooperative form with self-management and self-financing.

Fostered by changes that had been made in state agriculture and the situation of the national cooperative movement, the UBPC as a concept is a dialectical synthesis of the overall development achieved in Cuban agriculture. It is a tool for reorganizing the productive forces and for activating the role of human beings for achieving more stimulating production relations. It may be considered as a positive, structural change, aimed at solving the main problems that had arisen in national agriculture, in all of their contradictory development because of the reasons outlined below.

It has led to a radical change in land use in Cuba

A considerable increase in the nonstate tenure or management of land has resulted from the creation of the UBPCs. Since 1994, the cooperative form has predominated in Cuban agriculture (as UBPCs, CPAs, and CCSs) and more than 85 percent of the land has continued to be socially owned (a state enterprises, UBPCs, and CPAs; i.e., state and collective property forms).

In 1995, UBPCs accounted for 48 percent of agricultural land. Since then, this participation has declined, resulting from the dissolution of failing ones. In 1998, UBPCs controlled around 42 percent of agricultural

land, while CPAs, CCS, and private farmers (not associated to CCSs) maintained around 9 to 10 percent, 11 to 12 percent, and 3 percent of agricultural land, respectively, before and after the UBPCs were created. State enterprises' hold on agricultural land decreased from 75 percent in 1992 to 27 percent in 1995 and 34 percent in 1998.²⁵

It has introduced a new form of management in Cuban agriculture: collective self-management, promoting human development

The creation of the UBPCs produced a new economic subject: a self-managed collective, involving production relations based on collective democratic management of the means of production (with the land owned by the state and everything else owned by the collective). This new form of management, characterized by cooperative production relations, substantially changed that aspect of Cuban agriculture, democratizing the internal life of different organizations and helping to develop strong ties of cooperation and mutual aid.

In UBPCs, the human being became the most important element. In actively participating, members were able to make better use of their internal reserves. The distribution of profits and provision of services to members created the conditions for individuals to join, remain, and develop within the cooperative.

This required a certain amount of autonomy, including collective ownership of economic surplus and part of the means of production. The role and social purpose of the state agricultural enterprise changed: it became the entity for exercising state control of UBPCs and supplying a large variety of services to their production processes.

It created a new paradigm in Cuban agriculture: a development model based on low material inputs and organic farming

A drastic reduction of imported inputs was decisive in the move to agriculture with a low material intensity, featuring the predomination of natural fertilizers, biological pest control, and extensive use of animal-drawn vehicles and implements. It was the start of the transition to ecological farming that is self-sufficient and more labor-intensive.

Analysis of the UBPC concept

Any analysis of the theoretical concepts involved in the creation of the UBPCs requires an examination of the different laws, regulations, and resolutions passed for that purpose.

A decision by the Cuban Communist Party's Political Bureau, on September 10, 1993, was the basis for all UBPC-related legislation. It included their objectives, principles, characteristics, and faculties, and determined their governing authorities.

In addition to that decision, the political, legal, and economic framework for UBPCs comprises the following laws:

- Decree-law No. 142, of September 1993, "regarding the Basic Units of Cooperative Production," which made the September 10 decision into law, authorizing the Council of Ministers Executive Committee (*Comité Ejecutivo del Consejo de Ministros*, CMEC) to issue the necessary regulations.
- CMEC Agreement No. 2708, regulating relations between the Ministry of Agriculture (MINAG) and Ministry of the Sugar Industry (MINAZ) with UBPCs, authorizing those two ministries and the Agencies of the Central State Administration (*Organismos de la Administración Central del Estado*, OACE) and National Bank of Cuba – now the Central Bank (BC) – to issue any needed regulations.
- MINAG Resolution No. 354/93 (for UBPCs attached to the MINAG): UBPC General Regulations. Stipulates conditions for the creation, merger, division, operations, and closure of UBPCs. This was subsequently replaced with Resolution 688/97.
- Each UBPC was to maintain an inventory of all resources acquired for its formation.
- The aforementioned was complemented with UBPC bylaws and regulations issued by the OACE and Central Bank.

The main purpose of the UBPCs was stated as "sustained increase, in quantity and quality, of agricultural production, rational use of available resources and improved living conditions."²⁶ This goal of more productive agricultural enterprises was similar to what had been proposed for all previous forms of organizing agricultural production.

Though explicitly stated, this objective has never been achieved with any previous forms of organization. The only way to meet this goal is for enterprises to have the means to do so – that is, it is essential to analyze the faculties that UBPCs possess to achieve their purpose.

The UBPCs were provided with the following:

1. A general declaration, made into *principles*, expressing how they should operate.

2. The recognition, which was included in the decree-law, of having *legal status*, operating with certain characteristics.
3. Specific *attributes, functions, and duties* under Cuba's General Regulations.

All of these elements should be analyzed as a system that reflects the conceptual basis on which the UBPCs were created – what was desired and expected of them. After separately examining each of these three elements, we can draw certain general conclusions.

UBPC principles

A connection between the individual and the land, as a way of stimulating interest in work and a concrete sense of personal and collective responsibility

This principle addresses an essential question because it is related to the worker's perception of ownership and the achievement of a sense of ownership. The aim is for the following:

- Increase labor intensity and productivity, thus addressing labor shortages.
- Genuinely involve all members in collective management to encourage their initiatives and prepare them to assume leadership roles.
- Link income with production results.
- Implement the theory of modern business administration in team-work using a highly autonomous small group.

In addition, there are additional elements that maintain the collective interests of all UBPCs: self-sufficiency, construction of housing and facilities, distribution of profits, community involvement, and cooperative education, etcetera.

A strict association between income and production results

This principle is an application of the socialist law of distribution: from each according to his ability, to each according to his labor. It is closely related to the previous principle because it complements the connection between the individual and the land. A sense of ownership can be achieved only when the owner receives economic benefits from his or her effort. As subjects in the management of the UBPC, all members stake their well-being and that of their families on the results that are obtained personally and collectively.

This principle could create certain contradictions with society and with other cooperatives because, without question, the results

obtained by a UBPC depend in part on differences in land fertility and/or proximity to markets and their conditions. Without ignoring this as a still-unresolved problem, the historic stage of the country's development and the strategic nature of the agriculture sector makes it possible to accept that some UBPCs and other forms of agricultural organization may have these potential advantages, which lead to different levels of income among organizations and geographic areas.

Self-sufficiency for members and their families, as well as the steady improvement of their living conditions and other aspects of workers' well-being

This principle tends to foster all aspects and dimensions of human development in implicitly acknowledging the factor that has hampered the country's agricultural development. A considerable number of empirical studies conducted in UBPCs²⁷ show that most issues raised by members are related to the members' unhappiness at being unable to meet their basic needs.

Workers' well-being is much more than that. It begins with meeting material needs – and then moves to being able to achieve human fulfillment through individuals' overall development. Moreover, in cooperativism, education and participation are the foundations of human development.

Extensive development of autonomy in management; units must administer their resources and become self-sufficient in production

This is undoubtedly the most controversial principle. Management autonomy is one of a number of pending problems to be solved in managing previously existing forms of agricultural organization, and something that marked their failure. It is a complex issue that involves legal, political, economic, and even ideological factors. The complexity of this issue is not exclusive to Cuba; inside and outside the cooperative world, the role of each enterprise in society as a whole is being debated.

The level and scope of an organization's autonomy comes from finding a balance between centralized and decentralized decision making. While decentralization is unquestionably necessary, centralization is inherent to any society; certain decisions must be made in a centralized way. The depiction of centralization/decentralization as a dichotomy in so-called "real socialism" brought about many different

interpretations and generally one or the other was viewed as absolute. However, according to Engels:

It is absurd to speak of the principle of authority as being absolutely evil, and of the principle of autonomy as being absolutely good. Authority and autonomy are relative things whose spheres vary with the various phases of the development of society.²⁸

The management autonomy of a UBPC is closely related to whether or not it is considered a business. As a business, it should have management autonomy that is different from that of a unit, or part, of a business. None of the documents, articles, and writings on the issue that were studied for this chapter specified whether a UBPC is a business or a primary unit of a business.

Whether or not an organization is defined as a business depends on its characteristics. The Centralized Management and Planning System resolution lists the following traits:²⁹

1. Internal and objective technical/economic cohesion in the production process.
2. Territorial unity, allowing for the best organizational logic, planning, control, and administration as an organic whole. This makes it possible to create a community of interests.
3. Relative independence, allowing it to be differentiated from other units, materialized in a certain level of economic/operational management autonomy.

Business literature generally defines a business as a unit: of production, of decision, of finance, and of a community of interests.³⁰ The concept of a business defined by the Centralized Management and Planning System resolution and this one are quite similar, taking into account that management autonomy includes a combination of decision-making and financial autonomy.

UBPCs meet the requirement of the unification or integration of production and a community of interests, but questions remain about whether or not they have management or decision-making autonomy. This trait will determine whether or not they can be considered as businesses, and for that an analysis of their characteristics is needed.

UBPCs legal status

Legal status cannot be considered as a defining³¹ element for categorizing them as full “enterprises”. However, the fact that UBPCs have legal status makes them legally equal to other types of businesses, and indicates that a UBPC is an independent legal entity.

Attributes and duties of UBPCs

According to their governing regulations, UBPCs have the following attributes and obligations.

Indefinite usufruct rights to land

This UBPC attribute reflects the fact that the fundamental means of production – land – continues to be state legal property, and what varies is the way it is utilized or managed. This creates uncertainty because indefinite usage rights are not the same as unlimited ones. In fact, sugarcane cooperatives also had usufruct rights to land under the same conditions, and they were short-lived. Together with the state enterprise’s right to dissolve a UBPC, this suggests the possibility that these cooperatives may be returned to state management forms.

To own their production and sell it to the state through an enterprise

These are related and contradictory elements. On the one hand, being the owner allows a UBPC to appropriate the results of its management – that is, the realization of collective property and interests. On the other hand, while selling to the state ensures the realization of production and the satisfaction of social needs, it restricts the use of that production by the UBPC. In addition, UBPCs, like other agricultural subjects, generally are victims of state-established price control policies.

To pay for technical/material services

This indicates the existence of monetary/mercantile relations between UBPCs and state enterprises that provide production inputs and support services. However, UBPCs have no alternatives for supplies or suppliers, and cannot decide on the moment of purchase, quality standards, or the forms of its transportation.

To operate bank accounts

This is a concrete recognition of the economic independence of a UBPC. However, its practical scope is small because UBPCs conduct almost all

of their economic transactions with and through a state enterprise, and their issuance of collection and payment documents is very regulated and limited.

To purchase on credit basic production resources

This demonstrates the ease with which UBPCs can acquire most of their raw materials for production. However, it also indicates the difficult financial conditions in which UBPCs were created: without assets, and obligatorily financed with debt, which in many cases mortgaged or hindered their performance.

To collectively elect its leadership

This profoundly democratic and autonomous characteristic has been distorted, in many cases, by interference from the UBPC's state enterprise, when it imposes – with or without justification – the UBPC's administrator.

Tax obligations

This recognizes the obligation of an independent collective of workers to contribute to the redistribution of the nation's wealth. However, this must be carefully weighed, taking into account that agriculture in many countries is subsidized.

Subject to state control

State control is exercised by means of the Development Program and Annual Plan. Because the Annual Plan is drawn up by the UBPC and the entity that oversees it, based on the Development Program, the key to understanding the autonomy of this type of cooperative is in the Development Plan. This plan covers three- to five-year periods, and defines the following annual goals:

- Volume, yields, and purpose of all production.
- Investments to be made, including housing, and financing sources.
- Measures for reducing costs and obtaining or raising profit rates.
- Utilization of all land held through usufruct rights.
- Control and protection of the entity's assets.
- Actions to diversify production.

This program is basically a strategic plan, a concrete expression of the UBPC's strategy and grounds for its Annual Plan. Evidently, UBPCs are subject to too many external rules, and the state enterprises to which

they are subordinated participate even in the decisions about their annual plans.

Contrary to this, the UBPCs should receive only strategic guidelines from the state, such as customers' needs and hard-currency resources for investment, which become goals and commitments to society. Those strategic guidelines or instructions should be the starting point for UBPC autonomy. Everything that is done to ensure compliance with these strategic guidelines should be under a UBPC's control, including drawing up its own strategies and annual plans.

Socioeconomic essence of UBPCs

The abovementioned UBPC attributes and obligations, analyzed as a whole, indicate the existence of a relatively isolated collective with independent operations, but which are subjected to major restrictions, legal confusion, and contradictions. That is reaffirmed in article 20 of the General Regulation, which contains 27 attributes, obligations, and functions but does not specify each one of them, leaving that up to personal interpretation. The General Regulation is much more precise in stipulating state control over UBPCs than their autonomy. In addition, certain apparently superficial elements also have an impact on the scope of UBPC management autonomy, such as the following:

- The very name of the UBPC (Basic Unit of Cooperative Production) suggests that it is part (a unit) of something (an enterprise) and thus that only a part of the production process is cooperativized.
- The top authority of a UBPC is its "administrator," a term generally used to designate an official or state functionary (not a businessperson), who does not make strategic decisions and only oversees the use of resources.
- The state enterprise continues to occupy the most important place, providing the UBPC with resources and collecting what it produces.

Examining the socioeconomic essence of the UBPC is a complex, difficult task because it has traits that identify it with two forms of property: cooperative and state enterprise. UBPCs' characteristics related to the cooperative form include the following:

- They have collective legal ownership of most of the means of production.
- They own their production and economic surplus.

- They elect their leadership team and exercise cooperative democracy.
- They have independent legal status and management autonomy.
- They pay advances (*anticipos*) and distribute profits.
- They sign contracts with customers and suppliers.
- They have bank accounts and conduct monetary/mercantile transactions.

At the same time, they have traits of a state enterprise:

- They are created on the initiative of the state.
- Ownership of the most important means of production, land, belongs to the state.
- They buy their initial production resources with an interest-free loan.
- They enjoy economic aid for a given amount of time, allowing them to work with losses and even to amortize their debts.
- They receive guidelines for production, technology, and investment, etcetera.
- Their leaders are often proposed or replaced from the outside, and they may be summoned as if they were units of a state enterprise.
- Their members belong to the national trade union federation, the Cuban Workers Confederation (*Central de Trabajadores de Cuba, CTC*).

On one hand, the UBPC reflects, to a certain extent, a new organizational concept of enterprise that is gaining force worldwide: the isolated enterprise is being replaced with a network of enterprises.³² According to this concept, each enterprise cedes a certain amount of decision-making power to the network's "center" and has extensive management autonomy. Generally, the "center" makes strategic decisions and conducts operations in the chain that do not create value or that are convenient to conduct centrally. Meanwhile, the enterprises make their own operational decisions and conduct all other operations in the chain. International cooperative experience³³ has shown that the center emerges as a need of primary cooperatives: it responds to their interests, and its leadership is appointed by the network's members.

In the case of the UBPCs, the "center" would be the state enterprise, surrounded by its member UBPCs. However, the UBPC organizational model has major contradictions. For example, the state enterprise hinders the work of its associated UBPCs because it holds decision-making power, does not identify with the UBPCs, and views

itself as being above them. Moreover, the enterprise or “center” fulfills the function of state control over member UBPCs (it decides on production levels and variety, soil and water use, crops’ health, distribution of resources, and compliance with legislation), as well as the function of an enterprise (selling material resources and supplying a wide variety of services).

All of this is similar to what occurred with the short-lived sugarcane cooperatives, which also featured a compromise between state and cooperative property, a combination of elements of both that raised questions about their true essence. That is, a UBPC “is actually a dual entity, a hybrid, halfway between a state enterprise and a genuine cooperative.”³⁴ R. Villegas follows this idea and takes it further, defining the UBPC as “a concrete form of the existence of social property based on the combination, in a single mechanism, of state and cooperative property.”³⁵

UBPCs and social property

The result of this process of symbiosis or syncretism is not the emergence of a new form of property – state/cooperative – but of a new management model. In taking certain aspects from its immediate precedents, the state enterprise and the cooperative (CPA), this new model consists of a specific system of economic relations. The UBPC management model, subject to a redesigned state form and with deep-seated cooperative characteristics, realizes, or implements, social property. This is the result of putting into practice very creatively the theory that legal ownership of the means of production can be separated from management.

The UBPCs are an attempt to resolve the contradictions of property in the process of building socialism in the following manner:

- Maintaining the state as the legal owner of the most important means of production, and granting the UBPC legal ownership over the rest.
- Ensuring centralized management of the economy, social interests, and strategic decisions via state control.
- Granting extensive management autonomy to the UBPC to fulfill indicated objectives.
- Recognizing that cooperative principles are consistent with socialist economic interests and values.

Therefore, the UBPC is a form of business organization that is the result of redesigning state property, uniting, in a specific and unique

system of economic relations, cooperative management with centralized management for the realization of state property. This has made it possible to overcome, or at least attenuate, the main problems generally attributed to state enterprises, by using necessary flexibility for greater freedom of operation and adaptation to the environment; a reduction in size and intermediate structures; motivation of the human factor to achieving objectives; and collective responsibility and control over operations.

Current situation of UBPCs

Significantly, UBPCs control 37 percent of the country's arable land, but their production does not correspond to their resources. For example, 38 percent of UBPC land is devoted to the category of miscellaneous crops, but UBPCs contribute only 9 percent of miscellaneous crop production. Similarly, 41 percent of UBPC land is devoted to livestock and 36 percent to rice, but that production accounts for only 28 percent and 20 percent of the total, respectively.³⁶

To find the reasons for these poor UBPC results, it is necessary to analyze their management and external factors. Despite the fact that regulations were drawn up for UBPC operations based on the aforementioned basic principles, no management system has been designed for them. Therefore, the most appropriate way to analyze their management model may be to evaluate its similarities to that of CPAs.

A recent study by the MINAG confirmed that UBPCs are organized very differently from CPAs, with 14 legal differences between them (see [Table 13.1](#)).

Sixteen years after the creation of the UBPCs, it should be acknowledged that their management shows a lack of consistency with the principles and concepts that guided their creation. Most of them are managed more like state farms than CPAs. In fact, initially it was quite common to hear from UBPC workers: "We are a farm attached to the enterprise with a separate bank account."³⁷

Some of the difficulties that have a negative impact on UBPC management include the following:

- International principles of cooperativism are ignored, and basic principles that were approved for UBPC operations have not been implemented.³⁸
- Excessive tutelage by state enterprises makes it impossible for them to achieve genuine autonomy.

Table 13.1 Differences between CPAs and UBPCs

CPAs	UBPCs
Their functioning is governed by Law No. 95, passed by the National Assembly.	Their functioning is governed by Ministry of Agriculture Resolution 629/04, based on Decree-law 142/93.
They legally own the land they possess.	They possess the land with usufruct rights.
They are created by individual farmers who contribute their land and assets.	They were created from the division of unproductive, inefficient state entities that existed in 1993.
Their vehicles are identified as belonging to cooperatives.	Their vehicles, which they own collectively, are identified as belonging to the state.
According to the social security law, Decree-law 217 is applied as a special case.	They are governed by what is stipulated for the state sector.
Their accounting procedures include a "sociocultural" account, for carrying out activities related to workers' well-being and other collective aspects approved by their assembly.	They have limitations on using reserve funds for workers' well-being and other collective aspects.
By law, up to 70 percent of their profits may be distributed.	Up to 50 percent of their profits may be distributed, and up to 70 percent when they have been profitable for three years or more.
The cooperative's top leader is called "president."	The cooperative's top leader is called "administrator."
They are widely recognized as cooperatives.	They are not adequately recognized as cooperatives.
Their case is similar to that of the UBPCs, although less so.	They are limited in the use of their funds; they must use the account of the enterprise to which they are subordinated to buy and sell.
The cooperative president is revoked by the assembly, and as an exceptional case, the ANAP is the only entity authorized to request that the assembly revoke a president when necessary.	The administrator is revoked by the assembly, and occasionally the enterprise may request that the assembly do so; also, the administrator may be dismissed without taking the assembly into account.
They are served by a mass organization, ANAP, which represents them, demands that they fulfill their duties, and defends their rights.	They are served by mass organizations, the CTC and two trade unions, which have larger percentages of other members to serve, which is why the UBPCs have not been a priority.

Continued

Table 13.1 Continued

CPAs	UBPCs
Each CPA has a president charged with strategic decisions, a board of directors, and an administrator charged with all operational activities, together with an administrative council.	Each UBPC has just one administrator, who is charged with all of the cooperative's functions, along with an administrative council.
The CPAs have a culture of discipline and respect for decisions made by assembly, according to what is stipulated by Law. No. 5.	The UBPC General Regulations stipulate that the assembly approves all cooperative functions, but this is not complied with, and is violated systematically.

Source: UBPC National Leadership, MINAG, 2010.

- UBPCs have not had adequate autonomy; instead, they have their hands tied by the rules that govern their operations in the following manner:
 - The existence of a weak contractual relationship, with excessive interference on the part of the state enterprises that serve them.
 - To acquire inputs or resources from any other entity, they must be represented by an enterprise (their legal status is not recognized).
 - Their vehicles for transport, which are collective assets acquired by the cooperatives, are registered as state vehicles, and sometimes are taken from them without due approval by the general membership assembly.
 - The utilization of funds created as a reserve is excessively regulated.
- A lack of cooperative culture; also, regulations are applied to UBPCs as if they were state entities.
- Cadre policy, aimed at contributing to leadership quality and the emergence of new leaders, has not been developed adequately in a large number of UBPCs.
- Very narrowly stated "social purposes," which do not include a relationship with the local communities.
- Economic deformation since their creation, which has caused them to stray from their essence, including economic aid, guaranteed wages, and an emergency fund.

- All of this has been aggravated by a lack of articulation among the different social forces that represent UBPCs in municipal and provincial authorities.

In the past 16 years, the UBPCs have gone through four different stages,³⁹ which were structured methodologically based on their principle traits, the impact of measures taken, and curves of profitability (see [Table 13.2](#)).

As seen in [Table 13.2](#), the UBPCs never reached a moment of maturity or consolidated results, moving directly from emergence to decline. The current moment of “restructuring” is aimed at addressing that defect.

The UBPC management model, needing changes

To be able to change UBPC management, it is necessary for the UBPC and all institutions related to their functioning to understand the need

Table 13.2 Evolution of UBPC development

Stage	Period	Characteristics	Year	Net Result (MP)	Profitable (%)	Main deforming agent
Emergence	1993–2001	Great expectations	1993	–49.0	39.6	Economic aid (980 MMP)
			1994	–115.7	35.1	
		Differentiated attention	1995	–159.5	29.2	
			1996	–163.9	30.5	
			1997	–118.7	40.6	
			1998	–114.4	40.0	
			1999	2.3	71.0	
			2000	13.8	69.4	
			2001			
Decline	2002–05	Low expectations	2002	–60.6	60.2	Guaranteed wages (90 MMP)
			2003	–29.0	65.6	
		Weak attention	2004	–145.8	65.9	
			2005	–186.8	36.1	
Revival	2006–09	Institutionalized	2006	–94.6	52.4	Emergency fund (10 MMP)
			2007	18.6	70.5	
			2008	103.4	74.9	
			2009	32.3	75.0	
Restructuring	2010–onward	Higher stage				
		New Integrative Management Policy				
		Restructuring of UBPC external relations				

for a system-wide change. The first change is ideological/conceptual: recognizing UBPCs as genuine cooperatives. This requires new actions and policies for their development.

First, an appropriate legal framework is needed because the current one is restrictive and prevents UBPCs from developing as genuine cooperatives. One solution could be to include them in Law No. 94 (the CCS and CPA law), adding an appendix that covers their specific characteristics. Another would be to pass a general cooperative law.

The UBPCs also need to have a realistic economic contracting process and an efficient logistical system. The quantity of products that is contracted by the state should be reduced. That way, products that are not contracted or that are in excess of what is contracted can be sold freely in the market.⁴⁰

Every UBPC should have legal guidance, either from Ministry of Justice advisors or from the national association of law offices, and training on how to draw up contracts with all legal assurances for the responsibilities and commitments of all parties involved. Contracts should cover three principal stages: production commitments and destinations; resources for fulfilling production, depending on the type of crop or livestock; and services that enterprises will provide to UBPCs.

One of the biggest errors committed with respect to the UBPCs has been to measure them with indicators used in the state sector. That statistical system is rigid and centrally imposed and only covers the economic/productive subsystem. Therefore, what is needed is a single system of statistical, accounting, and sociopolitical information.

Every UBPC should make it possible for capable, well-trained, all-around leadership cadres to head the cooperative. They should encourage the presence and recruitment of technicians and help young people to earn their university degrees, thus ensuring the next generation of leaders. Also, university extensions should be promoted for supporting UBPCs in scientific and technical areas.

An organizational change needs to be made to the current system of UBPC services, which involves more than 15 state agencies and institutions whose separate decisions have a direct negative impact. A comprehensive system of support services to UBPCs is needed for coordinating, at different levels (national, provincial, and municipal), the efforts and intentions of all the various state administrative institutions and mass organizations that make up the UBPC environment, uniting them around a single comprehensive management policy that facilitates the UBPC's development. To solve the "orphan" effect resulting from dependence on the nonprioritized attention of the

CTC⁴¹ and corresponding trade unions, one solution could be to create a Workers' Cooperatives Council at each territorial level, subordinated to the CTC, in order to unite support services for all UBPCs in those territories.

Without failing to take into account all of the adverse circumstances that have characterized their regulatory framework and overall environment, the UBPCs also require profound organizational changes that will allow them to efficiently manage their different objectives with a systemic approach. This would increase their possibilities for being more efficient and effective, even without being granted well-deserved autonomy, something that requires decisions on a higher level.⁴²

Final considerations

- The UBPC emerged due to an unsustainable production model that existed in Cuban agriculture, and was created in a very hostile environment. It is a synthesis of the previous development of Cuban agriculture, and its creation represented a positive, structural, and necessary change.
- The UBPC is a form of enterprise organization that establishes a new equilibrium between the productive forces and production relations, and expresses the evolution of the enterprise/environment system that is expressed in the concept of a network of enterprises.
- The UBPC is a form of business organization, the fruit of a redesign of state property that connects, in a specific and unique system of economic relations, cooperative management with centralized control for the realization of state property.
- Measures are needed to help achieve the genuine socialization of UBPCs, given that ensuring decentralized management is more than a mere formality, and is still a latent challenge.
- UBPC management also requires thorough internal organizational changes to enable them to fulfill their cooperative nature and thus work toward their different objectives with a systemic approach.

Notes

1. Central de Trabajadores de Cuba, *Documentos sobre la Organización de Brigadas de Nuevo Tipo, basadas en los principios del Cálculo Económico Interno*, Havana: Central de Trabajadores de Cuba, Havana, 1985, p. 40.
2. José Luis Rodríguez, "Los efectos de la reforma agraria sobre el campesino en Cuba," *Economía y Desarrollo* 91 (1986): 158.

3. See Miguel A. Figueras, *Aspectos estructurales de la economía cubana*, Havana: Ciencias Sociales, 1994.
4. See, among others, V. M. Figueroa, *El sistema cooperativo en la reforma del modelo económico de la transición extraordinaria en Cuba* (PhD diss., Martha Abrué's University of Villa Clara, 1997).
5. See J. L. Rodríguez, "Los efectos," p. 154; J. Acosta, "Cuba: de la neocolonia a la construcción del socialismo," *Economía y Desarrollo* 20 (1973): 64.
6. Fidel Castro, "Comparecencia por la televisión, 21 de mayo de 1959," in *La agricultura en Cuba*, Vol. 3, Havana: Editora Política, 1998, p. 14.
7. See, for example, Castro, "Clausura de la I Conferencia Regional de Plantaciones de la América Latina" and "Comparecencia por la televisión, 20 de octubre de 1961," in *La agricultura en Cuba*, pp. 55 and 75, respectively.
8. Frederick Engels, "El problema campesino en Francia y Alemania," in *Obras Escogidas*, Vol. 3, Book 2, Moscow: Progress Publishers, 1973, p. 439.
9. M. Hernández Martell, *Informe a nombre de la Administración General de Cooperativas Cañeras*, report presented to the Second Convention of Sugar Cane Cooperatives, January 23, 1962, Havana: Instituto Nacional de la Reforma Agraria, 1962, p. 12.
10. See Z. Rodríguez and F. Soler, "La universidad como gestora de una nueva experiencia en la agricultura," *Economía y Desarrollo* 2 (1999): 209–17.
11. Hernández Martell, *Informe*, p. 13.
12. Instituto Nacional de la Reforma Agraria, *Cooperativas Cañeras: orientación y reglamento*, Havana: Imprenta Nacional de Cuba, 1960, p. 44.
13. Figueroa, *El sistema cooperativo*, p. 23.
14. See, among others, G. Carriazo, "Cambios estructurales en la agricultura cubana: la cooperativización," *Economía y Desarrollo* 3.4 (1996).
15. Castro, "Clausura del Congreso Nacional de Cooperativas, 17 y 18 de agosto de 1962," in *La agricultura en Cuba*, p. 97.
16. Carlos Rafael Rodríguez, "Cooperativas o parcelas individuales," *Letra con Filo*, Vol. 3, Book 2, Havana: Ciencias Sociales, 1983, p. 216.
17. See Orlando Gómez, *De la finca individual a la cooperativa agropecuaria*, Havana: Editora Política, 1983.
18. See, for example, Castro, "Discurso ante el VI Congreso de la ANAP," in *La agricultura en Cuba*, p. 202 and "Discurso ante el V Congreso de la ANAP," in *Memorias del V Congreso de la ANAP*, Havana: Editora Política, 1978.
19. C. R. Rodríguez, "La Revolución cubana y el campesinado," in *Cuatro años de Reforma Agraria*, p. 261.
20. C. R. Rodríguez, "La Revolución cubana y el campesinado," p. 225.
21. Castro, "Discurso por el XV Aniversario de la firma de la Primera Ley de Reforma Agraria," *Granma*, May 20, 1974.
22. Ministry of Agriculture, "Resolución sobre la cuestión agraria y las relaciones con el campesino," *Economía y Desarrollo* 36 (1976).
23. Martha Zaldívar, *El sistema empresarial en Cuba. Particularidades en la agricultura. Evolución y perspectivas* (PhD diss., University of Havana, 2001, p. 60).
24. Figueroa, *El sistema cooperativo*, p. 57.
25. Santiago Rodríguez Castellón, *Transformaciones agrarias en Cuba: Propuestas para el desarrollo de una agricultura sostenible* (PhD diss., University of Havana, 2000, p. 39).

26. Ministry of Agriculture, *Reglamento General de las UBPC del MINAG. Legislación sobre UBPC atendidas por el MINAG*, Habana: Ed. Ministerio de la Agricultura, 1997, p. 11.
27. See, among others, Niurka Pérez and Dayma Echevarría, "Participación y autonomía de gestión en las UBPC. Estudio de casos," in *La última Reforma Agraria del siglo*, Caracas: Nueva Sociedad, 2000; Rubén Villegas, *Las UBPC como forma de realización de la propiedad social en la agricultura cubana* (PhD diss., University of Granma, 1999).
28. Engels, "De la autoridad," in Marx and Engels, *Obras Escogidas*, Vol. 3, Book 2, Moscow: Progress Publishers, 1973, p. 400.
29. Partido Comunista de Cuba (PCC), *I Congreso del PCC. Resolución sobre el SDPE. Tesis y Resoluciones*, Havana: DOR, 1976, pp. 198–9.
30. See E. Bueno Campos, I. Cruz Roche, and J. Durán Herrera, *Economía de empresas*, La Habana: Ed. Ministerio de Educación Superior, 1991, pp. 47–8.
31. It is very useful to assign legal status or its equivalent to units that are relatively independent for purposes of taxes, markets, limitations on responsibility, and other reasons.
32. See C. M. León, *La empresa ante el impacto de la globalización: una visión desde la Economía Política* (PhD diss., University of Havana, 2001); and E. Rodríguez, "La cooperación entre cooperativas," paper presented at Cooperat-2001, Pinar del Río, Cuba, November 11, 2001.
33. See E. Rodríguez, "Reflexiones sobre las cooperativas italianas," paper presented at the International Seminar on Cooperatives, Havana, Cuba, February 3–5, 2000.
34. Figueroa, *El sistema cooperativa*, p. 96.
35. Villegas, *Las UBPC como forma*.
36. M. Murillo Jorge, "Intervención en la clausura del X Congreso de la ANAP," *Granma*, May 16, 2010, p. 4.
37. Y. Rodríguez, "El hilo de Ariadna de las UBPC," *Juventud Rebelde*, September 14, 1997.
38. See Decree-law No. 142, passed by the Council of Ministers in September 1993, published in *Gaceta Oficial de la República de Cuba*, January 1994.
39. An explanation of the different stages in UBPC development is contained in a theoretical contribution by López Labrada, "Propuesta de un Sistema Integrado de Gestión para las UBPC" (PhD diss., University of Havana, 2010).
40. Partido Comunista de Cuba (PCC), "Medidas para impulsar la producción agropecuaria," Havana: Comisión político-económica del Comité Central del Partido Comunista de Cuba, 2007, p. 5.
41. The CTC's "Fundamental Tasks and Objectives" (2010) make no mention of the UBPCs.
42. Labrada, "Propuesta de un Sistema Integrado de Gestión."

14

Notes on the Legal Framework of the Cuban Cooperative Environment

Avelino Fernández Peiso

Human cooperation began with the emergence of our species and manifestations of cooperative labor exist from time immemorial. However, it is only within the past two centuries that the first laws were passed recognizing the cooperative as a legal institution. As far as it is known, legal expressions of cooperatives in Cuba occurred before social ones. The laws that ruled on the island came from the colonial power, Spain, where the prevailing situation led to the regulating of de facto cooperatives as “associations” of individuals.

The establishment of cooperatives as a legal concept in Cuba has not been ideal. During the colonial period, as legal institutions were transferred from Spain, no real references to cooperatives existed. They were not recognized before the 1959 Revolution either, given Cuba’s geopolitical status as a neo-colony of the United States. After the revolutionary victory, the legal concept of cooperatives still did not exist, because the version of cooperativism that was implemented was imported from the former socialist bloc.¹

Official policy and today’s legal framework place cooperatives within the administrative-patrimonial² discipline of state enterprises, making them patrimony (i.e., property or estate) holders with juridical personality and legal capacity limited by an authorizing power. This concept of the cooperative as an administrative-patrimony holding institution is different from what is commonly practiced internationally, where cooperatives are recognized as a special type of association (of individuals or entities), which is an essential acknowledgment for their development. Despite this deficit, social and legal studies reveal the existence of a Cuban cooperative environment³ that is distinguished by

its organizational form and its economic and social activities, which are different from those of other economic actors.

This chapter critically analyzes the legal framework of the Cuban cooperative environment, examining the best and worst aspects of cooperative regulations during the revolutionary period. It begins by identifying the constitutional, legislative, and regulatory sources of the country's cooperative laws. Based on that, it examines the principles that guide Cuba's cooperatives, how they have been characterized, and what their relationships are with other actors.

Evolution of the cooperative legal framework in Cuba

While there is no evidence of the existence of cooperatives in Cuba during the colonial period, references to them did exist in Spanish laws that were implanted in Cuba. This was because *de facto* cooperatives were recognized as associations in nineteenth-century Spanish society. The preamble of the 1886 Code of Commerce explicitly does not include cooperatives as a subject because of their nonprofit character; they were included in an exception clause in article 124. Likewise, the 1888 Civil Code did not include cooperatives because they did not qualify as professional partnerships. Therefore, Spanish lawmakers described a cooperative with the generic legal concept of "association," which was established in article 1 of the 1888 Law of Associations.

The cooperative phenomenon also failed to develop – either as a legal concept or as a social reality – during Cuba's prerevolutionary republican period. Legally, the Law of Associations continued to be its legal source for administrative purposes. In Cuban society, *de facto* cooperatives were used by small, economically and socially marginalized layers of the population as a form of struggle and survival, and by certain privileged groups as a way of enriching themselves with benefits from corrupt governments.⁴

Subsequently, according to article 75 of the 1940 Constitution, a "law on cooperatives" was to be passed for regulating the "definition, constitution and operation of these businesses." However, this did not happen. An attempt was made in 1955, with Decree No. 3107, to provide a limited description of the cooperative phenomenon, but because cooperatives remained within the existing legal framework of associations, they were legally part of that category, and thus subject to administrative law. Therefore, the *de facto* cooperatives that existed at the time continued to hold the legal status of generic associations.

These legal and material shortcomings prevented the socialization of a cooperative culture and the development of theories and practice necessary for the advancement of cooperatives in Cuba. These shortcomings were the result of economic and social dependence, foreign cultural influence, and the geopolitical status held by the Cuban nation because of its subordination to the United States as a neo-colony.

During the initial years following the 1959 revolutionary victory, cooperatives continued to lack a legal framework, as a result of the aforementioned cultural and legal shortcomings and the course of nationalization taken by the country's leadership.⁵ This absence of a legal framework was – and still is – a result of the approach to cooperatives that was imported from the former socialist bloc, which viewed the cooperative as a model for administering a national resource or asset with juridical personality, and not as an association of individuals, something that is essential for the development of cooperativism.

During this revolutionary period, cooperativism went through three stages. First, during the initial months of the revolutionary process, incipient forms of workers', producers', and consumers' cooperatives proliferated. Sectors included sugarcane, agriculture, livestock, fishing, charcoal, and textile; service cooperatives were formed among teachers and others, and consumer cooperatives were founded in the form of People's Stores (*Tiendas del Pueblo*).⁶

The second stage began in the 1960s, with the rise of an active movement of small farmers' associations. Most of these farmers were former landless peasants who had benefited from the Agrarian Reform Law. During this time, diverse types of associations formed: Farmers' Associations (*Asociaciones Campesinas*), grassroots chapters of the National Association of Small Farmers (*Asociación Nacional de Agricultores Pequeños*, ANAP), Mutual Aid Brigades (*Brigadas de Ayuda Mutua*) and FMC-ANAP Brigades.⁷ The high point of this period was the creation of the Credit and Service Cooperatives (*Cooperativas de Créditos y Servicios*, CCSs), although they had no binding legal foundations.

By the 1970s, it became clear that a large quantity of small farmers existed and that they needed to be united into collective forms of production. This led to the promotion of the voluntary formation of Agricultural Production Cooperatives (*Cooperativas de Producción Agropecuaria*, CPAs), using forms of management similar to what was used in state enterprises at the time.

These two cooperative forms – the CCSs and CPAs – did not acquire juridical personality until the 1976 Constitution was passed. Six years

later, they were implemented via Law No. 36 of 1982, the Law on Agricultural Cooperatives.

The third stage of cooperativism in Cuba occurred in the 1990s, when the international situation and the domestic economic crisis – resulting to a great extent from the collapse of agricultural production – drove the Cuban state to create another form of cooperative, the Basic Units of Cooperative Production (*Unidades Básicas de Producción Cooperativa*, UBPCs). The UBPCs were created by dividing up large state farms. For this purpose, Decree-law No. 142 of 1993 was passed, and resolutions were passed by the ministries of Agriculture and the Sugar Industry to regulate the UBPCs.

Despite the official vision of cooperatives and the shortcomings of related legislation, it is evident that Cuban agricultural cooperatives play an important role. This is the grounds for the recognition of a national cooperative environment as a specific socio-legal system, consisting of the three types of cooperatives that currently exist: CPAs, CCSs, and UBPCs, all of them in the agricultural sector. These cooperative forms are different from other actors that operate in the national economy because of their organizational form and socioeconomic activities. They have their own specific relationships and practices among members, including for labor, discipline, social security, and conflicts; they have a certain amount of flexibility in their economic regulations; they have specific relations with state administrative and implementing authorities,⁸ state economic entities, and political, social, and mass organizations; they have formal autonomy from the state; and they have their own legal framework, based on their own constitutional framework.

Patrimony attributes of each type of cooperative

The CPA consists of patrimony with juridical personality. It is the owner and titleholder of a patrimony made up of immovable property – land and buildings – and movable property – other agricultural goods. The patrimony includes the products of assets that were transferred to the cooperative with usufruct rights, although the assets are not part of the patrimony.

The CCS also consists of patrimony with juridical personality. This patrimony is composed of common assets and the products of assets held by the CCS in usufruct. The role of the CCS is as a secondary intermediary⁹ between the cooperative's members – small farmers who own their land, or possess it with usufruct rights, or who possess other

agricultural resources – and state entities for distribution and having access to other services.

The UBPC is also patrimony with its own juridical personality; in this case, it consists of agricultural assets and the products of land received with usufruct rights. The land continues to be owned by the state.

All three types of cooperatives, CPAs, CCSs, and UBPCs, administer and manage assets for agricultural production, services, and distribution. Also, they establish internal relationships, in their own right, with their members, and external relationships with the political, economic, and social agents of their geographic area.

Sources of national legislation on cooperatives

Cuban legislation on cooperatives began to have different sources after cooperatives were mentioned in article 20 of the Constitution, and a legal framework for cooperatives began to take shape progressively, beginning with the Law on Agricultural Cooperatives (Law No. 36/82). Today's legal framework consists of a diverse group of laws, some of which specifically apply to cooperatives and some that incidentally apply to cooperatives.¹⁰

Currently, sources of laws that specifically apply to cooperatives fall into three categories:

1. Constitutional sources:

- Articles 15, 17, and 20 of the 1976 Constitution.

2. Legislative sources:

- Decree-law No. 142 of 1993, regarding UBPCs.
- Law No. 95 of 2002, the Law on CPAs and CCSs, which repealed Law No. 36/82, the 1982 Law on Agricultural Cooperatives.

3. Regulatory sources:

- Decision of the Council of Ministers Executive Committee, of September 21, 1993, regarding the organization, management, and state control of UBPCs by the ministries of Agriculture and the Sugar Industry.
- Decision of the Council of Ministers Executive Committee, of May 17, 2005, approving CPA and CCS General Rules.
- Resolution No. 525 of 2003 of the Ministry of the Sugar Industry, constituting the General Rules for UBPCs overseen by the Ministry of the Sugar Industry, repealing that ministry's Resolution No. 160/93.

- Resolution No. 629 of 2004, of the Ministry of Agriculture, constituting the General Rules of the UBPCs overseen by the Ministry of Agriculture, repealing Resolution No. 688 of 1997, which in its turn had repealed Resolution No. 354 of 1993, both of the same ministry.

Principal operating tenets for cooperatives in the Cuban legal framework

The operating guidelines or postulates for Cuba's cooperatives (CPAs, CCSs, and UBPCs) are not unified, systematized, or generalized as principles in and of themselves. In fact, while Decree-law No. 142/93 establishes 4 principles for the activities of UBPCs and 7 main operating characteristics, Law No. 95/02 stipulates 10 guiding principles for CPAs and CCSs.

However, the reasoning behind the current programmatic and legal premises, in line with the actual reality of cooperatives, determines that the principal postulates of the cooperative environment are as follows:

1. Constitution, operation, and management subsequent to administrative authorization.
2. Voluntary membership, without the obligation of contributing to the cooperative's patrimony as a prerequisite.
3. Joint labor paid for by the cooperative, with advances (advanced payments, or *anticipos*¹¹) and surplus distribution for CPAs and UBPCs. In CCSs, member farmers work separately and receive the value of the amount of his or her sales of the products of that labor, with sales managed by the CCS.
4. No pecuniary liability on the part of members for the outcome of the cooperative's management. This point is directly related to point No. 6, because it stems from cooperatives being subject to the administrative authority of the state.¹²
5. The cooperative's – and the cooperativist's, in the case of CCSs – ownership of and/or usufruct rights over the land and other agricultural assets.
6. Internal democracy and formal autonomy.¹³ Cuban cooperatives are subject to the power of a state administrative authority via the rule of the "State Plan."
7. Subordination to the national economic plan.¹⁴ In the case of CPAs and UBPCs, their management is controlled through "development programs" and "production plans." In the case of the CCSs, state

control is exerted through the buying and selling of products and receipt of services through state institutions.

Descriptions of cooperatives in the Cuban legal framework

Cuban laws¹⁵ use the term “cooperative” without taking into account the essence and general characteristics of the cooperative phenomenon, and they fail to reflect the socialist nature of cooperative practice. References made to cooperatives merely describe the characteristics of each type.

The first postrevolutionary legislation to mention the word “cooperatives” was the 1959 Agrarian Reform Law.¹⁶ In 1975, the Resolution on the Agrarian Question passed by the First Congress of the Communist Party of Cuba stated, “The cooperative is a form of collective property, an unquestionable step forward as a form of property compared to the small individual parcel.”¹⁷

Subsequently, article 20 of the 1976 Constitution recognized the right of rural associations, but it addressed only the property form of the agricultural production cooperatives. While its wording could have been better, it was crystal clear about two things. First and most importantly, it granted general recognition of the right to rural association for the creation of cooperatives for agricultural production or for obtaining state loans and services; this is the legal source of the CPA and CCS. Secondly, in specifically recognizing the ownership of agricultural production cooperatives, including their rights, limitations, and state support, it constitutionally recognized a particular property form: that of cooperative property.¹⁸

The rights and duties of cooperatives in Cuba were expressed in Law No. 36/82, the Law on Agricultural Cooperatives, which was the first national legislation to create a specific legal framework. That law explicitly differentiates CPAs from CCSs, based on their descriptions. It says the CPA is “a voluntary association of small farmers who join efforts for collective agricultural production of a socialist nature, by uniting their lands and other means of production.”¹⁹ And the CCS is “a voluntary association of small farmers who maintain the ownership of their respective farms and other means of production, as well as that of the production they obtain.”²⁰

Law No. 95/02, which repeals Law No. 36/82, and which could have avoided this conceptual shortcoming for CPAs and CCSs, maintains the same dogmatic, differentiated description. It says that the CPA is an advanced and efficient form of socialist production,²¹ placing it on the level of socialist economic activity. At the same time, by stating that the

CCS is a voluntary association of small farmers,²² it only recognizes it at the basic, simple level of agrarian cooperation.

With respect to the UBPCs, they are not conceptualized in their constitutional (articles 15 and 17 of the Constitution) or legislative (Decree-law No. 142/93) sources. The Council of Ministers Executive Committee was charged with drawing up UBPC rules, but it declined to do so, and, by agreement, it delegated regulatory powers to the ministries of Agriculture and the Sugar Industry.

Therefore, in resolutions No. 354/93 of the Sugar Ministry (subsequently repealed by No. 688/97, which was then repealed by No. 629/04) and No. 160/93 of the Ministry of the Sugar Industry (repealed by No. 525/03), the UBPC was described as “an economic and social organization formed by workers with autonomous management, which receives its lands with usufruct rights for an indefinite period and which has its own juridical personality.” Subsequent regulations issued by both ministries revolve around those statements, which are limited to expressing the concrete activities of the UBPC.²³

Considering the nature, content, and purpose of Cuba’s agricultural cooperatives, established by the legal framework analyzed above, in order to arrive at a general concept, a feasible definition of this type of cooperative would be as follows: an enterprise constituting a patrimony with distinct juridical personality, which has voluntary membership by workers or those who have ownership or usufruct rights over land and other agricultural assets, and which has the purpose of carrying out agricultural activities or mediating in the buying and selling of agricultural products and in providing services to its members.

Internal legal relations

While the expression “internal legal relations” is used to refer, in legal doctrine, to the relations among members or between members and society as a whole, this chapter uses the expression to refer to these relations beginning at the constitutional stage of the association. The purpose is not to isolate methodological discourse from the logic and characteristics of the cooperative as an actor, including its formation, members, “social” or governing bodies, economic regime, and conflict resolution procedures.

Constitution

According to the existing legal framework,²⁴ agricultural cooperatives in Cuba are legal entities and therefore have juridical personality, making

them apt to exercise, in economic and social life, their capacity – both in law and in practice²⁵ – via the undertaking and management of agricultural productive activity or mediation in the buying and selling of products and services, according to what the state has assigned them and the social activities in which they participate.

The system for creating cooperatives, giving them legal status, uses the mode of limited authorization.²⁶ It is limited because entities that are constituted this way are subordinated, both in the process of their constitution and in their existence, to state administrative power. Thus, their juridical personality is based on an administrative act of authorization, and they are registered with the administrative office of the National Office of Statistics solely for the purpose of exercising their management.

In consequence, the accompanying legal capacities of these cooperatives from their very founding are determined by and subjected to the power of the administrative authority that created them, and the implementing authority that supervises them. The administrative authority for a Cuban agricultural cooperative is the Agriculture Ministry state enterprise that oversees it, and in the case of sugarcane-related cooperatives, it would be a Ministry of the Sugar Industry enterprise. However, in the case of CPAs and CCSs, the ANAP clearly has an administrative role as well.²⁷

Accordingly, a CPA or CCS is created when the desire to do so is expressed by a group of small farmers whose interests coincide – or are induced – with those of the ministries of Agriculture (MINAG) or Sugar Industry (MINAZ) and ANAP. For UBPCs, this desire is generated in the MINAZ or MINAG state administration. This administrative decision is presented to the workers in a general assembly, which – promoted by the corresponding administrative authority – is convened by the corresponding trade union organization, and in which workers agree or not to join. Thus, the creation of a UBPC stems from an administrative legal decision.

As a result, the legal capacity of a Cuban agricultural cooperative is determined by an administrative power from its constitution.

Once the interest in constituting a cooperative has been declared, the process of doing so generally follows these steps:

1. A documented request to authorize the cooperative's constitution, submitted to the corresponding administrative authority, through the ANAP for CPAs and CCSs, or the state enterprise administration for UBPCs.

2. Viability analysis by the administrative authority.
3. Predetermination of economic purpose or "social objective" (main line of production and activities) by the administrative authority.
4. Patrimonial composition qualified by the administrative authority.
5. Convening of a constituent assembly, promoted externally by the ANAP for CPAs and CCSs and by the trade union for the UBPCs.
6. Authorization for creation and recognition of status by action of the administrative authority, in the form of a resolution of approval. The MINAG holds the power to create CPAs and CCSs; in the case of UBPCs, it is the provincial MINAZ or MINAG delegate who holds that power.
7. Administrative registration in the National Office of Statistics, based on a resolution of the administrative authority.²⁸

Members²⁹

The current cooperative legal framework³⁰ refers to individuals who may join cooperatives as *members or partners (socios)*. For CPAs, these include farmers who contribute land and agricultural assets, their relatives, and any other noncontributing farmers and workers.³¹ Those who may join CCSs are farmers who own or have usufruct rights to land and/or other agricultural assets and their relatives, as well as individuals who do not possess land. All of them are referred to as *cooperativists (cooperativistas)*.

In contrast, UBPCs may be joined by workers, technicians, and other local agricultural wage-workers, as well as their relatives and other workers. Those who join UBPCs are referred to as *workers*.

This distinction among different potential members is formal. Generally speaking, any individual may join any type of cooperative as long as he or she is legally able to enter into an employment contract³² and physically able to do the work, does not have other employment obligations, expresses his or her desire to join the cooperative, complies with the cooperative's laws and rules, and is approved by the corresponding membership assembly.

Cuban cooperative applicants are not asked to contribute to the patrimony of the cooperative as a condition for membership. However, it is worth noting that for CPAs, those who own land and other agricultural assets and are interested in joining a cooperative are required to transfer those assets to the cooperative's patrimony. That transfer, which is called a "contribution" (*aportación*³³), is an objective operation of buying and selling, either via the payment of the total amount of goods or via deferred payments.

Once applicants have been accepted as members, they exercise their rights and meet their obligations as established.

As a result of their work, members receive corresponding remuneration. For CPA and UBPC members, given that they contribute their labor power, economic remuneration is twofold: *basic* remuneration, known as *advances*, and *participatory* remuneration, which comes from the distribution of part of the cooperative's economic surplus.³⁴ Cooperativists who belong to a CCS and who are "full members of agricultural operations" but do not contribute their labor power receive *economic benefits*, in the amount of their sales to the state distribution enterprises.

Violations of cooperative or labor discipline give rise to disciplinary responsibility, which is applied directly by the board of directors or the general assembly, in the case of CPAs and CCSs, and by the administrator, administrative board, or general assembly in the case of UBPCs. Applicable measures are contained in the general (external, i.e., applicable to all) and internal rules of CPAs and CCSs, and in the case of UBPCs, in common labor legislation. The case of "definitive separation," or dismissal, is an exception: only the general assembly has the power to make that decision. Whatever measure is imposed by the board of directors, administrative board, or administrator, it may be appealed to the general assembly for a final decision, which is not open to administrative or judicial appeal.

Cooperative members are also subject to material responsibility if their actions cause noncriminal damage, other negative effects, or losses to the assets or resources owned or held in usufruct by the cooperative. This material responsibility consists of restitution of the asset or compensation for the economic damage. Compliance is enforced by the corresponding administrative board or board of directors, and can be appealed to the general assembly, whose decision is not open to administrative or judicial appeal.

Procedures for enforcing disciplinary and material responsibility are established in the corresponding internal rules.

Governing bodies³⁵

As a material element of the cooperative as a legal entity, its governing bodies or social organs (*órganos sociales*) establish the structure of the operational distribution of its activities with decisions called *agreements*, which are expressions of collective will with the mission of administering and carrying out management and representation as well as overseeing the cooperative's actions. All of this is aimed at fulfilling the cooperative's social and economic purposes.

Governing bodies should be designed so that each body's mission and responsibility is rationally distributed, ensuring the operation of all of them. However, this is not clearly defined in the bylaws of Cuba's cooperatives.

Cuban cooperatives are structured with a general assembly that is mandatory and nonstanding, described in the bylaws as the cooperative's highest leadership body, comprising all of its members. In CPAs and CCSs, the cooperative's board of directors and president (executive director) are elected for a period of two-and-a-half years. In UBPC assemblies, the administrative board and administrator are elected for a period of five years. In each case, respectively, the elected president or administrator also heads the board of directors or administrative board.

The assembly does not have any managerial, administrative, or executive powers or functions. Its power is limited to the cooperative's internal matters, organization, and operation. Its activities are regulated by law and by general and internal rules.

The effective managerial body, and, consequently, executive and administrative body, is the board of directors (in CPAs and CCSs) or administrative board (in UBPCs), comprising its president or administrator, respectively, and other members. The board complies with and enforces the law, rules, dictates (agreements or mandates) of the general assembly, and the applicable economic and social legal and regulatory requirements for cooperatives. It has powers and responsibilities for the organization, implementation and control of planning, economic, financial, production, and service-related processes and external relations. Compliance with the decisions issued within its powers is mandatory and can be overturned only by the board itself or by the general assembly. The board usually exercises its functions in a joint manner.

In CPAs and CCSs, in addition to creating a board of directors, the general assembly may create, on the request of the board of directors, an administrative council, or it may designate an administrator who answers to the board. The administrative council or administrator oversees tasks related to production, administration, and economy, according to the decisions of the general assembly and the board, which supervises his or her work.

The cooperative's president (in CPAs and CCSs) or administrator (in UBPCs) has an important role, given that he or she is its legal representative. He or she possesses the corporate signature or seal, and therefore his or her actions are binding. The president or administrator is subordinated to and reports to the general assembly, and is obliged to

organize, direct, and administer the cooperative's operations, assisted by other members of the board of directors or administrative council.

The duties of cooperative president or administrator entail two legal aspects: one is directing the cooperative's operations through administrative activities and implementation; the other is in relation to third parties, reconciling the cooperative's interests and the administrative mandate of the state administrative authority, as well as relations with other local state, economic, social, and political subjects. The president or administrator represents the cooperative in dealing with all of these parties, and his or her acts are binding. The CPA and CCS legal framework allows them to create commissions for controlling and supervising enforcement of legal requirements and for the use of financial and material resources. However, no such commissions are stipulated for UBPCs.

Economic regime

The current cooperative legal framework³⁶ stipulates that the economic regime of Cuba's cooperatives is made up of five elements:

1. A characterization of asset tenure.
2. Formation and deposit of funds.
3. Remuneration for labor.
4. Housing.
5. Changes in the structure or composition of the cooperative.

1. Characterization of asset tenure

Cooperative asset tenure has two forms: ownership and usufruct rights. In CPAs and UBPCs, those assets are allocated for agricultural production, and in CCSs, for mediating in the sale of agricultural products and in the provision of services to members.

While the cooperative economy is determined by limitations similar to those of patrimony holders like state enterprises, only assets that are legally owned (not held under usufruct) are part of the cooperative's patrimony.³⁷ Therefore, the cooperative's patrimony excludes assets held in usufruct, such as land given in usufruct by the state, although the products of those assets *are* part of cooperative patrimony.

Therefore, the assets that comprise a cooperative's patrimony include land, agricultural assets,³⁸ and other assets, all of them under collective ownership rights. This includes buildings – used for production or social purposes, and housing – machinery, agricultural tools and implements, transportation, and recreational resources that are acquired, built, or

received; animals; cultivated fields; agricultural, forestry, and other products; and the products of assets held in usufruct.

All of a cooperative's assets, whether or not they are part of its patrimony, are administered by the cooperative for their rational use in the conditions and for the purpose conferred in its title.

2. Formation and deposit of funds

The cooperative annually celebrates the closing of the fiscal year and draws up financial statements on its economic results after the deduction of its contracted obligations with the bank, taxes (except for the *business profits tax*), and other expenses. Results or revenue may be favorable or unfavorable – that is, it may show surpluses or losses.

In the case of favorable results, the surplus of the process is increased by secondary income and reduced by secondary expenses, including bank services and interest. This operation makes it possible to learn what the net surplus is for the corresponding period.

The amount of net surplus earned during a given fiscal year determines the percentage to be allocated to the contingency reserve fund, and the business tax on profits is calculated.³⁹ This makes it possible to know what the net surplus is after taxes on earnings have been paid – that is, the *net surplus after taxes*. Based on this accounting figure, CPAs and UBPCs distribute the economic results; in principle, half goes to cooperative members and the other half goes to funds for operations, sociocultural activities, and any other use previously approved by the general assembly.

If the cooperative is prosperous – if it has obtained a surplus, made its obligatory payments, and established reserve funds – then the funds to be distributed to members are increased from 50 percent to 70 percent of net surplus after taxes. Part of the increase is allocated as an incentive for members' work and permanence.

On the other hand, if the cooperative has negative results (losses), it must use its established contingency funds, bank loans, or other forms of financing. State aid for the economic recovery of cooperatives is provided on an exceptional basis, and entails restrictions, controls, and conditions for ensuring efficient cooperative management.

3. Remuneration for work

The remuneration a cooperativist receives for his or her work, or cooperativized activity, is directly tied to what type of cooperative he or she belongs to: a CPA, CCS, or UBPC.

In CPAs and UBPCs, which may qualify as workers', or production, cooperatives, the cooperativist's obligation consists of contributing his

or her labor power. Therefore, the cooperativist may receive two types of remuneration: basic and participatory. Basic monetary remuneration is the advances (*anticipos*), which is periodical, usually monthly, to defray everyday living costs. The amount depends on the results of the cooperativist's performance, or labor contribution, and is proportional to the complexity, quantity, and quality of the work performed.

Participatory remuneration, which is defined as the *cooperative annual return* (*retorno cooperativo*), is distributed annually, and is based on the positive economic results attained by the cooperative as a whole after deducing all obligatory payments, including the business tax on profits. This remuneration is allocated to each member according to the fulfillment of his or her work obligations throughout the year – that is, it is remuneration for the cooperative members' annual results in contributing labor or services.

In the case of CCSs, the cooperativist does not contribute labor power; instead, he or she fulfills contracted production obligations, as the titleholder – under ownership rights or usufruct tenure – of land or other agricultural assets used to obtain products that are subsequently sold by the CCS to the state's collection, or procurement, entities. These distribution contracts provide for the quantity, quality, and delivery period of products that the cooperativist is obliged to make available, either to the cooperative for its mediation with the state distribution enterprise, or directly to the state distribution enterprise. It is from these sales that a CCS member receives his or her *economic benefits*, consisting of the amount contracted and paid by the state distribution enterprise.

The CCS also has a collective fund, which operates with obtained revenue and any other contributions agreed upon by the members.⁴⁰ This fund is used to finance ANAP contributions, pay for social activities or construction, incentivize outstanding members, and provide financial aid to cooperativists.

4. Housing

According to the General Housing Law, No. 65/88, and National Housing Institute regulations, either on their own or together with those of the ministries of Agriculture and/or the Sugar Industry, a special regime exists for rural housing located in the areas of small farmers or cooperatives, either as cooperatives' property – known as housing assets (*medios básicos*) or associated housing (*vinculadas*) – or as the property of cooperativists.

This regime establishes the powers and obligations of cooperatives, the National Housing Institute, and the ministries of Agriculture and

the Sugar Industry, as well as the rights, limitations, and procedures applicable to the titleholders of this housing, either as owners, occupants (housing assets), or usufruct users (associated housing). It also regulates matters related to housing construction and specific questions such as the allocation of housing attached to cooperatives that are dissolved.

5. *Changes in the structure or composition of the cooperative*

During the life of a cooperative, contingencies may occur, such as mergers, divisions, separation, and dissolution. Transformation is another possibility, even if it is not covered in the cooperative's bylaws.

Merger is a process by which two or more cooperatives merge to form a larger cooperative without liquidating any of the previously existing ones. *Division* is when a cooperative is divided into two or more, with or without the dissolution of the previously existing one. *Separation* occurs when part of a cooperative becomes part of another, without liquidation or dissolution. *Dissolution* is when the cooperative ceases to exist. The *transformation* of a cooperative is when it becomes another economic actor, which may or may not be a cooperative.

The grounds for fusion, division, separation, transformation, and dissolution may be common or extraordinary: common when at the cooperative's request, and extraordinary when resulting from the decision of a state authority or at the request of a social organization.

It is worth noting what the extraordinary grounds are for dissolution. Diverse legal determinants may be involved: public utility or social interest; negative effects on areas; administrative, labor, or criminal violations; other activities that are illegal, unauthorized, or excluded from the cooperative's official purpose; and so-called economic bankruptcy. Here it is important to note a lack of clarity in regulations associated with causation. However, this clarity is urgently needed, so that there is no question about the application of dissolution in the case of economic acts that are concrete, measurable, and economically and socially quantifiable.

With respect to economic bankruptcy, it is standard for it to be considered as inapplicable given the current state of binding regulations and the national legal system; therefore, that legal concept requires intra- and extra-cooperative elements that are not stipulated by Cuban law. One of the *intracooperative* elements is the absence of a preexisting formal declaration, in a public document, of the social capital amount – fixed or variable, according to what is stipulated – as a criterion for objective measurement to define the economic condition

of a lack of solvency and asset illiquidity. *Extra-cooperative* elements include failing to declare the applicability of this aspect of the Commerce Code, and the noninclusion of cooperatives among applicable subjects,⁴¹ and the absence of a preexisting procedural regime for legal bankruptcy.

Once dissolution is official, the process of liquidation begins as usual. All acts that signify changes in structure are brought into effect via a resolution issued by the corresponding administrative authority (MINAG or MINAZ).⁴² All changes in the structure of cooperatives have formal and material repercussions. Among the first, they may or may not maintain juridical personality and, consequently, due registration. The extent and degree of material repercussions depend on claims made by workers and other political, social, and economic actors.

Conflict resolution

The current cooperative legal framework recognizes that conflicts related to interests, discipline, or patrimony may arise in Cuban cooperatives, as they do in any human group, including both internal and external conflicts.⁴³

Internal conflicts may occur between the cooperative and its members, or between the cooperative and its hired wage workers. In both cases, in CPAs and CCSs, these are related to questions of discipline, material responsibility, and extended rights.⁴⁴

External conflicts basically derive from contractual relationships between the cooperative and other enterprises, and they have administrative and legal solutions.

Disciplinary conflicts arise from the cooperativist's failure to fulfill his or her obligations as a member-worker in CPAs and UBPCs, or as a member-farm owner in CCSs. The grounds for such conflicts are registered in the corresponding general and internal rules, and the applicable disciplinary measures are included in the same rules or in general law, as appropriate.

Measures are implemented by the general assembly, board of directors, or administrative council, president, or administrator, according to the specific case. Only intracooperative appeals may apply – that is, the dissenting cooperativist may turn to the general assembly, which is the only body authorized to annul, modify, or uphold the measure imposed, and whose decision is final.

Because the general assembly has the power to approve the admission of cooperative members, it also has the power to decide whether or not to apply the disciplinary measure of expulsion. The general assembly

also may decide on the readmission of a former cooperativist who was expelled for disciplinary reasons.

The same implementation and appeal procedures apply to conduct involving cooperativists' material responsibility in any detrimental act or omission, or the loss of cooperative assets.

It should be noted that the cooperative legal framework is incongruous regarding conflicts stemming from a cooperativist's claim to extended rights. For CPAs and CCSs, this claim is admitted and may be presented to the general assembly without any external appeal, but basic UBPC rules state nothing in that respect. Given that legal omission and the lack of any pronouncement to the contrary, nothing prevents UBPC cooperativists from resorting to common labor law.

Conflicts related to discipline and extended rights that arise between a cooperative and its salaried workers, or among those workers, are resolved first by intracooperative means. In the case of an appeal, such conflicts are taken through legal channels. Situations involving the material responsibility of salaried workers, just as with cooperativists, are solved solely through intracooperative channels.

External legal relationships

The current cooperative legal framework⁴⁵ has regulations for relationships between cooperatives and the state, People's Power bodies (representative government bodies), other enterprises, and political, social, and mass organizations.

Internationally, state-cooperative relations have a twofold purpose: to promote and to foster. The first is aimed at facilitating conditions for the existence of cooperatives, with an effective exercise of the right to association and the establishment of collaborative relations. The second is aimed at providing them with differentiated legal treatment.

In the Cuban cooperative environment, state-cooperative relations are part of the general system of a centralized economy, which has economic and social effects. Economically, these effects derive from three circumstances. First, the cooperative sector is part of the national economic structure and therefore is subject to the ups and downs – beneficial or harmful – of planning, much like the case of a state enterprise.

A second relevant circumstance is that a cooperative carries out its production or service activities with the mediation of a state enterprise, which in its turn is a personification of the state as the "implementing

authority" (MINAG or MINAZ). The state enterprise's dual nature (economic entity/implementing authority) makes it difficult to clarify the nature of these economic/administrative relations, which, in turn, has consequences that are theoretical but above all practical, resulting in the cooperative being genuinely subordinated to or administratively dependent on the state enterprise.

Finally, cooperatives are categorized as primary entities and are not provided with an intercooperative structure for economic and social integration, which would make it easier for them to be part of actions involving collective representation. For this reason, Cuban cooperatives act as individual subjects in relation to other entities.

From a social standpoint, cooperatives, their members, and their members' families benefit from actions for the general welfare of the Cuban population – in health, education, cultural infrastructure, sports, and many others – carried out by the Cuban socialist state. Therefore, cooperatives enjoy the same prerogatives and benefits as the country's institutions and citizens as a whole.

Relations with the state and with local people's power authorities

Cooperative-state relations occur on three levels:

1. *Central*: via state bodies and agencies such as the ministries of Agriculture and of the Sugar Industry – upon which they depend – of Economy and Planning, Finance and Prices, and Justice, as well as the National Tax Administration, the National Housing Institute, and other agencies and institutions with powers for providing guidance, carrying out inspections, and supervising cooperatives.
2. *Provincial*: via local People's Power bodies and their different departments, and provincial and local structures of central state administration offices and agencies.
3. *Local*: via a state enterprise or entity by virtue of its powers as an implementing authority. These powers include the administrative exercise of state inspection and control over the management of cooperatives, to ensure compliance with central planning and state contracts; the exceptional granting of financial aid; the handing over of lands with usufruct rights; the allocation of resources; and the promotion of social activities; etcetera.

These relationships, at their different levels, are aimed at contributing to compliance with state plans for economic and social development at the community, local, provincial, and national levels.

Business relations

As mentioned earlier, business relations are complex for cooperatives because of the dual functions of economic actor and implementing authority carried out by state agricultural enterprises, as well as the lack of a theoretical/practical definition of what type of state and administrative control cooperatives may exercise. It is important to note that the same occurs with local People's Power representative bodies.

Interbusiness relations between cooperatives and state agricultural enterprises are basically contractual. That prescription – in law – would suggest that these relations are on an equal legal footing. However, because state enterprises are subject – also by law – to the decisions of their highest authorities, these decisions directly affect contractual relations between these enterprises and the cooperative.

In any case, cooperatives establish contractual relations for carrying out economic activity covered by their “social objective” with a variety of subjects, including the following:

- State enterprises in the agriculture sector – the enterprises of the ministries of Agriculture and the Sugar Industry – using different types of contracts for buying and selling agricultural products; acquiring inputs, seeds, and other production resources; receiving technical services for plant protection, animals, soil, agrochemicals, and forestry; and machine services and repair.
- Enterprises and entities subordinated to municipal administrative councils (executive branches of municipal governments) that acquire agricultural products for social consumption.
- Insurance enterprises, for insuring assets, harvests, and animals.
- Banking institutions, for opening and operating bank accounts, obtaining loans, and conducting other banking and financial transactions.
- Agricultural (farmers') markets for selling authorized products, after fulfilling contractual obligations and state quotas (committed sales to state distribution entities).
- Other actors in the state sector or the emerging economy, for acquiring authorized and planned goods or services or others.
- Self-employed, or private, workers, in accordance with the law.

Relations with political, social, and mass organizations

The nature of relations between cooperatives and political, social, and mass organizations is inherent to the political, economic, and social principles that inform the state and the role of these organizations in

Cuban society.⁴⁶ These relations serve to influence compliance with the economic and social purposes of cooperatives and, at the same time, to contribute to the achievement of the state's political and social goals.

These relations are established, in the first place, by the possibilities that Cuban society provides for all citizens to have access to political membership, either in the Communist Party (*Partido Comunista de Cuba*) or in the Union of Young Communists (*Unión de Jóvenes Comunistas*), and to membership in social and mass organizations, such as the Committees for the Defense of the Revolution (*Comités para la Defensa de la Revolución*), the Federation of Cuban Women (*Federación Mujeres Cubanas*), and the Association of Combatants of the Revolution (*Asociación de Combatientes de la Revolución*), etcetera. Cooperative members also may join the ANAP and agricultural and sugar workers' trade unions.

These relations are meaningful because they contribute to cooperativists' political and social participation in the cultural enrichment of the rural population and in the defense of the nation's principles.

By way of conclusion: a cooperative perspective within and for socialism in Cuba

The difficulties involved in the legal framework of Cuban cooperatives analyzed in this chapter have been observed in other countries as well. International cooperativism has dared to penetrate the exclusive economic and social universe of exploitative capitalism, seeking, in circumstances adverse to its socialist nature,⁴⁷ to humanize the relationship between people and labor. Nevertheless, more than seven hundred million people are involved in cooperatives, in one way or another, and governments have found it necessary to regulate them.⁴⁸

In socialist countries, because views of cooperativism from the classics of Marxism-Leninism were altered, cooperatives were modeled as an intermediate, transitional stage between individual and state property, and they have been subject to the centralized mandate of the state.⁴⁹

In Cuba today, while agricultural cooperatives have their own regulations, it is indisputable that they have not tended to be viewed in economic policy as private, or nonstate, socialist associations of individuals. That is why cooperativism has not been promoted and has been limited to the agricultural sector. Moreover, Cuban agricultural cooperatives have been absorbed by the patrimonial administrative model, which has limited their potential.

The internal and external socioeconomic situation, anticipated transformations, and prospects for modifying the Cuban economic model may make it possible to place cooperativism in its rightful place in Cuba. This chapter is an attempt to contribute to ensuring that cooperatives occupy that place in the future of Cuba socialism.

Now, cooperativism as part of and for Cuban socialism is not the same as traditional international cooperativism, nor the current version of agricultural cooperativism that exists in Cuba. Cooperativism in our socialist project will take principles, values, relationships, and forms and instruments, etcetera, from both of those models, but it will have its own principles, categories, and concepts.

This form of cooperativism will exclude the exploitation of human beings by other human beings and by institutions, and will be part of a system based, both legally and sociopolitically, on principles that include the following.

First, the existence of cooperatives will not question the existence of the socialist property belonging to all the people (state property); but cooperatives will employ the means of production in diverse economic sectors, under legal concepts and entities that allow transferring those means of production to them, with full legal assurance of their independence, autonomy, and accompanying responsibility.

Second, cooperatives will be based on the right to cooperative association, at a constitutional level and with legislative development.

Third, cooperatives will be constituted and entered into the constituting public registries as associations of individuals or entities, without being subject to other powers – not even that of the state – and, as such, they will respond to their members and society for their actions.

Fourth, members will receive their remuneration – advances and cooperative returns – according to their cooperativized work (not according to what they have contributed to the cooperative's capital or patrimony).

Fifth, cooperatives will be designed for the economic and social benefit of their members, their local communities, and their country.

Sixth, they will be able to create their own organizations for social and business objectives.

Seventh, they will expand their actions by developing intercooperation, either contractually or socially.

Eighth, they will establish economic relations with other types of economic actors (state and foreign joint ventures, private businesses, the self-employed).

Ninth, they will carry out a process of cooperative education, both prior to their creation and ongoing, that includes social, economic, and environmental issues.

Tenth, and very importantly, they will maintain close relations of collaboration – not of subordination – with the state for carrying out socioeconomic activities that benefit local communities and society in general.

Therefore, the existence of this type of cooperative institution in our socialist project requires, as an exogenous aspect, nurturing and promotion by the state,⁵⁰ beginning with appropriate cooperative legislation for the creation, organization, operation, and management of cooperatives.⁵¹ This cooperative legislation should be designed with the elements required for it to be workable and should clearly specify the significance, content, scope, and application of irrevocable state control.⁵² In their endogenous aspect, it should be required that Cuban cooperatives' performance be the responsibility of the members and the cooperative.

That would be the fulfillment of Lenin's idea about socialism being an association of cultured cooperativists.⁵³

Notes

This is a corrected and expanded version of an article that was published by the *Edición Electrónica Colección Jurídica* 7.37 (2006), of the Cuban National Union of Jurists as "Notas características del ambiente legal cooperativo en Cuba," and as "El fenómeno cooperativo en Cuba" in [chapter 8](#) of the book *Temas de derecho agrario*, Ed. Félix Varela: Havana, 2007.

1. See, among others, *Constitución de la URSS*, Moscow: Progress Publishers, 1977; Boris Topornin, *Nueva Constitución de la URSS*, Moscow: Progress Publishers, 1980, pp. 100, 101; Ramón Sánchez Noda, "Retransición vs transición al socialismo," in *El derrumbe del modelo eurosoviético*, Havana: Ed. Félix Varela, 1994, p. 171; and Avelino Fernández Peiso, *El fenómeno cooperativo y el modelo jurídico nacional. Propuesta para la nueva base jurídica del cooperativismo en Cuba* (PhD diss., University of Cienfuegos, 2005).
2. Translator's note: here we have translated the legal term "patrimonio" in Spanish to "patrimony." It is equivalent to "property" or "state."
3. For more on the term "cooperative environment," see *Temas de derecho agrario*, p. 320.
4. Peiso, *El fenómeno cooperativo*, pp. 33–4.
5. Ignacio Ramonet, *Cien horas con Fidel*, Havana: Oficina de Publicaciones del Consejo de Estado, 2006.
6. According to A. Núñez Jiménez, *La Liberación de las Islas*, Ed. Lex.: La Habana, 1959, that year, there were 485 production cooperatives and 440 consumer cooperatives, known as People's Stores, or "*Tiendas del Pueblo*."

7. Federation of Cuban Women (*Federación de Mujeres Cubanas*, FMC).
8. It is generally accepted that the "administrative authority" is that to which the economic subject in question is subordinated. On the other hand, the "implementing authority" refers to the public administration subject charged with the implementation of the corresponding regulations that applies to the economic subject in question. In the case of Cuban cooperatives, both administrative and implementing authority is held by the government ministry to which a cooperative is subordinated, either the MINAG or MINAZ depending on the cooperative's agricultural activity. Both ministries delegate the two types of authority except, for the creation of new cooperatives, to state enterprises that are subordinated to them and that deal directly with the cooperatives.
9. The CCS is described as a secondary intermediary because the cooperative is not the direct agent in commercializing products or providing services; instead, it is limited to intervening between small farmers and the state entities that carry out economic activities, such as the entity that collects or procures agricultural products for distribution (*Acopio*), suppliers and agricultural service providers, and banking, credit, and insurance institutions. Sometimes this secondary intervention is diminished when state entities enter into direct contracts with cooperativists.
10. Laws that incidentally cover cooperatives include a large group of special, common, and supplementary laws – applicable to cooperatives or their members – of diverse categories and purposes that refer to civil, social security, labor, tax, financial, environmental, credit, and contractual matters – including the distribution of agricultural products – as well as livestock regulations, forestry, vegetable and animal health, and the control of land, vehicles, and equipment, etcetera.
11. The term *anticipo* refers to the fact that this sum of money is paid in advance of the cooperative's possible profits for the economic cycle. This term has a different connotation than "cooperative association advance" (*anticipo societario cooperativo*). The latter term creates, for the member, the obligation of the member of returning to the cooperative, in later economic cycles, or within an agreed-upon time period for the case of leaving the cooperative, whatever amount was received without the individual or cooperative goals having been met. See, among others, Peiso, *El fenómeno cooperativo*, p. 114; Eva Alonso, "Los criterios de división entre ingresos cooperativos y extracooperativos en la Ley No. 20/90, de Régimen Fiscal de las Cooperativas," in *Anuario de Estudios Cooperativos 1998*, Bilbao: Ed. A. Mugarra, 1999, p. 151.
12. See Peiso, *El fenómeno cooperativo*.
13. Autonomy means a situation in which one part of the whole enjoys a certain amount of freedom to make decisions that do not affect the whole, and responds for them. Legally, it is the principle by which the subject may regulate his or her own interests, responding for his or her own acts. Autonomy is formal when an entity is declared autonomous, but its acts are governed or oriented by an external force.
14. See article 2, section 3 of Decree-law No. 142. *Sobre las Unidades Básicas de Producción Cooperativa*, Havana: Editorial MINAG, 1993, and articles 2 and 20 of Law No. 95. *De Cooperativas de Producción Agropecuaria y de Créditos y Servicios*, Havana: Ed. MINAG, 2002.

15. See articles 4 and 5 of Law 95/02, article 1 of the *Acuerdo del Comité Ejecutivo del Consejo de Ministros de la República de Cuba. Sobre las Unidades Básicas de Producción Cooperativas*, Havana: Editorial MINAG, September 11, 1993, and article 1 of *Resolution No. 525. Reglamento General de las Unidades Básicas de Producción Cooperativa del Ministerio del Azúcar*, Havana: Editorial MINAZ, 2003.
16. "De la Cooperación Agraria," *Ley de Reforma Agraria de la República de Cuba*, [chapter 5](#), articles 43 to 47, Havana: Instituto Nacional de Reforma Agraria, Havana, 1959.
17. Resolution on the Agrarian Question, First Congress of the Communist Party of Cuba, 1975.
18. See articles 145 to 149 of Law No. 59, *Código Civil de la República de Cuba*, Havana, 1989.
19. Law No. 36 on Agricultural Cooperatives, article 4, Havana, 1982.
20. *Ibid*, article 69.
21. Law No. 95/02, article 4: "The agricultural production cooperative is an economic entity that represents an advanced and efficient form of socialist production with its own patrimony and juridical personality, constituted by land and other assets contributed by small farmers, joined by other individuals to achieve sustainable agricultural production."
22. Law No. 95/02, article 5: "The credit and services cooperative is a voluntary association of small farmers who own or have usufruct rights to their respective lands and other means of production, as well as to the production they obtain. It is a form of agrarian cooperation through which technical, financial and material assistance provided by the State is processed and made viable for increasing the production of small farmers and facilitating their commercialization. It has juridical personality and is responsible for actions involving its patrimony."
23. Article 1 of *Resolución No. 629. Reglamento General de las Unidades Básicas de Producción Cooperativa del Ministerio de Agricultura*, Havana: Editorial MINAG, 2004; article 1 of *Resolución No. 525, Reglamento General de las Unidades Básicas de Producción Cooperativa del Ministerio del Azúcar*, Havana: Editorial MINAZ, 2003.
24. See articles 15, 17, and 20 of the Cuban Constitution, 11 to 15 of Law No. 95/02, 1 of Decree-law No. 142/93, 4 to 19 of Resolution No. 629/04 of the Agriculture Ministry, and 3 of Resolution No. 525/03 of the Ministry of the Sugar Industry. It is also prescribed in the special law (article 14, paragraph 3 of Law No. 95/02, and article 2 of Decree-law No. 42/93) and in common law by article 39.2, subsection a) of the Civil Code.
25. Bernardo Moreno Quesada, *Derecho civil patrimonial*, Granada: COMARES, 1995, pp. 72 and ss.
26. The system for constituting and authorizing associations has two modes. One is common authorization, which applies to associations regulated by Law No. 54/85, and the other is limited, which applies to cooperatives.
27. According to Law No. 95/02, the ANAP clearly acquires specific administrative functions in the constitution of a cooperative, given that it is the body that promotes and submits the application to the administrative authority; it plays a similar role in other matters related to the existence, management, and dissolution of CPAs and CCSs.

28. For CPAs and CCSs, it is with the State Registry of Nonstate Agricultural Units (*Registro Estatal de Unidades Agropecuarias No Estatales*, REEANE), and for UBPCs, it is the Registry of Basic Units of Cooperative Production (*Registro de Unidades Básicas de Producción Cooperativa*, REUCO).
29. "Members" is used as the official term, but a Cuban cooperative's members do not fully qualify for that category in a social and legal sense, given that certain formal and material requirements are not met by Cuba's cooperatives.
30. See articles 58 to 63 of Law No. 95/02, 62 to 75 of Agriculture Ministry Resolution No. 629/04, and articles 34 to 37, 38, and 43 to 49 of the Ministry of the Sugar Industry's Resolution No. 525/03.
31. The average number of so-called CPA land-contributing members is currently less than 10 percent.
32. The minimum legal age for CPA or CCS membership is 16, and for UBPCs, it is 17.
33. This contribution – which in other countries is one of the requirements for cooperative membership status and which may be in monetary or nonmonetary form – constitutes the cooperative's "social capital." The member continues to be the owner of his or her contribution, which may be reimbursed if the member leaves the cooperative or another contingency related to association; in the case of the cooperative, this return is called a cooperative refund (*reembolso cooperativo*). In Cuba, members who contribute assets (not all do) have the right to collect nonamortized payments for the value of those assets (article 33 of Law 95/02).
34. See articles 51 and 52 of Law No. 95/02.
35. See articles 24 to 30 of Law No. 95/02, and 26 to 36 of *Resolución No. 629. Reglamento General de las Unidades Básicas de Producción Cooperativa del Ministerio de Agricultura*, Havana: Editorial MINAG, 2004, and articles 11 to 25 of Resolution No. 525/03.
36. See articles 31 to 37, for CPA property; articles 38 to 40 for CCS property; articles 41 to 44 for the housing regime; articles 45 to 53 for the CPA economic regime, and articles 54 to 57 on the CCS economic regime, all of Law No. 95/02; articles 37 to 46 of Agriculture Ministry Resolution No. 629/04, and 26 to 33 of Ministry of the Sugar Industry Resolution No. 525/03.
37. The cooperative patrimony comprises the following: (1) assets acquired by purchase or other forms of acquisition and transfer; (2) accumulated financial funds and resources; (3) current assets; and (4) built property.
38. Article 2b) of *Decree-law No. 125. Régimen de Posesión, Propiedad y Herencia de la Tierra y Bienes Agropecuarios*, Havana, 1991.
39. Tax amounts may vary because cooperatives may receive discounts, penalties, or exceptions.
40. Article 54 and the following of Law No. 95/02.
41. A complex question of legal coherence as a result of civil code prescriptions for asset protection related to the seizure of cooperative assets.
42. As an administrative act, the power to close down a cooperative must fall to the same administrative authority that created it and, as an exception, to a higher authority in the same structure.
43. See articles 21 to 23 and 69 to 72 of Law No. 95/02, and 70 and 74 of Agriculture Ministry Resolution No. 629/04.

44. An extended right is the right of an individual to petition when he or she believes that he or she has certain qualities or attributes that make him or her worthy of his or her aspiration to something in relation to another person or the cooperative's administration. For example, in the workplace this may be the right to a job or a higher salary, etc.
45. See articles 16 to 23 of Law No. 95/02, and 11 to 17 of Agriculture Ministry Resolution No. 629/04.
46. See articles 5, 6, and 7 of the *Constitution of the Republic*, Havana: Editorial del Ministerio de Justicia, 1976, 1992, 1998, and *Constitución de la República de Cuba de 1940*, Havana: Minerva, 1947.
47. Robert Owen, in the early nineteenth century, viewed the term cooperation as a synonym for socialism. See Rosental and Ludin, *Diccionario filosófico*, Buenos Aires: Ed. Universo, 1981, p. 349.
48. Fernández Peiso, "Notas características del ambiente legal cooperativo en Cuba," *Colección Jurídica* 37 (2006).
49. Peiso, "El fenómeno cooperativo," pp. 25–8.
50. Which assumes the existence of an adequate and transparent legislative and educational environment of support and supervision.
51. Peiso, "El fenómeno cooperativo," [chapter 3](#).
52. State control would take place a priori using legal controls, and a posteriori via economic and financial control and supervision of the cooperative's compliance with its social purpose. Both types of state control will be accompanied by powers of qualification and disqualification and resources, without unproductive bureaucracy.
53. Vladimir I. Lenin, "Notes on Co-operation," in *Lenin's Collected Works*, 2nd English edn, Vol. 42, Moscow: Progress Publishers, 1971, p. 130.

Index

- 1886 Code of Commerce, 318, 333
- 1888 Civil Code, 318
- 1888 Law of Associations, 318
- 1940 Constitution, 279
- 1959 Revolution, 279, 281
- 21st century socialism, 46

- administrative authority, 320, 322, 325–6
- administrative-patrimonial, 317
- advance payments, 35, 36, 40
- Advisory Technical Committees, 132–3
- Agrarian Reform Law, 318, 323
- agrarian reform laws of 1959 and 1963, 279–80
- agricultural associations, 280
- Agricultural Production Cooperatives (CPA), *see* Cooperatives of Agricultural Production
- economic performance, 283
- alienation, 27, 55–6, 65, 74, 84, 93, 96, 97, 103, 146, 148–9, 155, 156, 158, 161
- another economy, 56, 57
- anthropogeny, 90–1, 92, 96
- antiglobalization, 237
- Aquiles Lanza Plan, 196
- Argentina's 2001 crisis, 236–7, 241, 246–7
- Arizmendiarieta, José María, 168–9, 171, 172, 187
- associated labor cooperatives, 29
- associated labor relations, 222, 225
- associated producers, 147, 149, 150, 159, 161
- associated work/labor relations, 43
- associations, 317–19
- Auto-Financing System (AFS), 120
- autonomous social relations, 56
- autonomy, 26, 36, 66, 67, 76

- Basic Units of Cooperative Production (UBPC), 284–5, 286–8, 290, 319–21, 323–4, 327
- attributes and duties, 304–6
- concept, 299–301
- current situation, 309–12
- differences with CPAs, 310–11
- legal status, 304
- management model, 312–14
- principles, 301–3
- significance, 298
- socioeconomic essence, 306–8
- Bolshevik Party, 94, 104, 108
- Borrego, Orlando, 130, 133
- Brazil, 144–6, 150
- Brazilian cooperatives, 218
- business, 218, 221
- false, 218, 221, 223
- genuine/authentic, 220, 221–2
- history, 217–20
- production/workers', 220, 222, 227, 228
- solidarity economy/solidarity-based, 217–18, 222–3, 225, 227, 228, 231
- Brazilian Forum of Solidarity Economy (FBES), 214
- Brazilian solidarity economy, 213–20
- actors, 213–15
- concept, 213
- enterprises, 213–14; *see also* solidarity enterprises
- history, 217–20
- origin and meaning, 215–17
- rationality, 213, 215, 224, 229–30
- Budgetary Finance System (BFS), 116, 128, 134, 138
- bureaucracy/bureaucratic, 118, 124, 128, 129, 134, 136, 144
- bureaucratization, 95, 98, 108
- business strike, 259, 260

- capitalist system, 200
- Castro, Fidel, 280
- Central Cooperative for Social Services of the state of Lara (CECOTESOLA), 26, 42
- centralization, 115, 302
- Chávez, Hugo, 26, 237, 259, 261, 262, 268
- collective management, 240, 243, 250
 - see also* self-management
- comanagement, 260, 266, 270
- Committees for Local Industries (CILOs), 134–5
- Committees for Spare Parts, 130
- commodity fetishism, 52
- communal councils, 259, 270, 271, 273
- communal economy, 260
- communal property, 92, 108
- commune, 91, 92, 93, 96
- communist prefiguration, 104–5
- community/local development, 28, 36, 38–9, 43, 171, 172, 173, 179, 182, 184
- confederations, 29
- consciousness, 116, 117, 119–20, 127, 135, 138–9
- Constitution of the Republic of Cuba, 321
 - 1940 Constitution, 318
 - 1976 Constitution, 319, 323, 324
- construct your own machine, 130
- cooperation, 26, 28, 37, 44, 49–52, 54, 63, 65, 67–8, 71, 90, 91, 92–3, 94, 100–1, 102, 103, 104, 105
- cooperative
 - definition, 27
 - differences with capitalist enterprises, 40–2
 - management model, 37, 40–1, 42, 44
 - origins, 30–1
 - principles, 33–9
 - potentials, 42–4
 - types, 28–9
 - values, 37
- cooperative environment, 317–18, 320, 322, 334
- cooperative members' social background, 202–3
- cooperative organization, 190, 193–4, 195, 200
- cooperative phenomenon, 318, 323
- cooperatives, 143, 145, 146–7, 149, 150–1, 159, 160–1
 - see also* cooperativism
- cooperatives' administrative/management council, 244–6
- cooperatives' general assembly, 244–6
- Cooperatives of Agricultural Production (CPA), 281–2, 286–7, 290, 296–8, 309–11, 319–21, 323–4
- cooperativism, 47–9, 51, 63, 64–5, 67–71, 82, 83, 86, 87, 90, 91, 92, 93–6, 98, 99–101
- critical/classist/socialist, 93, 99, 100, 107–8, 109
- neutral/interclass/reformist, 92, 94, 98, 99, 100
 - see also* self-management
- counter-hegemonic collective subjectivity, 55
- Credit and Services Cooperatives (CCS), 280, 282, 286–7, 288, 290, 296, 298–9, 319–21, 323–4
- Cuban 1959 Revolution, 317, 319
- Cuban agricultural model, 282, 290
- Cuban cooperatives
 - asset tenure, 329
 - business relations, 336–7
 - conflict resolution, 333–4
 - description, 323–4
 - economic regime, 329–30
 - external legal relations, 334–7
 - funds, 330
 - governing bodies, 327–9
 - internal legal relations, 324–6
 - juridical personality, 317, 319, 320–1, 325–6, 333
 - members, 326–7
 - operating tenets/postulates, 322–3
 - patrimony attributes, 320–1
 - principal operating tenets, 322
 - relations with state, 335–6
 - relations with local people's power authorities, 335–6
 - remuneration of work, 330–1
 - socialist nature, 323, 337, 338
 - structure, 332

- Cuban Workers Confederation (CTC), 307, 314
 cultural revolution, 92, 106–8
- decentralization/decentralize, 115, 126, 127, 131, 302
 Decree-law No. 142 of 1993, 320, 321, 322
 Decree No. 3107, 318
 democratic management, 26, 34, 37, 39, 40–1, 43
 democratic planning, 52, 53
 Direct Social Property Enterprise (EPSD), 270–1
 division of labor, 94
- economic bankruptcy, 332–3
 economistic, 127, 134
 education, 168–9, 170, 180, 184, 187
 education, cooperative, 26, 35, 37
 effectiveness, 27
 egalitarian utopias, 96–9
 elective affinity, 47
 emancipation, 63, 65, 73
 endogenous development, 260–1, 273
 Endogenous Development Zones (NUDES), 268
 Engels, Frederick, 48, 50, 63, 67, 72, 76–7, 80–1, 87, 90, 91, 92, 101, 108
 environmental sustainability, 183–4
 exploitation, 27, 43, 49–50, 54, 56
- factory occupations, 238, 241, 249
 factory visits, 132
 Fagor, 169, 173
 federations, 29
 First Agrarian Reform Law, 292, 293, 296
 First Congress of the Communist Party of Cuba, 296
 First Farmers Congress, 280
 forces of production/productive forces, 284, 289, 290–1
 Fourier, Charles, 31, 48, 63, 70
 funds, 172, 179–80
 Central Intercooperation Fund (FCI), 179–80
 Corporate Solidarity Fund (FSC), 179–80
 Inter-cooperative Education and Promotion Fund (FEPI), 179–80
 Inter-cooperative Solidarity Fund (FISO), 174–5, 179
 Mandatory Contribution for Cooperative Education and Promotion and other Public Interests (COFIP), 180
 Social Works Fund, 172–3
 see also intercooperation
- general assembly, 33, 34
 Good Living (*Sumak Kawsay* or *Buen Vivir*), 59, 98
 Guevara, Ernesto Ché, 54
- higher-tier cooperatives, 29, 36, 38
 housing cooperative movement, 190, 199, 206, 209
 Housing Law, 190, 191, 192, 200, 206
 human development, 42, 299, 302
 Hungarian Revolution, 144, 147
- implementing authority, 320, 325–6, 335–6
 integration, 29, 44
 Integrative Management Policy, 312
 intercooperation, 167–8, 171, 173, 175, 177–80
 inter-cooperation mechanisms, 177–9
 inter-cooperative articulation, 171
 inter-cooperative relations, 175
 inter-cooperative solidarity, 173
 inter-cooperative structure, 171–6
 see also funds
 International Co-operative Alliance (ICA), 25, 39
 internationalization, 186–7
 International Labour Organization (ILO), 101
 International Workingmen's Association (IWA), 71–2, 75
 International Year of Cooperatives, 26
- Kirchner, Néstor, 241
 Kolkhoz, 115–16, 120, 121–5, 138

- Labor Justice Committees, 127
- Labor Ministry, 241, 243
- labor process, 147, 150, 154, 158, 243, 247, 249, 252–3
- Lagun Aro, 170, 177, 178, 179
- Landless Rural Workers' Movement (MST), 218
- land nationalization, 293–4
- land possession, 285, 289
- land usufruct, 304, 305, 310
- Lassalle, Ferdinand, 76
- Latin America, 144
- Latin American integration, 46–7
- Law No. 36 of 1982, 320, 321, 323
- Law No. 95 of 2002, 321, 322, 323
- law of value, 54, 116–19
- legal capacity, 317, 325
- legal framework, 321–2
 - constitutional sources, 321
 - legislative sources, 321
 - regulatory sources, 321–2
- Lenin, Vladimir I., 63, 64, 81–5, 87, 90, 93, 95, 108, 121, 123
- loans, 192–3, 198–9, 202, 205, 206, 209
- local group, 172, 173–4, 175
 - see also *Ularco*
- local/social development, 254–5
- Lowy, Michael, 47, 52
- Lukács, Georg, 147

- Macri, Mauricio, 241
- management, 128, 131, 132
 - self-management, 131, 133, 135, 138
 - system of economic Management, 115, 120, 124
 - workers, 116, 127, 138
- management autonomy, 295, 299, 302–3, 305–6, 308, 309, 314
- Manual Para Administradores, de Fábricas*, 129
- marginalization, 27
- market socialism, 51
- Martínez Sánchez, Augusto, 133
- Marx, Karl, 48, 49, 50, 51, 52, 53, 55, 63, 66, 72–9, 80–1, 85–7, 90, 91, 92, 101, 108, 116–17, 119, 145, 146, 148, 149, 151, 152, 154, 157
- Mészáros, István, 145, 146, 147–8, 149–50, 153, 154, 155, 156, 157, 159, 161, 260
- MEVIR, 195–6
- Ministry of Agriculture (MINAG), 282, 300, 309, 325, 326, 333, 335
- Ministry of Communal Economy (MINEC), 260, 262, 270
- Ministry of Communes (MINEC), 260
- Ministry of Industries (MININD), 115, 116, 128–38
- Ministry of Justice, 313
- Ministry of Labour (MINTRAB), 133
- Ministry of Popular Economy (MINEP), 260, 262, 263
- Ministry of the Sugar Industry (MINAZ), 286, 300, 325, 326, 333, 335
- modern cooperatives, 68–9
- Mondragón, 167–71
 - Cooperative Congress, 174, 175, 176–7, 179
 - General Council, 174, 175, 176–7
 - Mondragón Cooperative Corporation, 172, 175–6
 - Mondragón Cooperative Group, 172
 - Mondragón Group, 167, 171, 176, 177
 - Permanent Commission, 176–7
- Mondragón Corporation, 26, 33, 39, 42, 71
 - see also Mondragón Group
- Movement of Inventors and Innovators, 131
- multi-stakeholder/participant cooperatives, 30, 36
- municipality enterprises, 293
- mutual aid, 191, 192, 193, 194–5, 196, 197, 200–1, 208

- National Association of Small Farmers (ANAP), 280, 296, 310, 319, 325–6, 331, 337
- National Council of Solidarity Economy (CNES), 214
- National Housing Department (DINAVI), 192, 199
- National Institute of Agrarian Reform (INRA), 294, 295

- National Institute of Associativism and Social Economy (INAES), 241, 242, 243, 245
- National League of Cooperatives, in Italy, 26
- National Office of Statistics (ONE), 39, 286
- National Secretariat of Solidarity Economy SENAES, 214
- National Superintendence of Venezuelan Cooperatives (SUNACOOB), 261, 262, 263, 264, 265, 268
- neoliberalism, 236–7
- occupation and recuperation of
factories (recovered factories), 55–6
- Open Faculty Program, University of Buenos Aires, 237, 245
- Owen, Robert, 31, 48, 63, 68–70, 101, 102
- ownership of the means of
production, 28, 144, 146, 148, 149–50, 156
- Paris Commune, 50–1, 76–7, 79, 91, 92, 93, 144, 146
- participation, 27, 34, 37, 42, 43, 44, 67, 78, 182, 185, 186, 298, 302
- participatory management, 103
- Partido Unido de la Revolución Socialista* (PURS), 127, 132
- People's Farms, 293
- People's Labor Bank (*Caja Laboral Popular*), 172–3, 175, 177, 178, 179, 180
- Permanent Production Brigades, 293
- planning, 91, 103, 105, 109, 110
- Polish Revolution, 144
- popular economy, 260
- Portuguese Revolution, 144
- pre-capitalist cooperatives, 63, 67–8
- principles of cooperativism, 25, 27, 32, 41, 42, 43, 44
- private property, 90–1, 93, 96, 99, 101, 105
- Production Assemblies, 133–4
- production relations, 296, 298, 299, 314
- productive forces, 147, 154–6
- property, 288, 289
realization of, 289, 290–1
state property, 282
public financing, 190, 193, 197–9, 202
- recovered factories, 151, 159
- rectification, 139
- relations of cooperation, 26, 28, 38
- relations of production/production relations, 284, 289, 290
- returns, 35
- Rochdale cooperative experiment, 50
- Rochdale Society of Equitable Pioneers, 31–3, 40
- Saint Simons, 31
- secondary intermediary, 310
- sectoral group, 175–6, 178
- self-building, 201, 207, 208
- self-exploitation, 250–1
- self-government, 63, 64, 87
- self-management, 28, 30, 51, 56–7, 63, 64–7, 73, 74, 77, 81–2, 84, 85–7, 92, 93, 96, 98–102, 103–5, 106, 108, 143–7, 151, 153–4, 160, 161, 171, 184, 193–4, 195–6, 201, 203–4, 207, 209, 212, 213, 215–16, 217, 218, 220, 222, 224, 235, 237–8, 239, 240, 244, 246–8, 251, 252, 254, 255, 298, 299
- definition, 65–7, 243
- generalized/social, 98, 103–5
- limited/restricted, 103, 105
- reformist, 102
- revolutionary, 93, 109
- see also* cooperativism; self-government
- Service and Credit Cooperatives (CCS), *see* Credit and Service Cooperatives (CCS)
- small and medium enterprises (SMEs), 42–3
- social division of labor, 229
- social economy, 242–3
- social emancipation, 46–7, 55
- social form of production, 228–9, 230
- social funds, 35, 38
- social innovation, 253–4

- socialism, 46, 48, 50, 56, 337, 338–9
 socialist bloc/countries, 117, 121, 122, 129, 139
 socialist character, 296
 socialist democracy, 90, 104, 107, 109
 socialist enterprises, 270, 272
 Socialist Workers' Councils (CST), 271
 social part, 197
 Social Production Enterprise (EPS), 269–70
 social property, 297, 308–9
 direct, 270, 271, 272, 273
 indirect, 270, 273
 Social Property Enterprise (EPS), 270, 273
 social relations of production, 43
 social responsibility/commitment, 38–9, 167, 182, 183, 184, 185–6
 social transformation, 170–1, 184
 socio-legal system, 320
 socio-technological adaptation, 253–4
 solidarity, 27, 28, 30, 38, 42, 43, 194, 201, 207, 209
 solidarity/social economy, 28, 30
 solidarity days, 201
 Solidarity Economy, 145–6, 149, 152, 160
 Sovkhoz, 121
 Special Plan of Integration, 136–8
 state control, 321, 322–3, 336, 339
 state enterprise/farm, 293, 295, 297, 298, 299, 306, 307, 308, 309
 state support, 198–9, 202, 204, 206
 subcontracting (*trabajo a façon*), 240–1
 subsidies, 198–9, 202, 203, 208, 209
 sugarcane cooperatives, 280–1, 294–5, 304, 308
 sugarcane group, 281
 sustainability, 193, 206

 Technical Assistance Institutes (IATs), 191, 193, 200, 204
 technical guidance, 193, 199–200, 201, 204, 209
 Trade Unions, 127, 128, 131, 132
 traditional cooperatives, 244–5, 255

 training, 191, 195, 200, 204, 209

 Ularco, 170, 171, 173
 Ulgor, 169–70, 173–4, 185
 Union of Soviet Socialist Republics (USSR), 64, 85
 Union of Young Communists (UJC), 132
 United Nations, 26
 Uruguayan Federation of Mutual Aid Housing Cooperatives (FUCVAM), 192, 193, 197, 198, 199–200, 202, 204, 205, 206, 208
 Uruguayan mutual aid housing cooperative system, 191–2, 197, 199, 203
 US, 127, 130, 139
 use and enjoyment
 contract, 197
 property/possession, 193, 196–7
 USSR, 115, 122, 123, 124, 125, 138
 Manual of Political Economy, 115, 116, 120–1
 utopian socialists, 31, 48

 Venezuelan Valve's Industry (INVEVAL), 267–8, 270, 271
 Villegas, Harry, 132
 Vuelvan Caras, 263, 264, 268

 wage-labor relationship, 35
 Washington Consensus, 236
 worker-recovered enterprises (WRE), 235, 237–41
 characteristics, 237–41
 definition, 235
 legal status, 238–9, 240, 242, 243, 244, 249–50
 management mechanisms, 243–8, 250, 251
 market insertion, 235, 240, 248–9, 251–2, 254, 255
 numbers, 237–8
 origins, 236–7, 246, 248
 problems, 239, 240, 243, 244, 248, 252, 253–4
 production, 252–4
 relationship with Argentine state, 241–3

- worker-recovered enterprises (WRE),
 - *continued*
 - solidarity, 248, 249–50, 251–2, 254, 255
- workers' control, 144, 150, 271, 273
- workers' cooperatives, 29
- workers' councils, 259, 260, 266, 268, 271, 272
- Workers Solidarity League (UST), 239
- workers'/production cooperatives, 238–9, 243, 244–5, 249