

## **Rethinking Economics Summer Academy 2021 Cooperative Economics Workshop**

### **What is Cooperative Economics?**

Cooperative economics, as the workshop's participants have come to understand along the intensive daily sessions, is a multidisciplinary approach to economics in which it's possible to witness a response to the mainstream economic thought. Mainstream economists view economic activity as an utilitarian-self regulating panacea. This way of thinking has made possible the existence of the market economy, which usually excludes social aspects that encompass economic activity. The market economy also implies that all interactions between actors are always competitive and impelled by self-interests, therefore non-cooperative. As a consequence, firms tend to compete among each other and exclude society from their activities, leading to treating their employees as mere cogs in the economic machine with only one specific objective in mind, ignoring (and even affecting) any other element in the market.

The dialectic reaction to ruling out societal aspects in the utilitarian-thinking economy is what Karl Polanyi would call in his book *The Great Transformation* "Double Movements". Social and workers movements towards the democratization and socialization of working spaces gaining traction in the past 20 or so years, despite the pressure of the market economy in the society/state, is a clear example of double movements. This phenomenon is also described by Kropotkin's book *Mutual Aid*, which describes how in oppressive environments humans are inclined to demonstrate a sense of solidarity towards each other regardless of state intervention or repression.

One way cooperative economics refutes the modern market economy is by rethinking it into a moral economy. Moral in the sense that the economy ought to be guided by a set of fundamental values, such as solidarity, mutual aid, democracy, empathy, and camaraderie among others. Moreover, cooperative economics attempts to be as inclusive as it can, from all stakeholders as opposed to shareholders, and with the support from various actors in society, it aims to be as impactful as it can be in raising socioeconomic welfare for all.

In praxis, cooperative economics can take the form of cooperatives among agents. In turn, cooperatives can assume various modes, e.g. worker, consumer, producer, service, social, and platform cooperatives. Cooperatives, regardless of their form or output, seek to embody the fundamental values of the moral economy. The Cooperative Economics workshop focused on the analysis and discussion of several study cases illustrating the creation, history, importance and impact of different types of cooperatives, specially -but not limited to- employees' cooperatives in the workplace across geographical regions and historical times.

To exemplify the core idea of employees' cooperatives and as an attempt to provide a better understanding of what such cooperatives are all about, below is a script for a role-play activity that anyone, regardless of their previous knowledge on economics, can fully participate and learn through immersing oneself with the case study. Such role-play activity has been adapted from Marcelo Vieta's work "Recuperating a workplace, creating a community space: The story of Cooperativa Chilavert Artes Gráficas" published in 2013. The example of Chilavert was chosen because it dramatically embodies the values of cooperative economics, and by itself alone is an amazing and inspiring story.

In addition to the adapted case study, the workshop's participants have compiled a reading list based on the themes covered in the workshop along the compact but intensive week. Such a reading list serves the purpose of deepening the knowledge of those self-teaching individuals interested in learning (even more!) about the topic. The selected texts include both theory and practice which helps the audience immerse more thoroughly into the economic context.

## Outline

- Adaptation of case study to role-play
  - Bring content and theory of the course into the dialogues
  - Based in the present, we talk about the past
- Location : Buenos Aires, Argentina
- Period : From early 1980's to early 2000
- Division of the text and context:
  - Scene I: Expansion of the factory and beginning of the end (1980s, private factory)
    - Characters : narrator / one worker / one owner
  - Scene II: Fall of the worker's solidarity (1990s, private factory)
    - Characters : narrator / one worker/ one owner
  - Scene III: Resistance (2001, factory and the streets)
    - Characters : narrator / one worker/ one person of the neighbourhood
  - Scene IV : cooperation/ community space (2002, open factory)
    - Characters: narrator / one worker / another worker

**Introduction by narrator:** The worker-recuperated enterprises (ERTs) are formerly capitalist businesses that were in trouble, eventually taken over by their workers, and reopened as cooperatives. This is the story of one of those companies, told through the words and lived experiences of the workers of the print shop "*Cooperativa de Trabajo Chilavert Artes Gráficas*" (Chilavert Graphic Arts Work Cooperative), in Buenos Aires, Argentina. ERTs began to emerge in the early 1990s as a result of the country's sharp neoliberal turn, and they surged during the social, political, and financial crisis of 2001–2002 as more and more businesses began to declare bankruptcy, not pay workers' salaries, and dismissed employees without severance. This story encapsulates what thousands of workers across Argentina suffered at the hands of a neoliberal system, and what workers did about it. Chilavert has become one of Argentina's most emblematic ERTs, and we are about to find out why.

## **Scene I: Expansion of the factory and beginning of the end (1980s, private factory)**

→ narrator / one worker / one owner

Narrator: Chilavert was a family business founded in 1923 by the Gaglianone family. The company was a small but prestigious printing shop for big clients like Opera Houses, Museums, Theatre, Banks and International foundations. The 1980s were the business's most lucrative years, and due to expansion, it employed around 70 workers, though most workers had been working at the factory since the 1950s. However, microeconomic problems began to surface at the shop in the late 1980s in the midst of the hyperinflationary crises of the era.

Gaglianone (Boss): *\*enters the picture\** Since times are getting tough, I will have to delay your wages again and you need to put in extra hours of work for the company to survive this rough patch.

Worker 1: Can't believe you are asking us to work more hours! Our wages have been put on hold for weeks now. Why can't you just pay us?

Boss: It's for the good of the company! *\*Abruptly leaves\**

Worker 1: The company is still making money, however, this is a tricky financial game. The longer the boss delays the paychecks, the more devalued the peso will be, so it's cheaper for him! It's not just the company struggling but us, who do the manual labors here to print and publish. I don't feel like a human being, I feel more and more like a mere business transaction, like material, a way of cheapening the costs of doing your business.<sup>1</sup>

## **Scene II. Fall of the worker's solidarity (1990s, private factory)**

→ narrator / one worker / one owner

Narrator: The crisis of hyperinflation supposedly ended in 1991 under the one-peso-one-dollar "convertibility" regime. Seeing the possibility of making more profits (especially now in US dollars), Gaglianone (the owner), like thousands of other bosses in Argentina, decided to maximize profits by forcing workers to work longer hours while not compensating them for the extra effort. This self-centered action led to the downfall of the company. The early 1990s was the factory's last

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<sup>1</sup> A market economy requires a market society, i.e. the substance of society subordinates itself to the laws of the market (Polanyi & Maclver, 1944). There is no morality in a market economy. A further distinction can be made between the concepts of a formal and a substantive economy. The formal economy is based on the logic of means and ends, while the market is only an exchange. In the substantive economy, the market and exchange have an independent empirical character, deal with a broader spectrum of need satisfaction, including a social dimension, and fundamentally with the mechanisms of exchange, reciprocity and redistribution (Polanyi, 2018).

period of success under the management of Gaglianone. As time went by, the owner-employee relationships began to deteriorate again as the decade wore on.

Boss: Don't worry! I'll buy new and better printing machines, I might even have to hire more staff!

Worker 1: But the crisis opened the national economy, how could we continue to compete effectively? All the foreign capital is saturating our local markets, a small print shop like us can't compete with bigger firms.

Boss: I'll raise your salaries and I'll pay you overtime as soon as the company gets better. But just for now, let's just keep working harder than ever.<sup>2</sup>

Worker 1: We are getting tired of these managerial games. This is not a job anymore, this is starting to become exploitation! Since you owe us so much unpaid wages and we've been working hard with little in return, we are basically not your employees anymore, but your shareholders now.

Boss: You're crazy! Kid, you don't understand anything. Just help me save the business, wait a bit more, I'll eventually pay your wages.

Worker 1: We don't believe you anymore. I mean we produce, we are standing in the factory - hour after hour - working with discipline, working more than we legally should. We should own the firm, we are the firm.<sup>3</sup>

### **Scene III: Resistance (2001, factory and the streets)**

→ narrator/ one worker/ one person of the neighbourhood

Narrator: Despite the boss' promises, it soon became clear to the remaining workers that the situation was worse than expected. The factory owner wasn't buying new machines, but simply selling the existing ones, emptying the factory. Soon, Gaglianone declared bankruptcy. In response to this, the employees were already gearing up for the fight that would turn the tides and bring about a movement that would resonate for the years to come.

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<sup>2</sup> It can be assumed that the workers already cooperated to some extent at this time, however, the difference between cooperation in capitalist system and one of worker ownership: In capitalist system cooperation is secondary to surplus value production (Harvey, 2018, p.177)

<sup>3</sup> In neoclassical economy a firm is seen as a capital asset, in contrast, Ellerman (2015, p.206 following) describes a firm as a community of work qualifying for democracy. Even in socialist theory, nothing is mentioned about the specific term of the firm. Within the concept of the democratic firm, the first principle is the labor theory of property, in which the workers own the firm so that there exist no employment relation to the disadvantage of workers (as in private or public owned firms), as labor services cannot be transferred.

Worker: "*Ocupar, resistir, producir*"! Occupy, resist, produce!

Neighbour: What's happening?

Worker: *Vaciamiento*. That's what's happening. The owner is stripping the assets, trying to sell them off to still earn some for himself instead of selling it off to pay back the company's debt. He's selling the printing machines under our noses! How can we operate without those? If the company takes the machines away, it's taking away our capacities to work! We have to block the machines from leaving the shop. We have to block the machines from leaving the shop. If the machines leave, we are finished. That's why we're holding the fort and standing our ground, it isn't just a matter of our unpaid wages anymore, it's our livelihood at stake here.

Neighbour: So you have to fight for what's rightly yours! That means my livelihood is at stake here as well. The neighborhood will support you with all we have. With food, bedding and so on, to get you through this while you prevent the machines from leaving the shop. The police will have to fight this local community of over 300 neighbors who will be here supporting you outside of the shop. We won't let you be repressed nor evicted.

Worker: Thank you! Truly, there is strength in numbers, in cooperation and collaboration. We had no other option. There is no work anywhere else for us and we had invested our blood and sweat into this place!

Neighbour: We will join you in your fight!

Worker 1: We also must continue to produce and print books. That's the only way the factory can continue to function and the only way we can ensure the revenues would be distributed equitably. We have no other choice but to self-manage the company. That way, decisions would be made within a fair assembly, giving voice to all of us! However, the police officers are guarding the shop to prevent us from distributing.

Neighbour: But you have an eviction order! The police officers are always guarding the shop, it's impossible to keep producing D:

Worker: We must continue to produce books, brochures, and pamphlets for our main customer base. The only way to fool the police guarding outside the shop is to carve a hole in the wall to connect our print shop to your house so that you can take our products to the publisher for distribution. all we have to do is, we'll carve a hole in the wall of the company which connects to a neighbouring house. You will have to place the book on the truck of your car and pass the police keeping guard outside the print shop. It 's the only way!

Neighbour: I will drive your first book produced as a worker cooperative to the publisher, count on your people!<sup>4</sup>

Narrator: Out of 70 initial workers, there were only 8 resisting employees who slept in the factory, occupied it and formed a worker cooperative in 2002. The support of the neighbourhood was strong with a mobilization of up to 300 people on the streets supporting the worker's cause. With their determined fight, the support and local media coverage they triumphed over repressions of owner and state forces so that eviction orders were dropped and the factory expropriated on behalf of the workers. This story is now legendary throughout Argentina's radical social movements. The famous hole in the wall is a symbol of the struggle that its workers had to traverse on their road to self-management.

#### **Scene IV: cooperation/ community space (2002, open factory)**

→ narrator / one worker / another worker

Narrator: The workers have fundamentally reorganized the shop and how it is run. Instead of the closed off family-owned private firm the printing shop is now a horizontally organized open factory owned by the workers themselves. It is called open factory (*fábrica abierta*) because it is not only a place of work but also of community and moreover resembles a cultural center than a print shop. Further, the factory was permanently expropriated on behalf of its workers by the city government, becoming one of the first ERTs to be expropriated in Argentina. The shop was finally theirs!

\*both workers are sipping mate (a traditional Argentinian drink)\*

Worker 1: Each sip is a pleasure!

Worker 2: I know right?! Earlier we weren't allowed to take breaks from work and now we are doing it multiple times a day!

Worker 1: You are absolutely right. We now have control of our lives. From working the way we can actually enjoy and be productive, and earning what is truly due from all our time and effort spent. <sup>5</sup>

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<sup>4</sup> As Kyriazis and Metaxas (2013) describe, a change in macro-culture towards more democracy can be observed, not only in the company but also in the community, when people experience solidarity. The benefits of an evolutionary process of cooperation can be seen in the findings of Bowles and Gintis (2011), who argue that groups that cooperate and behave reciprocally are much more resilient and successful than selfish acting people in a group.

<sup>5</sup> According to Sacchetti and Tortia (2016), a full cost model of a firm includes not only the cost of ownership and the cost of contracting, but also the cost of exclusion and the cost of membership. This addition is justified in the case of possible market failure and governance failure (a governance failure states that the net value appropriated ( $\pi$ ) by the strategically controlled class is greater than the net value produced ( $Y$ ), which is less than the socially desirable ( $W$ ):  $\pi > Y < W$ ).

Worker 2: We've truly come a long way - but oh wait - we don't have more mate leaves left. We might need to talk about ordering more of them in the workers' assembly in the afternoon.

Worker 1: That's a great idea! Talking about the workers' assembly: Are you thinking about offering yourself as a candidate for the treasurer position this afternoon?

Worker 2: I thought about it. But actually I'm not entirely sure. I just really appreciated the work that Andrea has done for the last two years and am not sure whether I will be able to step into her shoes.

Worker 2: Oh, I have to stop you right there! I think you are more than able to do so. I actually think we could all be the president or secretary or treasurer in the workers' council. I mean if managerial tasks have to be done we usually for the most part work on them in both the council and the assembly all together. And if you feel like you need to learn more about some of the specific tasks Andrea and I will support you as we already were in this position.

Worker 1: Thank you very much. You are right. My thinking is sometimes still rooted in how we had to individually take up tasks and manage our own problems. But that's far away from how our everyday-life now is structured.

Worker 2: Yes, it is. But there is no shame in that. Our way of self-determination and horizontal decision-making is rare in today's society. We have to learn together how to free ourselves from the experience of being abused in the production process.<sup>6</sup>

Narrator final remarks: This is one of many awakening stories in Argentina of overcoming challenges collectively, and of a new way of producing social wealth. Nowadays, almost 9,500 workers self-manage their working lives in over 200 ERTs across Argentina. A movement that once was born as a response to the extended neoliberal assault on the country's working people in the 1990s and early 2000s, now can be found throughout its urban economy in diverse sectors. Argentinian workers re-territorialized the struggle over dignified and secure work, transforming their workplaces into something more than just "a place to work" and situating the ERT deep into the heart of a community.

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<sup>6</sup> As Harvey (2018, p.179) says, following Marx, the worker is trapped in a certain specialisation within the division of labour, which makes him lose his freedom as he is thus tied to the specialised tools. Moreover, the capitalist is driven by competition and makes decisions based on the rate of profit (Harvey, 2018, p.131). This profit pays the capitalist himself twice; by setting up and managing a production process, he pays himself double the return on the capital he invests and pays himself as manager. The worker is only a means to the end of profit fulfilment.

## References:

Vieta, Marcelo 2013, "Recuperating a workplace, creating a community space: The story of Cooperativa Chilavert Artes Gráficas", *Scapegoat: Architecture, Landscape, Political Economy*, 4: 161-78.

## Reading List:

### Theoretical Foundations: Moral Economy and Cooperation

- Aumann, R. J. (2019). A synthesis of behavioural and mainstream economics. *Nature human behaviour*, 3(7), 666-670.
- Aumann, R. J. (1974). Subjectivity and correlation in randomized strategies. *Journal of mathematical Economics*, 1(1), 67-96.
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- Gintis, H. (2014). *The bounds of reason*. Princeton University Press.
- Harvey, D. (2018). *A companion to Marx's Capital: The complete edition*. Verso Books.
- Kropotkin, P. P. (2021). *Mutual aid*. Princeton University Press.
- Kyriazis, N., & Metaxas, T. (2013). The emergence of democracy: a behavioural perspective. MPRA Paper No. 47146.
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- Mitchell, W. C. (1918). Bentham's felicific calculus. *Political Science Quarterly*, 33(2), 161-183
- Ostrom, E. (1990). *Governing the commons: The evolution of institutions for collective action*. Cambridge university press.
- Peters, O., & Adamou, A. (2015). An evolutionary advantage of cooperation.
- Polanyi, K. (2018). The economy is an instituted process. In *The sociology of economic life* (pp. 3-21). Routledge.
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- Sandel, M. J. (2000). What money can't buy: the moral limits of markets. *Tanner Lectures on Human Values*, 21, 87-122.
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### Workplace democracy: Foundations and Governance

- Cornell, D. & Muvangua N. (Eds.) (2012). *Ubuntu and the Law: African Ideals and Postapartheid Jurisprudence*. Fordham University Press.
- Dow, G. K. (2018). *The labor-managed firm: Theoretical foundations*. Cambridge University Press.
- Ellerman, D. (2021). *Neo-Abolitionism: Abolishing Human Rentals in Favor of Workplace Democracy*. Springer Nature.
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- Pek, S. (2021). Drawing out democracy: The role of sortition in preventing and overcoming organizational degeneration in worker-owned firms. *Journal of Management Inquiry*, 30(2), 193-206.
- Ridley-Duff, R., & Bull, M. (2021). Common pool resource institutions: The rise of internet platforms in the social solidarity economy. *Business Strategy and the Environment*, 30(3), 1436-1453.
- Sacchetti, S., & Borzaga, C. (2020). The foundations of the “public organisation”: governance failure and the problem of external effects. *Journal of Management and Governance*, 1-28.
- Sacchetti, S., & Tortia, E. (2016). A needs theory of governance. Aiccon, Alma Mater Studiorum, Bologna University.
- Vieta, M. (2020). *Workers’ self-management in Argentina: Contesting neo-liberalism by occupying companies, creating cooperatives, and recuperating autogestión*. Brill.

### **Practice:**

- Blog of Marcelo Vieta’s graduate course on ‘[Introduction to Workplace, Organizational, and Economic Democracy \(“the COVID-19 Edition”\)](#)’
- There are different types of Cooperatives. They can either follow a single- or a multistakeholder model (especially the last two types).

### **Worker Cooperatives:**

- Example: Mondragon/ Spain
  - Goodmann, P. (2020). [Co-ops in Spain’s Basque region soften capitalism’s rough edges](#). The New York Times.
- Example: Evergreen Cooperatives/Cleveland, USA
  - The Cooperative’s [website](#)
  - more material on [community-wealth.org](#)

### **Consumer Cooperatives**

- Example: Co-op Kobe: The largest consumers’ cooperative in the world/ Japan
  - The Cooperative’s [website](#) (in Japanese)
  - more material by the Japanese Consumer Cooperative Union: [History of JCCU and Consumer Co-ops Nationwide](#)
- Example: Rotating savings and credit associations (ROSCAs)/ worldwide
  - Hossein, C.S. (2021). [Banking co-ops run by Black women have a longtime legacy of helping people](#). The Conversation.

### **Producer Cooperatives**

- Example: Dairy Farmers of America/ USA
  - The Cooperative’s [website](#)
- Example: Kallari Cooperative/ Ecuador
  - The Cooperative’s [website](#) (in Spanish)
  - Fernandes, L. L. (2016). [Kichwa Artisans and Farmers Create Economic Alternatives in the Amazon](#). Grassroots Economic Organizing.

### **Service Cooperatives:** members are recipients of the services

- Example: The Cooperative Insurance System of the Philippines
  - The Cooperative’s [website](#)
- Example: COOPELESCA: Electricity services/ Costa Rica

- The Cooperative's [website](#) (in Spanish)
- Chavez, D. (2016). [COOPELESCA, Costa Rica](#). Energy Democracy.
- Example: Indian Healthcare and Hospitality Cooperative/ India
  - The Cooperative's [website](#)

**Social Cooperatives:** provide services to the marginalized people or are themselves marginalized

- Example: York Disabled Workers Co-op/ USA
  - The Cooperative's [website](#)
- Example: Aboriginal Medical Service Co-operative/ Australia
  - The Cooperative's [website](#)
  - Derby, M. (2012). [A kinship tradition](#). Stories Coop.

**Platform Cooperatives:** Umbrella term for a movement on internet platforms

- Example: Fairbnb.coop: community powered tourism/ worldwide
  - The Cooperative's [website](#)
- Example: Asusu: digitizing cooperatives/ Nigeria
  - The Cooperative's [website](#)