

# Governance and the Solidarity-Based Economy

Bernhard Leubolt<sup>1</sup>, Wirtschaftsuniversität Wien

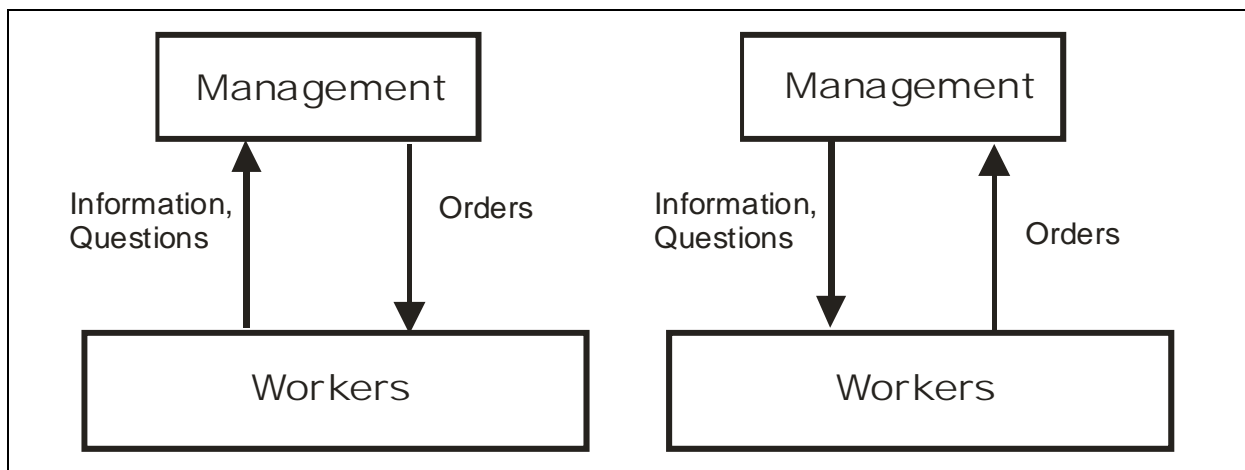
A central point of integration to the WP 1.5 on Governance and Democracy would be workplace-democracy and its current development. Therefore autocratic decision-making structures within the workplace can be viewed as main exclusionary dynamics<sup>2</sup> whereas participation in decision-making leads to the inclusion of citizens.

In this text the solidarity-based economy will be presented as a socially innovative form concerning the labour market covering a broad variety of initiatives, from worker and consumer cooperatives from different ideological backgrounds (left wing, anarchist, religious, philanthropic) to experimental labour market policies against mass unemployment. Current forms of solidary economic practices in South America will be presented as well as historic practices.

## Main Principles of Solidarity-Based Economy

Paul Singer (2002), the current Brazilian federal state secretary for solidarity-based economy presents *economia solidária* as an alternative to the capitalist economy, focusing on cooperation instead of competition. The main principle within the solidarity-based economy is the right of all workers (called associates) to vote. Different from shareholders who “vote” according to their financial share of the firm the associates’ votes count equally. This leads to self-management [*autogestão*] instead of hierarchical management of capitalist firms (Singer 2002: 7-23). Figure 1 shows on the left the hierarchical structure whereas on the right the structure of a self-managed firm is shown. The roles of management and workers within the firm changed. Workers are now deciding upon the guidelines for management.

Figure 1: Workplace Organization



Source: Own elaboration, inspired by Singer 2002: 16-18

<sup>1</sup> This article draws in large parts on the findings of an article in German, written together with Markus Auinger (Leubolt/Auinger 2006)

<sup>2</sup> In this text I will not enter into the ED of the labor market. What seems to be interesting is the janus-faced character of current forms of workplace-participation. Especially within the conception of “management by objectives” workers have to meet goals set up by upper management levels. The increased participation lies in workgroups having to decide how to reach the goals set from above. This leads on the one hand to the disappearance of middle management and on the other hand it often leads to more working hours. Those extra working hours are in many cases not even paid as payment is performance-oriented. Therefore new forms of participation can easily lead to new forms of exploitation and therefore to ED (cf. Bröckling 2000; Dörre/Röttger 2003).

Paul Singer pointed out (during a workshop held in Austria in 2005) that there are currently problems concerning democratic management within Brazilian cooperatives, as more than 10% doesn't even have a general assembly once a year. Due to societal pressures managers mostly get paid better than workers but the differences are much smaller than in the classic capitalist firms.

Michael Albert (2003/2004) presents a much more elaborated concept of a society which is guided by the principles of the solidarity-based economy which he calls Participatory Economics (ParEcon; on which there is also plenty of material available at <http://www.zmag.org/parecon/indexnew.htm>). The main difference to Paul Singer is that Albert presents his arguments on a theoretical basis whereas Singer draws his arguments from a practical point of view, concerning the historical praxis in Europe and the currently running projects in Brazil and other parts of the world – mainly as a strategy to fight poverty and unemployment (Singer/Souza 2000; see also Santos 2002 [portuguese version]; Santos 2006 [english version]). Another interesting point of view on the field is represented by Gibson-Graham (2006) who mainly refer to the Basque project *Mondragón* for their version of “post-capitalist politics”.

Paul Singer (2002: 39-108) does also differentiate between different forms of solidarity-based economy : (1) The most prominent form is the cooperative of production. There the main elements of self-management can be found as described above. This can be treated as the most radical form in counter-hegemonic terms. (2) Cooperatives for consumption originated in England with the Rochdale Cooperative in 1844. Workers organized themselves collectively to buy consumer goods at good quality and reasonable prices, which could be obtained via quantity discounts. (3) Credit cooperatives began in the 1850s in Germany in urban and rural forms as kind of conservative forms of social policy. The idea was basically the same as implemented in Bangladesh's *Grameen Bank* by the current peace-nobel price winner Yunus: Poor people are granted credits which have to be spent on productive investments. As all the associates are fully liable for debt payment they have access to credit and receive better conditions on the financial market than individually. (4) Buy-and-sell cooperatives [*cooperativas de compras e vendas*] work via the same principle as credit cooperatives and help small- and medium-sized enterprises to get the same favourable conditions as the big cooperations. They originated 1866 in Denmark. (6) Local Exchange Trading Systems (LETs) are systems which introduce a special currency for trading goods, instead of the official currency. Even more than other forms of solidarity-based economy they mainly dwell in situations when the economy is in a severe crisis and usually feature a mechanism to prevent accumulation, e.g. an automatic inflation. Popular examples can be found in Austria, where the mayor of the village Wörgl successfully introduced “Schwundgeld” [fading money] to fight economic recession during the 1920s; and during the recent crisis in Argentina when more than a third of the country was organized within LETs.

### **Historical background for governance by forms of solidarity-based economy**

The ideas of Michael Albert (2003/2004) and Gibson-Graham (2006) are not new. They originated within the anarchist and partly the socialist movements in the 19<sup>th</sup> century. The pioneer was Robert Owen who was politically active in England and the USA beginning in the mid 1810s.

His ideas were central to socialist and anarchist ideology which preached to socialization of private property. They were especially important for anarchists who treated the cooperatives as forms of societal organization free from state influence. Anarcho-sindicalist tendencies sought to organize a network of cooperatives via trade unions. Socialist tendencies differed from the anarchists in their point of view of the state, which should be used to “expropriate the expropriators” (Marx 1890/1986: 791). Until the First World War this was consensus, even among reformist tendencies of social democracy (Przeworski 1980).

The main socialist theorists on syndicalism were the Dutch Anton Pannekoek ( 1950/2003), the Italian Antonio Gramsci (cf. the introduction of Gramsci 1971) and the Austrian Otto Bauer ( 1919/1976a; Bottomore/Goode 1978). Pannekoek and Gramsci were supporters of a revolutionary socialist tendency which followed the strategy of the occupation of factories by their workers. As in the anarcho-syndicalist strategy, the different occupations should be linked to form the basis of a democratic state which would be governed by workers. The Austro-Marxists followed a different strategy which tried to implement radical reforms within the bourgeois democracy. Since 1918 the Austrian constitution obliges the big companies to have a factory council which is responsible for co-management. Social democrat ideas to implement measures which would increase workers' control together with the size of the company to provide a basis for the socialization of the economy failed (Bauer 1919/1976b). Nevertheless, Otto Bauer had a clear understanding that socialization of the means of production is different from nationalization.

Yugoslavia was perhaps the most comprehensive experiment to implement a democratic system which has its roots in self-managed enterprises. Workers were officially the owners of the firms and enjoyed democratic rights to elect their management. The national democracy also had its roots in this system which caused problems for the unemployed. Another problem was how to deal with the communist party, who decided most of the macro-level decisions while the micro-level was the reign of self-management. Apart from autocratic structures of actually existing socialism this was also rooted in the need for territorial redistribution between the unequal Yugoslavian republics (Hunnius 2005; Weißenbacher 2005).

Another example is the Basque cooperative Mondragón which has been founded 1956 with big efforts by the catholic Father Arizmendi. It nearly has the dimensions of a “parallel state” as it even includes a self-managed bank, research facilities, a university, schools and a hospital. With more than 70.000 employees it is the biggest Basque company. Sharing profits and losses between the different branches enables the enterprise to compete in the market, leading to an unemployment rate below the national average in the surrounding region. Recent trends of reorganization led to outsourcing into Africa, where workers are employed with relatively low wages and not associates (Gibson-Graham 2006).

## **Conclusion**

Solidarity-based economy has its roots in the European workers' movement of the early 19<sup>th</sup> century. It aims at workplace-participation on the one hand. On the other hand it has been an instrument of the poor to survive in harsh economic conditions via mutual self-help. Counter-hegemonic governance concepts were mainly developed by socialist and anarchist tendencies. Other forms of the solidarity-based economy are also rooted in catholic social theory<sup>3</sup>. Solidarity-based economy seems to be a “classic” socially creative strategy to escape from conditions of social exclusion. If hierarchies in the workplace could be replaced by democratic forms of workplace-participation there is a large counter-hegemonic potential in the solidarity-based economy.

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<sup>3</sup> This explains why it was mainly CARITAS, who introduced solidary economy in Brazil (Singer, personal communication, 2005).

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