

Transitioning to business firms that can uphold equality

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Equal consideration of the interests of each

Extremely succinctly:

We must change our firms to achieve the political values we seek as a society.

What do we seek? Democracy. What is the core value that democracies seek to realize? An equal consideration of the interests of each citizen.

Inevitable conflict, scarcity of goods, not all interests can be satisfied: each citizen ought to have equal resources to affect the outcomes of the collective decision-making procedure about collective properties.

Q1: Can't firms influence the state?

The parallel case (public government X private government (Roosevelt, Anderson)) has its problems. But can't firms influence the state?

In *The Rule of the Many* (pp. 113-114, 284-295), Tom gives as examples of influence the power that firms have to funnel money to lobbies and political parties, but also to corporate media.

Do we have to regulate firms *ex post*? Is it possible, or desirable, if firms have so much power to influence the regulations?

Q2: Taking into consideration the interest of other stakeholders

Corporations are known for disrespecting the law, its workers, consumers and committing crimes. As Joel Bakan argued, if we analyzed psychologically the personality of a contemporary corporation, we would find it is a psychopath

- Work is where workers spend most of their lives
- Entire cities are thrown out when capitalists move production
- The key purpose of publicly traded corporations is shareholder value maximization

All stakeholders have something in stake.

Changing the current capitalist system

Where to begin changing our firms?

Alperovitz's Pluralist Commonwealth: neighbourhood corporations, land trusts, municipal enterprises, ESOPs, public banks, ...

My proposal: Establishing an ecosystem of worker cooperatives with quadruple bottom lines (viz. that besides *financial* goals, also include *social*, *environmental* and *cultural* goals).

Only a few scattered cooperatives will not change the system – changing it requires a systematic approach

The Mondragon experiment

- **A federation of worker cooperatives that are based on the same principles**

e.g., workplace democracy, solidarity (providing work for all who need it, subjecting capital to a maximum rate of return, reducing income disparities (payment solidarity)), sovereignty of labour (capital is subordinate to labour and social transformation), promote cooperative, professional and youth education

- **Common vision and strategy, coops help each other**

- **Democratic structure**

- Cooperatives are fairly autonomous and can disaffiliate from Mondragon whenever they wish to
- Management is elected (directly/indirectly) and the General Assembly is the highest authority

The story of Mondragon

Worst possible scenario:

- **Poor, small city**
- **Rampant unemployment**
- **Low levels of education**
- **Targeted by the dictatorship**
- **Lack of infrastructure and basic services**
- **Started by 5 workers and a priest**

MONDRAGON Corporation

MONDRAGON today:

- 12 bi euros in sales
- One of the largest business groups in Spain (largest Basque)
- Operates in all five continents, competes in the global market
- Divided into 4 sectors: industrial, financial, distribution, knowledge (R&D and education)
- High tech
- Employs > 80.000 people

Caveat!

I will be talking about Mondragon Mk. 1 (1956-1991), and not about Mk. 2 (1991-now) aka the MONDRAGON Corporation!

The latter only makes sense as a huge conglomerate to compete internationally, it makes no sense at all for an initial project

A typical MONDRAGON cooperative

- **Highest authority: General Assembly**

each worker-owner has one vote to approve the operational plan for the year, elect council or committee members etc

- **A Governing Council ~= corporation's board of directors.**

Elected by the General Assembly for a four-year term, which, in turn, will appoint:

- **the cooperative's general manager ~= corporation's CEO, who appoints the other managers to jointly manage the cooperative**
- **Social Council ~= labour union, looks for workers' interests, elected for 2 years**

System features

Some of the key system features to keep the system stable and expanding

- Retain the dynamism of the market. Against excessive bureaucratization in Hegel's corporations and rigid state planning of the economy in Fichte, cooperatives need to compete with conventional capitalist firms and win
- Increase capital and expertise
- Have central coordination and a common strategy
- Each cooperative supports each other
- Keep creating new cooperatives and thereby expelling unethical firms from the market

Or converting them, e.g., to benefit corporations, changing their purposes etc.

Capital

To solve the problem cooperatives face with capital constraints:

- “Wages” (antecipos) are paid close to the market rate
- Higher wages are indexed to the lowest wage. Maximum rate allowed is 1:9, average is 1:6
- Excess (“dividends”) are saved in a capital account in their credit union, Caja Laboral

The capital accounts cannot be sold nor accessed (except in special circumstances, such as retiring or loss of employment), however they can be used as collaterals for loans with Caja. If members left the company for other reasons, they could lose 20% or even 30% of all deposits plus their interest. If a worker-owner joined another cooperative within the MONDRAGON group, the capital account was transferred. Thus, there is an incentive for workers to remain in the MONDRAGON group.

- Cooperatives hold their savings in Caja
- Part of profits go to an investment fund, for starting new cooperatives
- Financial support solidarity

Governance

To solve the problem coops face with the lack of expert advisory bodies:

- **Caja provided a common strategy and governance to its entire interdependent ecosystem of cooperatives, allowing them to scale while retaining worker's control in each cooperative**
(in contrast with, e.g., consumer cooperatives, which resemble a conventional company the more they grow)
- **New cooperatives would sign a contract with Caja where they all adopted the same bylaws and would grant some ingerence powers to Caja**
- **Caja/Olatora would set up new cooperatives with capital from the investment fund**

Management

To solve the burden of democracy:

- Caja oversaw finances, forced members to save surplus in capital accounts and manage their savings
- Caja provided business consultancy, but external advisors could be hired with Caja's funds
- Management (and hierarchy) was still in place, but could be fired by periodically elected Governing Council or General Assembly, served their fellow-worker owners instead of absentee stockholders

Growth and sustainability

To make the system stable and conducive to growth:

- Cooperatives are in solidarity with each other and feed into each other. Whenever goods and services were required, a cooperative was created to provide them with it (e.g., an R&D cooperative (Ikerlan), an insurance cooperative (Lagun Aro), a supermarket for their products (Eroski))
- Loans can be granted by the credit union (Caja) or by other cooperatives
- Their incubator (Olatora) identifies opportunities for new coops
- Coops remain efficient, they must always adapt to the market or perish. The system is stable because the rest of the coops might come to the rescue, but they don't eliminate competition

Rooted in the community and engaged with consumers

Cooperatives tend to be more connected to the local community, where workers live. MONDRAGON reserves 10% of net profits go to social projects, education.

- Note: We are using the psychopaths methods to beat them. We shouldn't try to compete with them there, but where we can have an advantage, e.g. purposes and ethics
- Consumers are making more conscientious choices. Purchasing a good/service *because* the company is ethical forces the cooperatives to be more responsive to the community and consumers – their bottom line is at stake
- Benefits for community and consumers: different incentives than shareholder value maximization. Money stays in local community because it stays with workers, multipliers boost communities
- Allows local community to exert democratic control over local government; policy-wise, it allows them to achieve sustainability and equitable development goals
- Quadruple bottom lines also include cultural purposes. We stand today on the traditional lands of the Haudenosaunee and Anishinaabe, we should not forget the culture that was able to preserve these lands from time immemorial

Engagement with workers

- **Rare dismissals and if a worker loses their job (coop shuts down), they are reemployed by another cooperative.**

Workers are the owners! They can't be fired

- **Workers have control over their own coops, they invest their own capital and stake it, which makes them more mindful of risks**

Efficiency bonus: Worker-owners exercise more oversight than external shareholders

- **Possibility of exchanging bullshit jobs (Graeber) for jobs with purpose and based on an ethical view. No need for exponential growth – more leisure, less waste, less nonsense**

Harassment, discrimination and a toxic environment in general is also less likely. MONDRAGON has almost half of the average workplace accidents rate of the Basque Country

- **Reduces income inequality, higher incomes are capped**

Survival rate in the United States

In the beacon of capitalism, the United States, since 1994 ~40% of all firms failed within 3 years.

https://www.bls.gov/bdm/us_age_naics_00_table7.txt

Mondragon's survival rate

“from 23 workers in one cooperative in 1956 to 19,500 in more than one hundred worker cooperatives and supporting organizations [...] of the 103 worker cooperatives that were created from 1956 to 1986, only 3 have been shut down. Compared to the frequently noted finding that only 20 percent of all firms founded in the United States survive for five years, Mondragon's survival rate of more than 97 percent across three decades commands attention”.

- Whyte, Making Mondragon, p. 3

The Cleveland Model

How do we start our MONDRAGON ecosystem?

Evergreen Coops (evergreen = environmentally friendly):

- industrial-size laundry that caters the surrounding healthcare, hospitality and hotel industry;
- a solar energy cooperative that installs large-scale solar panels and energy efficient lightning solutions, for example on nonprofit health, education and public buildings;
- the largest food-production greenhouse in a core urban area in the United States

They all pursue an *anchor procurement* strategy, where “anchor institutions” (large place-based economic institutions that cannot move elsewhere because they are anchored in a city), such as a university or a hospital, can redirect their expenditure towards local ethical worker cooperatives, fostering them.

- Instead of having Caja to coordinate this system, they founded a non-profit (could be a university!).

A call to arms!

Hopefully you're convinced that such a MONDRAGON model takes interests more into consideration than our current paradigm for firms.

Ways to start it: government fund, grants, start with a striking shop or a cooperative retail store that gradually replaces goods with cooperative goods, kickstarter/crypto, etc.

- Anchor procurement and universities, educational and R&D services (laboratories of democracy)
- Unions and cooperatives, the road not taken (not a bifurcation, rather a common path)

Democracy and labour have been on the defensive for a long time, but cooperative commonwealth was on the offensive, real change

We will establish through the market a new ethical paradigm for business to solve political problems. This is a bottom up approach that can be supported by both left and right. It has the chance to bring us all together to realize *homo socialis* within us

Marx thesis 11!

Help out with our petition!

www.raisethefloor.ca

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STUDENTS
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BETTER.**

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THE
FLOOR**

