

# **Richard D. Wolff on Worker Cooperatives versus Capitalist Enterprises & the History of the Labour Movement**

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**acTVism (acTV):** Thank you for joining us Richard! Can you define Worker Cooperatives and also talk about their different forms? Also are there any real life examples that prove that Worker Cooperatives are as efficient as capitalist enterprises?

**Richard Wolff (RW):**

Okay there's a number of things you've just put together, let's deal with them one at a time.

Number one: cooperative ways of working are as old as the human race, this is not a new idea, this is not a concoction today of some utopian future. It is a recognition that human beings have had alternative ways of organizing production from what we talk about most of the time and we've always had it, and the really interesting question is why the cooperative mechanism hasn't been attended to, talked about, written about more given its history. We have endless literature about slavery, about feudalism, about capitalism and so on. Why don't we have a comparable literature about the long history of various forms of cooperative labor? Number one.

Number two: cooperative is a name given to many different things – when I talk about cooperatives I'm talking about cooperation in the work process. I'm not talking about cooperation in the purchasing process. For example, here in the United States we have many thousands of what we call “food co-ops”. What that is is a collection of people who get together and form a cooperative to buy their daily food. They cooperate in buying it, they don't cooperate in producing it, they don't cooperate even in the store that makes it available to you. They cooperate in the act of purchasing and they recognize that if large groups of people purchase together they can buy things for less money than they would have to pay if they buy individually. That makes perfect sense – that is indeed how capitalism works, but that's not what I mean when I talk about cooperatives.

Nobody has the authority to tell you who can and cannot call what they do cooperative, I'm just saying that what I mean and what the people like me mean about worker cooperatives is that they cooperate in organizing the work. And basically what that means is: no hierarchy, no board of directors, supervisors, capitalists at the top deciding what you produce, how you produce, where you produce, and what to do with the profits. Instead you democratize the workplace; you say that all the people that come to work in a store, or an office, or a factory together – one-person one-vote – make all those decisions. That's all. It's not very complicated and as I say it has existed from time immemorial.

Let me end then with a couple of examples, one small and one large. And I will choose as my examples existing businesses today that I personally have visited, just so you know where I get my information from. One of these businesses is located in the Bay Area of San Francisco, California. It is a bakery and a cheese store that has expanded and is now also a pizza restaurant. It employs over a 100 people, it has expanded over the last 30 years that it has existed because it is stunningly successful. It is located in San Francisco, Berkeley and other communities in that part of California; everything they do is collective. They all get

together and make the decisions: What are they going to sell? What are they going to produce? How are they going to do it? What technology are they going to use? What are their hours? How are they going to divide up the income amongst themselves? How much of a surplus for expansion are they going to remove from their income rather than give it to themselves (or) use it?

All of those decisions, normally done by the capitalist minority at the top, is instead decided and debated collectively and democratically. They have been stunningly successful either as successful or more successful than the capitalistically organized bakeries, cheese shops and restaurants in that area by the way, a few miles north of them in California is something called the Alvarado Street Bakery – even more famous, a much larger entity – has been equally successful in becoming one of the major bread making factories and distributors in northern California.

I could give you many more examples, the number of worker coops is growing now as interest expands in them, but what all of these examples are, is relatively small. These are companies that often start with 10 or 20 employees getting together and then they grow.

Let me switch then to a large example. In this case I'm going to pick the most famous in the world because it's something that people interested in this topic should explore: it's called the Mondragon Cooperative Corporation. It's located in the Basque Country, in the northern part of Spain just below the Pyrenees Mountains that separate Spain from France.

Back in 1956 this part of northern Spain was very very poor, it had become even poorer because of the Spanish Civil War in the 1930s and then World War II. So by 1956, this was a desperately poor part of Spain, and a local Catholic priest named Father Arizmendi gave a speech to his parish and he made a joke; he said if we wait for a capitalist to come here to employ us, to give us jobs, we will all die of old age before that happens. So if we don't want to die sooner than later we're going to have to become our own employer and with that idea he set up – under the protection of the Roman Catholic Church – a worker co-op in a little city of Mondragon in the north of Spain.

Okay now we go to the present: the Mondragon Cooperative Corporation today is the seventh largest corporation in Spain. Its total employment is over a 100 000 workers; not all of them, but a large portion of them work in cooperatives – worker cooperatives. And in those cooperatives they have figured out, not only how to grow from six to a 100 000 in 2018 (today), they have competed against many capitalist enterprises in that part of Spain and they have won in those competitive struggles, because it turns out that a co-op can be just as efficient – often more efficient – in producing goods and services for the minimum cost as a capitalist factory can. And in part, that's because in a worker co-op all the workers, being owners and runners of the enterprise, have much more of a commitment to making it efficient than the workers in a capitalist enterprise ever do. That's why capitalists have to use up money to have counseling and music and benefits, trying to get workers to have a feeling towards something they don't control. That is not necessary in a worker co-op because it's not a feeling, it's the reality that they control the situation.

So in Mondragon, for example, workers decided that the highest paid workers should not get more than somewhere between six and eight times what the lowest paid worker does. They don't want terrible inequality. What kind of inequality? The kind we have here in the United States, with a typical relationship between a corporate CEO and the worker at the bottom is more like 300:1 not six or eight to one.

If you want to do something about the inequality that haunts the capitalist world this is how

you do it. They've already done it. If you visit the city of Mondragon, you'll see that they don't have the inequality that other cities, even in Spain, will show you unfortunately in great detail.

They've done other things: they have decided that the workers will elect, hire and fire the supervisors – the exact reverse of capitalism. Once a year the workers in Mondragon meet and they discuss and assess the supervisors, and if they're not happy with the supervisors they fire them. The workers fire their supervisors not the other way around. and they've been doing this for the entire 60-70 years that they have grown and been successful.

So here you have it: worker coops that are small, worker coops that are large. I picked, of course, those that have been very successful. I'm not suggesting that if you have a worker co-op you have no problems. Worker coops fail just like capitalist enterprises do but it's a completely different experience when they fail. They handle it in different ways, they have mechanisms to cope better than I think capitalist firms do. When there's a downturn, they don't fire people, they work other ways of getting around it, and the point is they've done well. There is a professor at the Leeds University in England, School of Business; her name is Virginie Pérotin. She is the leading business school expert whose research is to compare worker co-ops and capitalist enterprises. Pérotin: find her, look at her work – it's available through the internet. She does the best job of literally comparing, and her research has an unambiguous conclusion: worker co-ops are more efficient production mechanisms than top-down hierarchical capitalist enterprises

**acTV:** Many people do not know the history of struggle behind public services such as social security, healthcare, etc and how they came to be.

Can you talk about the history of the working class movement in the 20th century and how it contributed in attaining services which are still benefiting the public up until this very day?

**RW:** Yes, but let me begin by explaining why it's always been a struggle to get decent public services for the mass of people; today, fifty years ago, a hundred years ago – that struggle never stops. And before I show you that, let me explain why: because in a capitalist system the competitive success of any enterprise depends on it being successful in competing with other enterprises that produce the same thing. So one shoe producer has to worry that the other shoe producers will make a better shoe, or a cheaper shoe, and so there's this endless pressure in capitalism – on each capitalist – to make as much profit as possible so that you can buy the machine that allows you to compete successfully with the others. You can find a new and cheaper source of leather; in other words, the more profit you make the better able you will be to survive and win at the competitive struggle.

Well, that means you don't want to use your money – the revenue you earn in your business – for anything other than winning in that competition you want every last euro, every last dollar to be available so that you can compete. Therefore for example, you don't want the government to come and tax away your profits in order to give people welfare benefits, or public housing, or free schools, or health care. You don't want this; this is money you could keep for yourself and use to compete and survive better. Instead your ability to compete and survive is weakened because you are asked to help other people. This strikes you as absurd and as crazy, and that's why the business community is always either trying to block social programs for the mass of people, or if they failed at that and those programs exist, to attack them, to weaken them, to reduce them; because that's what they need and they are angry and bitter, and so it becomes very easy for them to ridicule the people who get help on the

grounds that they're lazy, that they don't really need this, that this is a way of making them dependent on the government; they should be made to go out there and struggle like we businesspeople are. And you can even go to the other worker who earns an income, tell him the same story: your money that you need to send your child to school, to get a nicer home is being taken to take care of these people who don't really need it, who aren't victims of a system but are actually failures in their personal life. This is a disgusting way of dividing people from one another, it's usually wrong, it is overdone at the very least, it is divisive of the community that you live in.

These are all the costs of capitalism but it's hidden from people because the question of capitalism cannot be raised, and you're only forever struggling: who gets the money? Him or me or her, and so on... As a result, no sooner do workers succeed, make a struggle, get a benefit, then the capitalists fight against it. That's why you always have this fight, that's why it's always a problem that the capitalists, especially when you're not looking, take back a benefit that once had to be forced from them.

I'm gonna give examples from the United States because I know the history here better. So let's go back to the last time that the working class in America rose up, demanded, fought for and got major social services. It's the depths of the Great Depression of the 1930s. In 1933, for example, the rate of unemployment in the United States – official by the government: 25%. One out of four members of the working class had no job. What that meant was every single American family had either a brother, or a sister, or a cousin, or an uncle who had no work, and that person became dependent on the rest of the family; which is why the problem of unemployment was a problem for everybody. Right? Very serious.

Nobody had prepared the American working class for such a situation. The entire ideology of the preceding century was that the United States was a special place where things only got better, where capitalism was explodingly successful; the idea of a general collapse was unthinkable for America. So, there was no ideological preparation, but the mass of the working class in the 1930s – suffering this unemployment – came together, they formed the greatest union organizing drive in American history. We have never seen anything like it before, we have never seen anything like it since. In a matter of months, millions of people who had never been members of trade unions, whose parents had never been members of trade unions, joined trade unions as a way to get through the Great Depression with less damage than you otherwise would have. We also had two strong large socialist parties and one strong large communist party. It's hard to understand but United States had those things and in the 1930s the communists, socialists and unionists worked together, and as a block they went to the then President of the United States Franklin Roosevelt, and they basically said the following to him – not in these words – but this was the message: we voted for you to make you President. You must help us – the mass of people – and if you don't, we will not vote for you again. You will never be President again. And something else. Some of us – the socialists and the communists – are prepared to make a revolution if you don't help us. And remember, in the 1930s, everybody had a very clear remembrance of the 1917 revolution in Russia which wasn't that old at that time.

Okay here's what Roosevelt did: he understood he was talking to millions and millions of Americans. This was not a small labor movement, this was a big powerful one becoming larger every day. Likewise the socialist and communist parties were strong organizations nationally. So Mr Roosevelt went to the corporations from which he came, and to the political leadership, and he said: we have to meet these people, we have to do something or else we're not sure we can survive. And he said particularly to the corporations and the rich:

you better give me the money, because the government has no money. It's the Great Depression, nobody has a job, nobody's paying taxes, the government has no money. You must give me the money to take care of this mass of people, and I advise you to do that – give me the money so I can do it – but I'm telling you, he says to them in a room, if you don't give me the money you may not have any money to give anybody pretty soon.

It was real clear and if you had a trouble understanding it every day there were pictures of communist-led marches through the downtown of New York and Chicago and Los Angeles and Houston, just to help you understand this was not a threat that was idle. This was real.

Okay. Here's what Roosevelt accomplished: he split the industrial ruling class; half of them agreed with him, the other half hated him. Hated him. Felt he had betrayed them, didn't think it was necessary to give the mass of Americans anything. But a half was enough; between the mass support he got from the working class, and half of the ruling class, he was ready to go, and here's what he did:

First he created the Social Security system. It's important for people to understand before the depths of the Depression, we had no public pension system for people; you got old, you depended on your family, or you depended on the church, or you just died. Those were your options. Okay? Suddenly the President says, I am going to give every person who reaches the age of 65 a cheque in the mail, once a month, for the rest of their lives, no matter how long they live: unheard of in the United States. For the first time in 1933, we have a public pension system for people to rely on. It cost a huge amount of money. Where did he get the money?

It's very important – he taxed corporations and the rich – the very thing that we are supposed to believe today can't be done, mustn't be done, is unthinkable politically – he did it, and as you'll see in a minute, he did it for more social programs not just Social Security. And did that destroy him politically? Not at all. Roosevelt was re-elected three times to be the President of the United States – no other President ever had that before. He was the most popular President in the history of the United States precisely because he taxed corporations and the rich to produce programs for the mass of people.

Well what else did he do besides Social Security?

Number two: he developed and started the federal unemployment compensation program. Here's what it was if you lose your job through no fault of your own; you didn't do anything wrong, you didn't destroy a machine or anything like that – if you lose your job because the company can't justify hiring you, the government will give you a cheque for a year or two every week to help you work through finding a new job, surviving. We never had that before. If you were unemployed before, you went to your family, to your friends, to your local community and begged.

Third: for the first time, Mr Roosevelt passed a minimum wage law. You could not pay a worker less than an amount of money that was enough to get a minimum standard of living for your family. We never did that before, we had never had unemployment compensation, we had never had Social Security, and we had never had a minimum wage.

Fourth and finally: he went on the radio and he said, if the private capitalist sector cannot provide work for the millions of Americans who ask only to have a job, then I as the President will do it; and between 1934 and 1941, he created and filled roughly 15 million jobs for Americans who were unemployed.

Where did the money come to pay that? Where did the money come for the unemployment

cheque?

It all came from taxing corporations and the rich, or at least a large part of it came from there. Proving that that's a viable politics. So that's how the benefits that Americans to this day enjoy, especially the Social Security system and unemployment compensation – because the minimum wage has been destroyed here, and public employment in the last ten years of the Great Crash of 2008, we didn't even discuss public employment in this country. Neither the Republicans nor the Democrats, neither Bush nor Obama, said a word about it. They didn't do it, they didn't even discuss it. That's how hard the capitalists pushed back against all of this; that's why we have to keep struggling. But the reason we struggle is because the capitalist system creates an enormous incentive for the capitalists never to rest, to either block services for the mass of people or, if they can't do that (like in the 1930s they couldn't prevent it), well then they wait a few years and then begin to undermine it, to weaken it, and eventually when they could, get rid of it.

It is a tragic waste of popular energy to keep fighting the same battle. That's why those of us who are radicals explain to people: don't keep fighting for another reform. This is a system that undoes the reform as fast as we create them. This is a problem of a system and it's the system change that is the only real solution.

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