Alleanza Cooperativa Internazionale

COOP/DOC/2

THE GROUPING OF INDUSTRIAL COOPERATIVES

Alastair Campbell - Scotland

Conferenza Mondiale: Sviluppo e Cooperative Industriali

Roma 25-28 ottobre 1978 / Midas Palace Hotel, Via Aurelia 800

THE GROUPING OF INDUSTRIAL COOPERATIVES
(illustrated in Mondragon and Poland)
by
Alastair Campbell - Scotland

Cooperative Groups

It is an observable phenomenon that large industrial organisations are always centrally controlled, whether these are private business combines or nationalised industries. We see that, in conditions of capital ownership, separate enterprises can rarely cooperate with one another. The reason for this is that their controllers normally benefit from expansion. In public ownership, expansion brings managerial promotion: so that the managers seek it. In private ownership, expansion brings an increase in profits: so that separate enterprises are always basically in competition with one another for markets and labour.

By contrast, the members of an industrial cooperative gain no automatic advantage from an expansion of their enterprise - because additional workers to increase the output only means additional owners to share the profits - and they exercise close control over their management (note 1). As a consequence, separate industrial cooperatives find it possible to work very closely together: so that they can obtain the "advantages of scale" whilst retaining the advantages of "small is beautiful". The evidence of this can be examined in the groups formed in Mondragon and Poland.

Cooperative Finance

Industrial cooperatives are enterprises in which the roles of capital and labour have been reserved. In capital ownership, the suppliers of capital exercise the control of an enterprise and take its risks, whilst the suppliers of labour get an agreed fixed return (wages). In the reverse situation, labour gets control and takes the risks, whilst capital is given an agreed fixed return (interest). It is thus a matter of simple logic that "risk capital" cannot be found for industrial cooperatives. In them it is labour which has to take the risks. But how can this be arranged? How it is possible for industrial cooperatives to give security to the capital which they need to borrow?

The answer lies in the grouping of cooperatives. An industrial cooperative group, comprising (say) 50 enterprises with 10,000 members, possesses the means of giving complete security to borrowed capital: and, once this has been demonstrated by a group, unlimited loan finance becomes available at normal rates of interest for its enterprises. This is precisely what has been demonstrated by [illegible] gon and Polish organisations.

Mondragon

The Mondragon cooperatives get loan finance directly from the public, through their Savings Bank. However the success of this arrangement has depended on their giving absolute security to the depositors in the Savings Bank, which means that loans made to the cooperatives have always had to be repaid (with interest). They have succeeded in doing this: with the result that, since 1972, there has always been more capital available than was needed by the enterprises. The Mondragon organisation has thus successfully reversed the roles of capital and labour: so that it is the workers who judge and accept the risks, whilst capital is simply hired at appropriate rates of interest.

In the early days of Mandragon, when commercial difficulties arose, the members of some cooperatives had to make big sacrifices in order to maintain their enterprises. This resulted in the formation of a staff at the group headquarters to deal with the lending and repayment of the Savings Bank funds. This staff has, not only to see that capital is wisely loaned, but also to help enterprises in difficulty to repay loans without large cash sacrifices by the members. The staff also has the task of launching new enterprises. It now comprises nearly 100 personnel.

Poland

The Polish workers cooperative organisation is much larger than that of Mondragon. In Mondragon there is a single group of 63 cooperatives with some 14,000 members: but, in Poland, there are fifteen such groups with nearly 433,000 members in total. The Polish groups evolved regionally, like the Mondragon group: but regional groups require headquarters staffs to be expert in many different kinds of industry. Consequently in 1967 the Polish enterprises re-grouped themselves on a trade basis: so that (for example) the 55 Polish electrical cooperatives all form one group based on a headquarters at Katowice. There is also a central headquarters of all the Polish groups in Warsaw.

The Polish organisation started with government finance: and at first some enterprises failed and some capital was lost. However large cooperative funds were gradually built up by re-investment of earnings, so that the movement no longer requires government finance. Capital is provided, either from group funds, or by bank borrowing with group guarantee. In either case, security for the loans is normally essential. The result was that the Polish groups, like the Mondragon group, soon found the need for large group staffs to provide the member enterprises with financial, planning, technical and managerial aid. It is interesting to find that the same techniques were envolved, during a period in which these two industrial cooperative organisations did not even know of each other's existence!

Job Security

If loan capital is to be given security, the cooperatives which borrow it cannot go into liquidation like capitalist enterprises when difficulties arise. However, if industrial cooperatives must always be saved from liquidation, the result will be that their workers will always be saved from "redundancy" (note 2). We thus find, not only that no Mondragon industrial cooperative has ever failed, but that no Mondragon workers are ever made redundant. Indeed it is now the policy of the group that, whatever disasters may befall an enterprise, its members shall never be required to take home less than 80% of normal wages. The Polish cooperative members do not have this high degree of security - in part, because government imposition of minimum wage rates makes the operation of cooperatives less flexible - but, nevertheless, the failure of a Polish cooperative is now very rare (note 3).

In thus providing security for both capital and labour, group staffs work on the principle of bringing work to the workers, instead of vice versa. In capitalist industry, it is an accepted custom that, when an enterprise lacks satisfactory production or markets or management, its workers must become "redundant" and move elsewhere. In cooperative group industry, by contrast, it is the business of headquarters staffs to make available satisfactory production or markets or management to enterprises which lack them - so that loans may be serviced and cooperative members continue in work.

Insurance

The staff of a cooperative group operates much like that of a business combine or nationalised industry, except that its object differs. Organisations under capital control have production as their primary object, either to increase profits for private capital or to avoid losses by public capital. By contrast, the primary object of a worker controlled organisation is security for capital and labour (note 1). The attainment of this security in cooperative groups requires larger headquarters staffs than would normally be thought economic by capitalist combines, which are able to cut their losses by making people redundant. The cost of these group staffs falls on their member cooperatives - in Poland, they are funded by a 1% levy on enterprise turnover - but cooperative members regard these costs as a form of insurance, which (besides ensuring the availability of capital) secures their livelyhood.

Risk Earnings

As will be clear, it is the earnings of the workers in an industrial cooperative (and not its loan capital) which are at risk: and this principle also applies to any capital which is created by re-investment of the earnings. The capital which has security is only that which is loaned by people outside the cooperative at rates of fixed interest.

Conclusions

I draw the following conclusions from the facts set out above: -

(a) The ability of industrial cooperatives to work closely together in groups constitutes a most important difference between capital ownership and worker ownership of industrial enterprises.

(b) This grouping technique provides the essential means by which capital can be made available to industrial cooperative.

(c) The security for labour, which can be obtained by grouping, should be made much more widely known.

(d) The operations of the group headquarters staffs in Mondragon and Poland should be studied in detail: and, in any promotion of new industrial cooperatives, similar staffs should (if possible) be established in embryo from the start.

Note 1 - However general expansion of production does take place, because cooperative enterprises work together in groups to expand production for all.

Note 2 - It is hardly necessary to note that "redundancy" is a purely capitalist practice. Cooperative workers take it for granted that they "sink or swim" together.

Note 3 - It is most suggested that commercial disasters are always avoidable. In the worst case, a group headquarters staff may have to find new machinery, new markets and new management for an enterprise. The members of that cooperative may have to work hard for a long time to pay off the necessary loan: but their jobs are saved.