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Cooperatives Confront Capitalism: Challenging the Neoliberal Economy, by Peter Ranis, London, ZED Books, 2016, 171 pp., £18.99 (paperback), ISBN 978-1-78360-649-8

Whatever else Donald Trump's election in 2016 may mean, it is now clear that the American working class is deeply disillusioned with the international neoliberal order. Presented with a choice between a nationalist demagogue and more of the same, many millions chose the demagogue. Similar political trends are occurring in Europe and elsewhere. Yet there is little consensus, either in the academic mainstream or on the left, about an alternative political-economic system that can meet the needs of ordinary people. Notwithstanding some flaws, Peter Ranis's new book delivers important ideas and information that address just this problem.

Ranis begins by amassing key excerpts from important 19th and 20th century thinkers, including Marx, Lenin, and Gramsci, that tout worker cooperatives as the seeds of a future economic system capable of overcoming the alienation between labor and capital. If the essence of capitalism is capital's control of the means of production and appropriation to itself of the economic surplus jointly produced by capital and labor, worker cooperatives embody a post-capitalist alternative. In this alternative system, the means of production are typically owned collectively by the co-op members, and key decisions regarding disposition of the surplus, production, and management are made democratically by the workers.

Beyond this defining characteristic—workers' control—there is a wide range of variation in the operation of producer co-ops. Some, especially small enterprises that do not have expensive plant or equipment, are managed directly by their workers through consensus decision-making. Others, like the co-ops that make up the Mondragon Cooperative Corporation, elect worker-directors by a vote of the members, and the directors make the key decisions, including hiring of professional managers who are responsible for day to day administration of production.

Since Ranis advocates worker buyouts of existing capitalist enterprises whenever profit-seeking owners threaten layoffs or relocation to extract give-backs from employees, a wide range of ownership and financing options not traditionally associated with co-ops can come into play. These include, for example, firms in which control rights are vested in their workers even if plant and equipment are leased from capitalist owners or the state, or in which outside investors or the state hold some residual claims on future enterprise income. The fundamental issue for Ranis is whether a firm is controlled by those who supply its capital or by those who supply its labor, a typology proposed by Canadian economist Gregory Dow in *Governing the Firm: Workers Control in Theory and in Practice* (2003). In cases where the same individuals supply most of the equity capital as well as most of the labor, as in majority employee-owned Employee Stock Ownership Plans, Dow classifies a firm as capital-managed if voting is proportional to shares and worker-managed if each worker votes equally.

In this review, I adopt Dow's terminology of capital-managed firms (KMFs) vs labor-managed firms (LMFs) and will take up the central question he poses—why are LMFs so rare? Based on a thorough review of a wide-ranging literature, ground-breaking analytical work, and an evaluation of alternative theories in light of the available evidence, Dow argues that LMFs are generally as or more efficient than KMFs, but are chronically disadvantaged in gaining access to capital because rational investors fear that LMFs will put workers' interests above their own. Given the efficiency of LMFs, Dow concludes, their rarity constitutes a kind of market failure. While Ranis does not explicitly address such questions and his analytical approach is very different from Dow's, he ends up independently making a complementary argument: LMFs are rare because the state has generally failed to create conditions in which they can flourish.

In fact, as Ranis points out, states in capitalist societies generally tip the scales in favor of KMFs through tax subsidies and other pro-capitalist policies. While Ranis is more sympathetic to state socialist societies such as Cuba, he acknowledges that the economic power of state and party bureaucrats in such societies comes at the expense of workers and that co-ops hold great potential for empowering workers and simultaneously unleashing economic growth.

The book illustrates the crucial role of state support for LMFs with case material from Spain, Argentina, Cuba, and the United States. According to Ranis, beginning with Franco, Spanish governments have maintained legal and tax policies favorable to co-ops. Madrid also enacted tariffs in the 1950s and '60s to encourage import substitution and domestic industrialization, contributing to the success of the famous Mondragon cooperatives. Conversely, Spain's adoption of the Euro disadvantaged its manufacturers vis-à-vis German competitors, probably contributing to the 2013 bankruptcy of Fagor, Mondragon's flagship appliance maker.

Like Spain, the Argentine state had a history in the 20^{th} century of encouraging domestic manufacturing through import substitution policies under Juan and Evita Peron and subsequent governments. These policies were interrupted in the 1990s by neoliberal reforms under the nominally Peronist Menem government. This led to the political-economic crisis of 1999–2003, during which Argentine workers and communities devastated by neoliberalism fought back, in part through a wave of factory expropriations and co-op formations.

Ranis devotes two chapters to these developments, which are also chronicled in the 2004 Canadian documentary 'The Take.' He gives special attention to how the Argentine people mobilized state power during this struggle, especially provisions in provincial constitutions providing for expropriation with due compensation for reasons of the common good and public use. Municipalities such as the Buenos Aires municipal council intervened on behalf of the workers, halting the auctioning of factory equipment by capitalist owners and providing public subsidies. In 2011, a national bankruptcy law included a provision empowering workers to form co-ops and seek expropriation of their workplaces.

Cooperatives Confront Capitalism also devotes a chapter to international efforts to disseminate the Argentine model, including a 2005 'Latin American Meeting of Recuperated Enterprises' led by cooperatives from Argentina, Venezuela, Brazil, and Uruguay, and Argentine-inspired co-op developments in Cuba and the United States. In Cuba, withdrawal of Russian subsidies in the wake of the Soviet Union's collapse precipitated an ongoing economic crisis and eventually an opening of the state to market-based policies in the 2011 Communist Party Congress. This meeting (and the subsequent Decree Law 305) enacted the most far-reaching governmental support for worker co-ops of any state in the world to date, but also opened the door to foreign and domestic capitalist enterprises. Citing Cuban activist Pedro Campos Santos, Ranis argues that worker cooperatives provide the best hope for fulfilling the aspirations of the Cuban Revolution, providing a third way between Soviet-style state socialism on the one hand and capitalism on the other.

The author's treatment of worker cooperatives in the US focuses on some model initiatives and the potential of eminent domain as a legal principle for expropriating runaway shops. The former include an emerging collaboration between the United Steel Workers union and Mondragon Cooperative Corporation. The essence of this model would be to create unionized steel cooperatives in which the 'Social Council' in Mondragon's structure is replaced with a USW Union Committee. Ranis commends the United States' largest industrial union and the world's largest federation of worker co-ops for this innovative and exciting collaboration while also noting the challenges to worker control that could arise from bringing national union officials into the governing structure of co-ops. He also discusses the highly successful Cleveland Model, in which 'anchor institutions' such as local hospitals, universities, and municipal agencies purchase goods and services from worker cooperatives, providing stable demand for their products while the cooperatives underpin stable local employment and economic development.

Eminent domain—the power of the state to expropriate private property for public use with just compensation—is enshrined in the Fifth Amendment, Supreme Court decisions, and state constitutions. Drawing on James K. Galbraith's *The Predator State* (2009), Ranis notes that state power in the US is systematically marshalled on behalf of capitalist interests, and the use of eminent domain is no exception. But he also makes an in-depth argument that workers, unions, and local communities can and should routinely initiate eminent domain proceedings to expropriate the means of production, following the successful Argentine model, whenever action by private enterprises threatens their livelihoods. This raises a number of legal, financial, and political issues involving how ownership and control rights in a state-expropriated enterprise are to be distributed between the state and the workers. Ranis does not acknowledge the existence of these problems, but his bold proposal is worth considering in greater detail.

Ranis also calls for massive public subsidies of worker cooperatives, noting that while the New York City Council took a modest first step in appropriating 3.3 million dollars for this purpose in 2014 and 2015, states routinely allocate far more in tax subsidies to capitalist enterprises. New York Governor Andrew Cuomo, for example, around the same time committed a $70 million tax subsidy to Alcoa to keep a plant in Massena, NY—more than twenty times the amount New York City spent on co-ops to create a comparable number of jobs.

This book provides a great many relevant ideas and much useful information about an important subject. My primary criticism is that the book could have been better organized and parts of it more carefully written. For example, Ranis says that state-owned banks in Venezuela spent a billion dollars between 2003 and 2008 subsidizing tens of thousands of co-ops, many of which were in reality capitalist enterprises. This would mean that Venezuela under Hugo Chavez was a hotbed of both worker cooperative and capitalist enterprise formation, an important claim meriting substantial discussion and documentation. But Ranis just says these things in passing and cites only one source, leaving the reader unsure how seriously to take the claim. To take another example, Ranis's discussion of seven characteristics of worker co-operatives is confusing: the characteristics are presented in paragraphs that are not clearly labeled, and the thematic logic of the list—the characteristics unfold sequentially from inside the cooperative to the larger society—is not stated at the outset, so the discussion is very hard to follow.

Unfortunately, there are a number of such flaws in this book. That said, Ranis gets the big things right. *Cooperatives Confront Capitalism* assembles a massive amount of highly relevant information, from a wide spectrum of sources, about the neoliberal onslaught on working people and about how worker cooperatives are creating sustainable and just alternatives. The book contains important ideas about the role of state power in scaling up the cooperative movement as a way to defend livelihoods from capital flight. These ideas merit the attention of academics, workers, and activists alike.

References

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