Co-operatives and Socialism: The Promises and Contradictions of a System of Worker Ownership.

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This chapter assesses the possibility of a co-operative economy as a means of transcending capitalist social relations and moving beyond neoliberalism. It begins with a review of Jaroslav Vanek's conception of the labour-managed firm as the only truly socialist form of the co-operative, but one that requires new forms of financing and ownership. It then presents the benefits of co-operative ownership in terms of alienation, drawing on Marxist theory and a range of empirical cases to argue that co-operatives –through differences in the division of labour, the removal of capitalist social relations within the firm and the softening of market relations outside the firm – present a possibility for non-alienating production. The chapter goes on to address the prospects of co-operatives within capitalism, addressing arguments around degeneration in capitalist markets and suggesting that institutional arrangements for co-operative financing, whether within a form of market socialism or participatory economics, are key to unlocking the potential of worker ownership at the systemic level. The chapter concludes by presenting co-operatives as an amelioration of the worst effects of neoliberal capitalism, as revolutionary consciousness-raising institutions, and as interstitial bodies able to bring about economic and social change. The overall argument is that the co-operative model shows promise at both the micro and macro levels but requires political action to create supportive institutions for its growth if it is to truly transform society.

Keywords: co-operatives, worker ownership, labour managed firms, market socialism, participatory economics

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Introduction

Worker co-operatives (referred to throughout as "co-operatives"- for a summary of other types see Webb & Novkovic 2014:3) are surplus-generating firms in which decision-making power is held by the workers collectively and there are no shareholders who are not also workers within the firm. All workers are 'directors' who may choose to run the firm collectively or to appoint managers who remain accountable to them. Their legal form varies (Co-operatives UK 2017) but all operate on the general principle of one-member-one-vote rather than awarding control based on ownership share. As Ellerman (1990) points out, membership not ownership is what matters – although the phrase worker-ownership is often used, it may be that individual workers do not have withdrawable shares (nominal membership shares of £1 are not uncommon), nor contribute their own capital to the co-operative, so the term "ownership" is best understood as referring to a bundle of rights to appropriate surplus and exercise control over assets (see Olin Wright 2010:113-117). This chapter advocates a particular form of the co-operative – Vanek's Labour Managed Firm or LMF – as a truly socialist co-operative from the perspective of the principle that in a co-operative labour hires capital[1] [2].

Neoliberalism represents a sharp break from the labour relationship of past periods of capitalism. Keynesian industrial relations created an implicit bargain between capital and labour, in which there was some form of trade-off between the monotony and alienation of capitalist labour against the possibility of high consumption and worthwhile leisure time. This bargain, mediated through collective negotiation and expectations of pay increases coupled with the development of the welfare state, became less effective as the costs of accumulation rose towards the end of the Keynesian era, highlighting the contradictions of this system (Holloway 1996:22-25). The new neoliberal system which arose in response aimed to make workers face the costs of accumulation through increased exploitation (Bonefeld 1996:36) and the disembedding of labour markets from political and social control, with social relations left to the market, enforced by the state (ibid:38). This process has increased labour insecurity (Standing 1999, 2002, 2009) as institutions of employment security such as collective bargaining, regulation have been eroded in the name of "flexibility" for firms (Standing 2002:45-46), perhaps most clearly manifest in the form of the gig economy and the zero-hours contact. The impact of neoliberalism on conditions of work has led to a renewed call for alternative systems and a return to questions of the meanings of national and collective ownership which have been only minimally reconsidered since the 1970s (Cumbers

[1] Many of the cases discussed are not LMFs but instead other forms of co-operative; although all focus on worker control and collective ownership as a basic co-operative principle to some degree.

[2] This chapter does not aim to give a systematic review of empirical cases. For excellent and recent studies of a range of co-operatives around the world, see, among others, Restakis (2010), Ranis (2016), Novkovik & Webb (2014), Ness & Azzellini (2011), Mulder (2015).

2012:3). The political salience of these questions was demonstrated British Labour party publishing a report on "Alternative Models of Ownership" (2017). This paper raises co-operative ownership as part of the remedy to this situation and a new way of thinking about economic organisation, production, and exchange after neoliberalism.

This chapter aims to explore two parallel debates. The first concerns the theoretical basis of a Marxist case for a co-operative economy, discussing whether a system of worker co-operatives might form a system we could describe as "socialist" and finding that it can, given a certain institutional structure. The second debate is that of the role of co-operatives in capitalism, and whether they present a path to socialism, or a mutation of capitalism. These debates are not independent. The question of whether co-operatives can represent a meaningful change within capitalist economies requires consideration of several points. The first is whether co-operatives can survive in capitalism whilst retaining their socialist characteristics. The second is whether co-operatives in capitalism represent anything qualitatively different from conventional capitalist firms. The third is whether the establishment of a co-operative economy is viable and whether the reform of existing relations through the establishment of co-operative firms and the institutions which support them is a pathway to a wider systemic change. There is, as Erik Olin Wright (2010:238) states, "no question that worker-owned cooperatives, *in some settings*, constitute a viable alternative to capitalist firms".

What Makes a Co-operative Socialist?

Bruno Jossa's (2014) interpretation of Marxist thought on co-operatives and the perceived rejection of the co-operative model by Marxist thinkers in the twentieth century lies in the idea that the form of the workers co-operative that has been most prevalent in the West has been the Worker-Managed Firm (WMF) rather than the Labour-Managed Firm (LMF). This distinction has its roots in the work of Vanek (1970 as cited in Dow 2020:124). LMFs have no privately owned capital, and do not pay variable returns to capital, whilst WMFs do not separate returns to labour and capital, and capital is privately owned (Jossa 2017:45). The LMF is financed entirely by loan capital which is repaid to the lender at a predetermined rate of interest such that the returns to capital are delinked from the revenue of the firm – rather than in the WMF where the returns on capital are combined with the returns to labour and paid to all partners. The LMFs assets are held in public ownership (for example by the state as in Jossa 2014:283, although this ownership only becomes important in the event of insolvency) but the firm itself is managed solely by its workers. The socialistic character of the LMF is ensured by the fact that it is returns to capital which are fixed and returns to labour which are variable depending on the success of the firm, for which worker-managers are accountable to themselves (Jossa 2017:46). That is, labour literally hires capital. Jossa (2012:404) suggests, from Vanek, that WMFs are not truly anti-capitalist firms for several reasons – all of which revolve around the idea that they do not overturn capitalist labour-capital relations as they seek to make returns from capital investment. Control must come from membership, nor ownership (Ellerman 1990, Horvat 1979:76). In essence, in a truly labour managed firm no individual should be able to accumulate money from the activities of the firm without working for the firm, and that the proportion of the revenue they have rights to is linked (by a democratically agreed mechanism) to hours worked at the firm, not to the amount of capital invested in it. Vanek (1977:171-178) offers a convincing argument for this position. External financing is necessary to prevent the degeneration of the firm into a conventional capitalist firm, and the worker-directors into rentiers. In England and Wales, a similar situation is prevented through the use of asset locks and the legal principle of "common ownership" which mean that the assets of a co-operative when it is wound up can only be transferred to another similar firm (Co-operatives UK 2017:49) although co-operatives of various types can still raise capital through issuing withdrawable shares which potentially introduces returns to capital and creates uneven ownership stakes in the co-operative (see Jervis 2016 for an example of a co-operative transitioning away from a system of share ownership). Self-financing also prevents the formation of new firms, and potentially creates a situation where one co-operative can loan to another (or create another to lend to), creating a rentier parent firm which survives by expropriating the profits from the child firm it is lending to (Vanek 1977:173-4).

Furthermore, if capital is provided by a co-operative or national development bank, rather than a solely profit-oriented private sector, the terms of the loan can be scrutinised to ensure that the co-operatives plan contributes to social goals (such as providing employment, community benefit, or environmental sustainability). Yet another problem exists if the co-operative self-finances, which Vanek (1977:176) terms "the dilemma of the collateral" whereby founding members of co-operatives by virtue of having "given more" to the firm through sacrificing incomes for investment, may be at the top of a hierarchy, with new members at the bottom, harming the participatory ethic of the firm. This problem vanishes with wholly external funding where capital is bought at a given price like any other factor in the market. An alternative problem of self-financing exists as the "horizon problem" (summarised in Dow 2020:124) in which members who do not intend to stay at a co-operative for a long period of time may oppose long-term investment in favour of taking as large a share as possible of current income as wages, whilst members with long-term visions of working at the co-operative would favour short-term sacrifices for long-term returns (as found by Thornley 1981:81). There is a need for a more sophisticated institutional setup which allows for "the timing of debt repayment [to be] synchronized with the timing of expected investment returns" (Dow 2020:125, Vanek 1975) through the formation of new funding structures designed around the needs of co-operatives, especially since the autonomy of workers could be diminished if lenders attempt to exercise some control over the firm (Pencavel 2001:74, Vanek 1975:445).

Ernest Mandel (1975) presents one of the strongest critiques of the co-operative model within capitalism. He first argues that self-management has its roots not in Marxist thought, but instead in anarcho-syndicalism – not a contentious claim, but one which he uses to argue that self-management must move beyond units of production, subjecting the economic system itself, and the state, to management by workers. To keep self-management at the level of the factory (or other workplace) is to allow the domination of these units by outside forces, be they from the state (as in Tito's Yugoslavia) or the market. The solution Mandel brings is one of "democratically-centralised self-management" which he sees as a necessity for the coordination and planning of relationships between units of production, in opposition to a market economy arising spontaneously and anarchically to act as co-ordinator. This argument is not one that completely discredits the co-operative structure but suggests that a system of co-operatives existing independently in markets would be self-defeating. This approach has similarity to the critique raised first by Luxemburg – that the co-operative is doomed to fail in such a market if it does not simply mimic the capitalist firm – the co-op "cannot out-accumulate the accumulators" (Kay 2009). This critique is powerful, suggesting that the co-operative as an "island of socialism" within a wider market environment is both doomed to fail, in that the co-operative will go out of business or in that the benefits of co-operation are lost as the firm degenerates into a capitalist version of itself. A competitive market will place constraints on the working conditions that a co-operative would ideally pursue. Mandel (1975) presses this point arguing that "successful" co-operatives are those that are successful in capitalist terms as profitable industries, a point further raised by Welford (1990:319) and that the effect of co-operatives in demonstrating the viability of socialist modes of organisation is limited to a "'pilot scheme' for a tiny minority". Worker management, occupation and ownership are, for Mandel, a form of "consciousness-raising", not the genesis of a new system of organisation and production – an argument we will return to later.

This creates a problem of critical mass. If there were enough co-operatives, all operating in a co-operative and social market in which profit was not the overriding factor, the practices of capitalist firms which can produce more cheaply might be seen as abhorrent and thus avoided by consumers. It would be odd to be a member of a co-operative and take pride in the work being performed meeting a social need whilst, in your other guise as a consumer, you chose to prioritise price over all other factors when making decisions. However, co-operatives acting as individual firms could decompose the working class into competing firms and conflicting sectors, as raised by Mandel (1975) who argues that there is no reason why we would expect self-management in production to lead to a fair trading relationship.

Alienation, Management and Work in Co-operatives

The categories of returns to capital and labour are arguably economic constructs in themselves – so we need to look beyond those at the impact that the inversion of the capital-labour social relation has on the firm. This section contends that the co-operative represents a fuller experience of work, drawing on the Marxist concept of alienation. These inferences are largely drawn from the premise that firms run by their workers are likely to organise themselves according to the workers' preferences (Pagano 1991:320) to a greater extent than those for which management decisions are driven by external shareholder interest.

People, for Marx, are inherently creative, productive beings for whom work, under the right conditions, is a key part of a fulfilling life. However, the structures of capitalist production turn work into something which degrades the person, using their labour power (and hence time) but abstracting the rewards away from them. Alienation in Marx's work takes four forms (Wyatt 2013:101). Firstly, people are alienated from their own productive activity through a lack of control over their work, and hence (secondly) from the commodities they produce, which they have no control over (Selucky 1975). Thirdly, they are alienated from their fellow worker, as competition for work, progression and wages leads to an all-against-all environment. Finally, the individual is alienated from themselves, as they lose the ultimately humanising characteristic of their creative and productive self and are turned into a mere commodity (ibid). This section explores how co-operatives can remove the conditions of alienation, looking first at the division of labour, then capitalist social relations, and finally market relations. This ordering represents the ease by which alienation might be reduced from these three distinct sources.

Division of Labour

The technical division of labour is the result of a conscious decision-making process aimed at maximising efficiency but risks creating working conditions that are repetitive and tedious, not allowing the worker to make use of their creative human capacities (Smith 1976:302-304, Marx 1975:274), and alienating the worker from the overall process of production. A lack of control over time and task further degrades the worker (Sennett 1998:37). Wyatt (2013) and Pagano (1991) argue that this is not inevitable in complex society since efficiency is only one principle for division of labour. The division of labour as source of alienation is possibly the easiest to remedy through co-operative firms, as the organisation of work may be organised according to workers' preferences (Pagano 1991, Cornforth et al. 1988:101). Task rotation is not uncommon in co-operatives (Jervis 2016), both to make work more pleasant but also as an explicit effort to make sure that members have a good awareness of the types of work that are done within the firm and can learn different skills to make the labour force more flexible[3]. A flat pay structure may also make task rotation more appealing to members. Jossa (2017:64), drawing on Marx, argues that people enjoy work more if they have varied, rotating tasks, and that a strict division of labour strips workers of their intellectual potential in the work process. At co-operatives, division of labour may still exist between different types of jobs (e.g., manual work versus administrative work) which could be addressed via task rotation, but there is not a division of labour between management roles and productive roles. Although

[3] This is reflected theoretically in the "balanced job complexes" proposed by Albert (2004).

co-operatives may have staff whose job is administrative (such as an in-house accountant), each member takes on a management role as a company director and is involved in making decisions. This means that each job performed in the firm is understood as part of a wider whole over which each individual also exercises control. This task rotation and sharing of responsibility may be applicable in a capitalist firm too, but likely only if it increases the return to shareholders by increasing efficiency.

Capitalist Social Relations

In the capitalist firm, the productive power (Macpherson 1973) is extracted from the worker to the capital owner, both alienating the worker from both the surplus of their production and the ability to control and exercise their human skills and capacities at work (Thomson 1989:42-43, Marx 1975). Using and developing skills and creativity are important motivations for work (Spencer 2009:60). Macpherson suggests that we need to see humans as “active exerters and developers and enjoyers of their human capacities”, not mere “consumers of utilities” (1973:51). The idea of a trade-off between tedious work and high-consumption leisure misses the important developmental aspect of work. It also risks denying the individual the free use of that leisure time since they cannot fully enjoy this if their productive powers have been drained through work (Marx 1975, Macpherson 1973) – a process beyond their control in the capitalist firm. Workplaces are crucial for the formation of identity and exercise of autonomy (Edwards & Wajcman 2005:42-43) but frequently workers have limited control of this environment.

Co-operatives can remedy this - through the reversal of the labour-capital relation they end the alienation of the worker from the product of their labour, as the workers collectively appropriate all surplus from production (Jossa 2017:64). Developmental power (Macpherson 1973) is enjoyed by workers who can direct how their jobs are done, what is produced, and how the workplace is organised, share knowledge, and make decisions about production. There is no extraction of productive power except to the collectively organised co-operative where it is recognised and renumerated in full. Co-operatives allow the building of social relationships through shared endeavour and control of the work process through realising worker autonomy (Jervis 2016). This allows for self-realisation in which workers can utilise their developmental capacities and in which their efforts at work are for their own benefit and not for the profit of someone else (Jossa 2017:64).

Market Relations

The market alienates the worker through changing their approach to work. Rather than producing to meet a need identified through use values and a recognition of social need, instead the worker creates based only on a logic of exchange-value (Selucky 1975). This is to be distinguished from the alienation created by capitalist social relations within the firm. Co-operatives could feasibly still alienate the worker through their engagement in market relations even as they overturn capitalist social relations. Market relations force people to act in ways that they would not otherwise, making decisions by superimposing a market logic over what they might otherwise and potentially damaging the benefits of co-operation (Albert 2004:14). These logics both force and reward competitive behaviour and are hostile to co-operative behaviour. For example, the incentive in the market will be to take market share from other firms, to pay the lowest possible prices, and to charge the highest possible prices. Within the labour market itself, the situation is replicated, with each individual worker facing incentives to 'get ahead' as much as possible. This might mean that peer pressure (McFarlane 1987:97-98) will lead to self-exploitation, as individuals work more hours (Baldacchino 1990:464) for low wages (O'Neill 1991:234) to keep (or to be seen to be keeping) their co-operative afloat. This is especially a problem at start-up co-operatives (Cornforth et al. 1988, Carter 1986:186, Thornley 1981:76, Jervis 2016), perhaps restricting the benefits of co-operation to those who can afford to work in these conditions (Myers 2006:208). Bowles and Gintis (1993:95) also suggest environmental constraints on democratic firms when attempting to operate in a capitalist market.

Co-operatives may be successful in eliminating the latter form of this alienation as it relates to labour markets. Co-operatives tend not to have a promotional structure, and instead use a system of equal pay. There are no real incentives to competitive behaviour introduced by the labour market. Short of highly inappropriate workplace behaviour, jobs are fairly secure, and long workplace tenure is not unusual (Jervis 2016). Where market conditions might force redundancies, such decisions can be made collectively and voluntarily. Co-operatives in crisis have been known to take decisions which secure the workforce, usually by cutting wages, rather than forcing redundancies (for example Pencavel 2001:69-71). People working in co-operatives tend to learn co-operative behaviours (Jervis 2016) and are thus able to realise their benefits through reciprocal arrangement with each other over working time and conditions, and a shared understanding that (mutually constituted) rules of behaviour can be observed without a disciplinary hierarchy.

The wider problem of alienation in terms of production in the market is harder to solve. Co-operatives have shown some evidence of being able to generate wider meanings in the process of production. If one source of alienation is that "the market becomes the only standard of evaluation" (Wyatt 2013:104), why not use other sources for the evaluation of commodities which demystifies them and recognises the human labour constituent in their production? Daudi and Sotto (1986:70) suggest that the goals of a co-operative differ from a conventional firm, going beyond profit. Many co-operatives pride themselves on meeting what they perceive as social (or, more widely, ecological) demands regardless of their productivity as a market niche. The vegetarian/vegan wholefood sector, for example, sustains a range of co-operative firms which take particular pride in the social purpose they fulfil and take ethical concerns seriously. The debates about which products should be sold, who to, and for how much, are to some extent made by the workers themselves. There is a focus on use-value in these firms, but this is also constrained by the wider market in which they operate – they must still buy from suppliers through the market and must sell enough to make a surplus to ensure the survival of the firm. However, co-operatives still have some autonomy within the market. They can, for example, choose to offer better rates to other co-operatives. They can also choose to pursue production methods that reflect their values (such as use of renewable energy or recyclables) even if they cost more. The workers being in control of the firm means that they have the power to put the profit motive aside. There is some autonomy within the market to adjust behaviours and hence make work less alienating, even if imperfectly so. Co-operatives allow workers to focus on these goals by affording workers control over production, and the co-operative structure itself is part of those social goals (Welford 1990:306, Rothschild & Whitt 1986).

Co-operative finance may also be helpful in realising the autonomy of co-operatives. However, if they borrow from conventional capitalist lenders, they enter a market relation of repayment subject to the risk of the loan. The loan will have an interest rate, and the incentive is to repay the loan as quickly as possible – and certainly not to prolong the lending period. As a result, regardless of the good intentions of the co-operative, the rapid production of surplus might become the main priority (not least to remove any dependence on the financial sector). If, on the other hand, loans were provided by entities which did not seek to make a profit, and which were in accordance with the ethical principles offered by the co-op, there would be a much greater incentive to pay back loans slowly and to allow other priorities to take precedence. Berry (2018:144) notes the need for "a diverse ecosystem of public and co-operative banks…with a mandate to serve local communities". The mode of finance used to support the firm is central to the form of alienation which takes place within it since this determines its structures of ownership and control, allowing the formation of the LMF as a non-alienating form of the firm.

The Role of Co-operatives in Capitalism

Although there may be benefits to co-operatives which exist within capitalism there are a range of critiques of the co-operative as either a remedial or prefigurative institution which suggest that the potential of these institutions is overblown. These largely stem from a set of connected arguments – firstly, that the co-operative will fail or degenerate into a capitalist firm and secondly, that co-operatives in markets simply transfer exploitation to the systemic level. These arguments are addressed in this section before an examination is made of some of the theories of co-operatives in capitalism as being a way to advance the aims of socialism.

Previous sections raised the argument that co-operatives need to mimic capitalist firms to survive. However, there are arguments that co-operatives can be more efficient than capitalist firms[4]. It may be that that management at conventional firms lacks knowledge of the actual jobs to be done (Jervis 2016), so it could be better to have experts organising their own work. Worker management also gives workers more understanding of the overall operation of the firm (Meyer 2006) whilst task rotation increases the flexibility of the workforce. Worker control and shared goals might increase the effort members put into their work (Oliver & Thomas 1990, Bowles & Gintis 1993:92-94), especially when incomes are directly linked to output, whilst mutual monitoring of each other's work may occur which lowers supervision costs (Hansmann 1990:246, Olin Wright 2010:239, Meyer 2006:229, Bowles & Gintis 1993:92-94). Although these are promising ideas, Hausman (1998:79) is more sceptical, arguing that there is limited empirical evidence for the efficiency of co-operatives and no "spectacular caches of hidden productivity" even in successful co-operatives[5] although there is little evidence of inherent flaws in co-operatives (Whyman 2012:846). However, such arguments exist within the framework of market competition – and we might ask (in response to Mandel) whether competitiveness is the real goal of co-operative organisations anyway. The benefit of co-operative lies beyond profitability in the form of quality of working life (as discussed above) and linked to this, the social role played by the co-operative that is potentially enabled by democratic management structures.

Despite these purported benefits, co-operatives remain a small part of capitalist economies, in part because without a large co-operative sector people do not have experience of co-operation (Elster 1989, Rothschild 2009:1031) especially since the problems that co-operative firms solve, such as those of hierarchy, are legitimised in capitalism (Rothschild 2009:1031). Baldacchino (1990) argues that perceptions of worker co-operatives, and the way that they do not conform to capitalist expectations, make them prone to failure. They require, or must create through socialisation, a supportive environment providing access to credit as well as a solidaristic ethos of co-operation. Elster (1989:97) also suggests there may be indirect discrimination against co-operatives from suppliers, or from banks due to a lack of collateral (Olin Wright 2010:139,239). The ability of co-operatives to overcome market pressures depends in part on the history and institutions of working-class solidarity in different economies (Egan 1990). The question then becomes how this class consciousness and solidarity can be raised, which is addressed later in this chapter.

There is a risk that even successful co-operatives in capitalist systems will degenerate (Baldacchino 1990:464) due to the lack of incentive for existing members to expand the membership base when they could simply hire extra non-member labour (Olin Wright 2010:246), re-creating hierarchy and capitalist social relations (Pencavel 2001:17). Their

[4] There are also a range of arguments that co-operatives are prone to undercapitalisation (e.g., Miller 1981) but the LMF funding system outlined in Vanek (1975,1977) describes a quite different financial market for co-operatives than that in which they are usually analysed so transcends this problem.

[5] Hindmoor (1999) goes further still in arguing that co-operatives are naturally risk-averse so will not innovate, so they can only free-ride off successful risk-taking capitalist firms which are necessary for their continued success.

profit-making characteristic can overtake their social purpose (Jossa 2017:187). However, empirical studies including Gupta (2014), Cornwell (2012) and Jervis (2016) have all found that the commitment to co-operative principles and the ethos of the co-operative, and a long-term view of the co-operative as a good for future generations to enjoy, are a disincentive for degeneration, suggesting that individuals can become socialised into co-operation and are willing to make trade-offs for a wider social good, including potentially expanding their co-operatives so that more people can benefit from them. Marx (1996) suggested that to prevent degeneration, there must be an agreement that all workers at a co-operative are members. He also suggests that co-operatives need to work together to avoid competing with one another to ameliorate market pressures. This is achieved in part through a collective saving of surplus to re-invest in co-operatives, helping to equalise surplus across co-operatives such that successful co-operatives help less successful ones. These resemble some of the institutions of the successful Mondragón co-operative federation, which has a co-operative bank (*Caja Laboral Popular*) responsible for financing the federation's firms (Clayre 1980; Thomas & Logan 1982; Williams 2007; Oakeshott 1978; Cheney 2006). This view is reinforced by Roelants (2000:80) who argues that co-operatives require (and create) supportive institutions to govern relations between themselves. Another example is the 'Cleveland model' where a number of worker co-operatives have been established, each of which pays 10% of profits into a seed fund for new co-operatives (Thompson et al. 2019:1177).

Degeneration between, rather than within, firms is also possible. Specialised co-operatives would be expected to sell services to one another (such as cleaning services or professional services). Wolff (2012:128) distinguishes between the two forms of workers in an enterprise – "surplus producers", directly involved in production, and "enablers" who provide the conditions for production. There is a mutual dependency between these two groups such that, as Wolff (ibid:129) argues, there is a need for a sharing of power between these groups of workers as regards sharing of surplus (Wolff assumes them all to be "employees" of a worker self-directed enterprise, but this could include a range of forms of organisation and contracting). This could be achieved by bringing all enablers into the co-operative but at a point this becomes impractical. In a market, the pressures of competition could push the prices of some services down, and others up. Although within a co-operative there would be a democratic process determining wage differentials, in a market this would not apply between co-operatives so it could be the case that rather than have, for example, in-house cleaners who are part of the co-operative, a firm would instead contract this role out to a cleaning co-operative, and competition between co-operatives could push down the price of the service. This essentially amounts to the co-operative taking on waged non-members. The same issue applies to high-cost professional services, where the limited supply and extensive demand would allow these co-operatives to charge very high prices. This is a major issue for a model of market socialism based on individual co-operatives trading with one another, since markets begin to re-introduce hierarchy (Albert 2004).

There are some solutions to this concern, addressed in part by Olin Wright (2010). One possible approach, building on the work of Roemer (1996:20) would be to introduce some form of stock market whereby "investors" would "buy" shares in companies using government-issued coupons, which could be traded for money by the firms in place of equity, and in return receive dividends from that firm. These coupons would not be exchangeable for cash, nor inheritable. This allows those working in low-income jobs to still take a share of the profits of higher-value firms through investment, allowing some equalisation of incomes (Olin Wright 2010:250). This model does come with some institutional hurdles, however. Firstly, a model of share ownership usually requires some degree of shareholder control – this damages the worker co-operative's primary principle of worker control (Roemer "explicitly rejects… workplace democracy", as noted by Brighouse 1996:199). Secondly, there becomes a clash between the principles of paying larger dividends (to attract investment) versus paying higher wages to workers. Olin Wright (2010:252) notes several other potential issues with this model, which would require intricate institutional design. An alternative form of market economy made up of co-operatives is suggested by Burczak (2006 as cited in Cumbers 2012) in which markets are left "free" but the question of exploitation of workers by capital owners is addressed through the co-operative model, such that nobody gains a share of the wealth earned by others.

An alternative would be a non-market form of economic organisation, such as the participatory economics ('parecon') suggested by Albert (2004) which relies on eliminating the concept of "ownership" of productive means entirely, and instead organising economic activity around democratically organised workers and consumers councils. There will be, as Olin Wright (2010:261-264) notes, a range of unknown issues arising from such a novel system, and its institutional design would be highly complex and produce vast amounts of information which could be impossible to plan around. Markets, for their faults, can be effective ways of processing information, promoting innovation, and encouraging certain patterns of behaviour (on this, see the reading of Hayek in Burczak 2006). It is beyond the scope of this paper to thoroughly describe and assess the merits of these two models, and other versions of the possible economy, save to mention that, as Olin Wright (2010:263) suggests, there may be ways to achieve effective hybrid systems. Inequalities in wages between co-operatives could be ameliorated by high progressive income taxes, for example. The possibility of being granted shares not in individual companies but in a co-operative lender, such that everyone shares in the growth of all companies, could also be a viable option but leads to other concerns about the management of investments and the bearing and socialisation of risk. Other options could be the formation of co-operative federations[6], solving the co-ordination problem between firms by removing or at least softening the competition between them (although Jossa 2017:45 expects competition in a co-operative economy to be 'softer' than in conventional capitalist markets), which could negotiate with

[6] Olin Wright 2010:139,235 proposes these for reasons of mutual support rather than collective bargaining, drawing on Proudhon.

other associations of co-operatives to mutually agree pricings (akin to collective bargaining between unions and employers' associations), although potentially creating new problems of hierarchy, or legislative provisions of minimum wages or prices for services. Similar ideas have been put forward by Luxemburg (2006:48) in describing the complementary nature of producer and consumer co-operatives. However, although members of the same co-operative might work together well, it may be harder to extend this solidarity to other co-operatives as well. Perhaps co-operatives might band together when they form a minority in a capitalist system, but would this still be the case in a market dominated by co-operatives? However, if we subscribe to Polanyi's (1944) concept of labour as a "fictitious commodity", whose value cannot be left to be decided by the market without threatening the conditions of life itself (we cannot reduce the supply of labour – it is not a commodity), we could argue that exchange in goods and services needs to be in part socially embedded since this exchange ultimately concerns wage rates (among other things) as a cost of supply, and these cannot be left purely to the market. As Mandel (1986 as cited in Cumbers 2012:75-76) argues, since major production decisions are made by multinationals, rather than in a theoretical free market of producers, why should these decisions not be replicated through democratic means instead?

Co-operatives and Transformation

So far, this paper has argued that co-operatives can deliver a form of socialism, at least on a small scale, with the correct institutions, and that there are advantages to this form over the status quo. The question now becomes whether this system would form a break with capitalist institutions and allow the formation of a new system, or whether it would simply be a pleasant anomaly in an otherwise capitalist world. In many ways, the latter is the only answer. The co-operative institutions described so far, whilst appealing, have no real answer for industrial manufacturing on a global scale, for the huge capitalisations necessary for running financial services, or for the reach and diversity of online retailers. Even if one state were to radically restructure its economy into something approaching Albert's (2004) 'parecon' approach, there would be little change to the extensive globalised supply chains and import/export markets, an argument noted in an earlier form by Luxemburg (2006:49).

However, all is not lost. Advocates of the co-operative model tend towards three approaches in arguing their position. The first is the simple pragmatic argument that co-operatives within capitalism offer superior outcomes for workers, so are favourable as at least a short-term improvement to working conditions whilst class struggle continues elsewhere (Hahnel 2016:107)[7]. The benefits of co-operatives present a rationale for policy aimed at supporting the sector (Olin Wright 2016:103). These approaches leave themselves open to two critiques

[7] A review of the debate between reformist social democrats and revolutionary thinkers is beyond the scope of this paper, but it should be noted that Bernstein (1961) praised a consumer-led model of distributive, rather than productive, co-operatives.

– first, that such reforms do not go far enough (e.g., Flanders 2012 as cited in Ji 2020:346) and secondly that improving working conditions for some, but not all, divides the working class into haves and have-nots, and effectively reforms capitalism for a few, making it appear more palatable and degrading the revolutionary tendency of the working class. However, some evidence against this suggests the opposite – co-operatives themselves can act politically, operating to advance anti-capitalist causes through their commercial operations and through advocacy and campaigning in a way that is not usually possible for capitalist firms seeking shareholder returns.

This leads towards the second approach – that co-operatives act as a consciousness-raising set of institutions and in so doing encourage the formation of more co-operatives as well as other forms of resistance. Marx himself was impressed at the formation of co-operative factories in England, writing in 1864 that they demonstrated the redundancy of a capitalist class in the organisation of large-scale production (Selwyn 2013:59). Lenin was an advocate of such a position, arguing that people needed to become aware of the advantages of co-operatives and that this would help to advance socialism (1965, as cited in Ranis 2016:14) although noting that this required co-operators to be class-conscious and part of a wider struggle (Ji 2020:356). Gramscian perspectives take a similar approach, arguing that co-operatives would help to move working-class concerns away from disputes over pay and conditions towards the fundamental questions of ownership – effectively shifting working-class struggle from addressing symptoms to addressing causes – with worker co-operatives demonstrating the viability of non-capitalist organisation (Ranis 2016:15). Hobsbawm (2011 as cited in Ranis 2016:16) argues in a similar vein that the existence of co-operatives spreads the norms and values of co-operative behaviour and thus changes how people function in society. Marx also appears to take a similar approach, suggesting that co-operatives demonstrate alternative ways to organise production and highlight the social purpose of production (Ji 2020:349). It is not merely the inversion of class relations which makes co-operatives an important aspect of Marxist thought. The co-operative model makes economic democracy central to the organisation of production. This highlights the shortcomings of purely political democracy under capitalism in which power over economic affairs remains with owners of capital (Jossa 2005:5, 2014:285), further raising class consciousness. However, Marxist thought on co-operatives – specifically in Marx's *Critique of the Gotha Programme* – suggests that the political context of the formation of co-operatives affects their socialist credentials. If networks of co-operatives exist only due to state action, then they are not the genuine product of working-class endeavour but demonstrate the inability of the working class to self-organise (as cited in Jossa 2005:8, Ji 2020:357). However, this point is open to further exploration. Firstly, it could be argued that co-operatives, even if formed by state action, offer a platform for working-class action which would not otherwise exist, thus offering models of self-management and organisation which can be copied later by more spontaneous movements. Secondly, the existence of provisions by the state to support co-operatives may themselves be an indicator of working-class power and consciousness. More practically, co-operatives may work better if created by their members rather than being forced upon them (Carter 1990:337) since, as Restakis (2010:51) notes, “enforced cooperation is…a contradiction in terms”. Co-operatives need to be truly radically class-conscious ideological institutions (Ji 2020), which could be achieved through institutions of equality and reciprocity both between members and with other co-operatives, such as the need for co-operatives to support others through funding and national federation as suggested in Marx (1996). As Jossa (2017:135) forcefully states, “there is an indissoluble link between the progress of the cooperative movement and an active, militant worker movement”.

The final approach concerns the power of co-operative forms of organisation to induce change in the way that the economy functions. This approach is best demonstrated in Olin Wright’s (2010) argument that co-operatives, alongside other forms of political and economic reforms, could represent “interstitial” institutions in which “relatively small transformations cumulatively generate a qualitative shift in the dynamics and logic of a social system” (ibid:321). Whilst still a site of class struggle, these gradual changes represent a different form of struggle to a system-wide rupture. For example, the existence and spread of co-operative small businesses could force some capitalist businesses to offer better conditions to compete for labour, or to appeal to a socially conscious consumer base. Existing corporations could be converted to worker ownership when they fail (Jossa 2017:135), such as government schemes to fund worker buyouts in Italy (Vieta 2015) although the history of such conversions in the UK as Bennite ‘rescue co-ops’ in the 1970s was not always one of success (Jervis 2016).

Alternatively, a larger co-operative sector is a more powerful lobby to appeal to the state for the kinds of policies that would serve the co-operative economy. Parts of the public sector could partner with co-operatives (as in the “Preston model”[8]) to maximise the social benefits of their activities, and this could create increased demand in this sector and create a competition between firms to meet social standards to qualify for government contracts. This is significant since Marx highlighted the risk of small co-operatives becoming insignificant in a wider capitalist system and therefore requiring national support and to be part of a wider programme of economic reform (Ji 2020:354). This takes us to an argument that if the working class are powerful enough to promote such reforms, many of the needs served by co-operatives could have been met by other means (Gourevitch & Stanczyk 2018 make a similar argument about universal basic income). For example, Jossa (2017:135) goes so far as to suggest that the co-operative economy could be created by Parliamentary fiat, where hired labour was banned and changes to corporate ownership structures enforced by law, although he notes that this requires huge political power on the part of the working class.

Conclusion: What is to be Done?

[8] On the Preston model, see Brown & O’Neill (2016).

Labour insecurity and precarity under neoliberalism demonstrate the contradictions within capitalism previously held together by the corporatist Keynesian bargain of the post-war period. The failure of that system demonstrates the need for a truly non-capitalist mode of economic organisation for the future. The establishment of co-operative economies should be one of the main priorities of the left and represents a real opportunity for us to reconsider the role of work and production in our world.

This paper has argued that co-operatives, in an appropriate configuration, present a viable transformative alternative to neoliberal capitalism. Firstly, they provide a non-alienated form of labour in which workers enjoy collective control of their jobs whilst appropriating the returns to their labour. Secondly, they raise class consciousness and spread co-operative values, allowing the formation of other co-operatives, and changing expectations and perceptions of the economy away from entrepreneurial competitive capitalism towards decent work and equitable returns. Finally, they represent a path to further reform by acting as interstitial institutions creating new ways of operating which can spread throughout the economy and society. The LMF system ensures that this system open to all through socialised funding – a truly worker-led economy rather than one led by worker-capitalists – and that there are no advantages accruing to capital owners over other members of co-operatives. This is not to say that other forms of the co-operative do not have significant merit, since the empirical studies mentioned are not analyses of the LMF type, but instead to argue that if the co-operative model is to transcend the argument that it simply merges the roles of capitalist and labourer and truly forge class consciousness, it must socialise the role of capitalist. This could be achieved through the formation of co-operative lending institutions, backed by the state, in which shares of surplus from co-operatives are pooled (in line with Marx's (1996) recommendation) as a source of finance for all, at a fixed interest rate payable on a timescale appropriate for the expected returns of an investment. Asset locks and assets held in trust prevent the liquidation of co-operative assets for the selective benefit of members and reinforce the ethos of shared and socialised endeavour. Co-operatives need to co-operate with each other, which is in part achieved through the cross-fertilisation present in this funding arrangement, but also through the possibility of working together in associations and federations to socially embed the market relation which governs their interactions, ensuring that fair prices are paid for goods and services.

The state has an important role to play in encouraging this form of organisation, through encouraging local co-operatives and contracting services to them, supporting co-operatives through training initiatives and reinforcing co-operating financial institutions through legislation and public investment. This is not to say that co-operatives represent a single pathway to a new economy. Initiatives such as universal basic income, highly progressive income and wealth taxes, universal basic services, local participatory governance, and community ownership and wealth-building[9] may also all have their roles to play in creating a new institutional arrangement for the economy, each transformation contributing to the formation of, as Olin Wright (2010) puts it, a “real utopia”. The state is not politically neutral, however, and such reforms will be the consequence of class struggle in the political, social, and economic arenas. Co-operatives are both a constituent part and a result of this class struggle.

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[9] On community wealth building, see Guinan & O’Neill (2019).

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