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# Challenges of the Cooperative Movement In Addressing Issues of Human Security In the Context of a Neoliberal World: the Case of Argentina

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*Challenges of the Cooperative Movement in Addressing Issues of  
Human Security in the Context of a Neoliberal World: The Case of  
Argentina*

by

Stefan Ivanovski

A Thesis Submitted to the Honors Council

For Honors in International Relations

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## List of Abbreviations

ANTA	National Association of Self-Managed Workers ( <i>Asociación Nacional de Trabajadores Autogestionados</i> )
B.A.U.E.N.	Buenos Aires National Enterprise ( <i>Buenos Aires Una Empresa Nacional</i> )
CAES	The Academic Council of Evaluation and Monitoring ( <i>Consejo Académico de Evaluación y Seguimiento</i> )
CDER	Documentation Center for the Recovered Enterprises ( <i>Centro de Documentación de Empresas Recuperadas</i> )
CEDNICI	Centre for Documentation and Research of the Cultures of the Left in Argentina ( <i>Centro de Documentación e Investigación de la Cultura de Izquierdas en Argentina</i> )
CELS	Center for Legal and Social Studies ( <i>Centro de Estudios Legales y Sociales</i> )
CEPR	Center for Economic and Policy Research
CGE	General Economic Confederation ( <i>Confederación General Económica</i> )
CGI	Infantry Guard Corps ( <i>Cuerpo Guardia de Infantería</i> )
CGT	General Confederation of Labor ( <i>Confederación General de Trabajo</i> )
CIAJ	Collective for Legal Research and Action ( <i>Colectivo de Investigación y Acción Jurídica</i> )
CICOPA	International Organisation of Industrial, Artisanal and Service Producers' Co-operatives
CNCT	National Confederation of Worker Cooperatives ( <i>Confederación Nacional de Cooperativas de Trabajo</i> )
Currencies	ARS\$ (Argentine peso); USD\$ (United States dollar); € (Euros); £ (Pound sterling) and F (French frank)
ECLAC	UN Economic Commission for Latin America and the Caribbean
ECOSOC	Economic and Social Council of the UN
ECWD	Eastern Conference for Workplace Democracy
ERT	Worker recovered enterprises and factories ( <i>empresas y fábricas recuperadas por sus trabajadores</i> )
FACTA	The Federation of Self-managed Worker Cooperatives in Argentina ( <i>Federación Argentina de Cooperativas de Trabajo Autogestionadas</i> )
FAO	Food and Agriculture Organization
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FECOOTRA	Argentine Worker-Cooperative Federation ( <i>Federación de Cooperativas de Trabajo</i> )

Fed	Federal Reserve
FLACSO	Latin American School of Social Sciences ( <i>Facultad Latinoamericana de Ciencias Sociales</i> )
FSB	Financial Stability Board
GAO	Governmental Accountability Office of the US
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HWC	High Wealth Countries ( <i>Allianz</i> report)
ICA	International Co-operative Alliance
IDB	Inter-American Development Bank
IFI	International Financial Institutions
ILO	International Labor Organization
IMF	International Monetary Fund
INAES	National Institute for Social Economy and Partnership of Argentina ( <i>Instituto Nacional de Asociativismo y Economía Social</i> )
INDEC	National Institute of Statistics and Census of Argentina ( <i>Instituto Nacional de Estadística y Censos de la Nación</i> )
IPE	International Political Economy
IR	International Relations
ISI	Import-Substitution Industry
IYC	International Year of Cooperatives
LWC	Low Wealth Countries ( <i>Allianz</i> report)
MCC	Mondragon Cooperative Corporation
MDG	Millennium Development Goals
MNER	<i>National Movement of Recuperated Enterprises</i> ( <i>Movimiento Nacional de Empresas Recuperadas</i> )
MNFRT	National Movement of Worker-Recuperated Factories ( <i>Movimiento Nacional de Fábricas Recuperadas por sus Trabajadores</i> )
MWC	Medium Wealth Countries ( <i>Allianz</i> report)
NGO	Non-governmental organization
OAS	Organization of American States
OSN	National Sanitation Service ( <i>Obras Sanitarias de la Nación</i> )
OWS	Occupy Wall Street
PAN	National Food Program 1984-1989 of Argentina ( <i>Plan Alimentario Nacional</i> )

PICaSo	Research Program for Social Change ( <i>Programa de Investigación sobre Cambio Social</i> )
PRO	Republican Proposal ( <i>Propuesta Republicana</i> ), right-wing party in Argentina
RR	Roundup Ready
SAP	Structural Adjustment Programs
SEDEA	Relations Secretary for Self-Managed Communities ( <i>Secretariado de Enlace de Comunidades Autogestionarias</i> )
SOA	US Army School of the Americas
TARP	Troubled Asset Relief Program
TCC	Transnational Capitalist Class
TNC	Transnational Corporation
TNS	Transnational State
UBA	University of Buenos Aires
UIA	Industrial Union of Argentina ( <i>Unión Industrial Argentina</i> )
UN	United Nations
UNDP	United Nations Development Programme
UOM	Metalworkers union ( <i>Unión de Obreros Metalúrgicos</i> )
US	United States of America
WB	World Bank
WTO	World Trade Organization

## Abstract

The response of some Argentine workers to the 2001 crisis of neoliberalism gave rise to a movement of worker-recovered enterprises (*empresas recuperadas por sus trabajadores* or ERTs). The ERTs have emerged as former employees took over the control of generally fraudulently bankrupt factories and enterprises. The analysis of the ERT movement within the neoliberal global capitalist order will draw from William Robinson's (2004) neo-Gramscian concept of hegemony. The theoretical framework of neo-Gramscian hegemony will be used in exposing the contradictions of capitalism on the global, national, organizational and individual scales and the effects they have on the ERT movement.

The ERT movement has demonstrated strong level of resilience, despite the numerous economic, social, political and cultural challenges and limitations it faces as a consequence of the implementation of neoliberalism globally. ERTs have shown that through non-violent protests, democratic principles of management and social inclusion, it is possible to start constructing an alternative social order that is based on the cooperative principles of "honesty, openness, social responsibility and caring for others" (ICA 2007) as opposed to secrecy, exclusiveness, individualism and self-interestedness. In order to meet this "utopian" vision, it is essential to push the limits of the possible within the current social order and broaden the alliance to include the organized members of the working class, such as the members of trade unions, and the unorganized, such as the unemployed and underemployed. Though marginal in number and size, the members of ERTs have given rise to a model that is worth exploring in other countries and regions burdened by the contradictory workings of capitalism. Today, ERTs serve as living proofs that workers too are capable of successfully running businesses, not capitalists alone.



## Introduction

The moment we live in today is marked by an increasing economic and financial volatility, growing distrust in governments and escalating levels of insecurity for people within both developed and developing countries. Regardless of the level of socio-economic development of a particular country, anti-capitalist and anti-government protests have sprung up all over the world, spanning North America, Europe, Asia and Australia (Gabbatt, Townsend, and O'Carroll 2011). The protestors across the world are unified in condemning the functioning of the globally integrated economic and financial system as an unjust one, rooted in economic exploitation and aggravated by “greed” and “corruption”. This economic and financial system is designed to disproportionately benefit the rich and undermine the well-being and basic material needs of the majority in the world. A trade union activist from Sweden, Bilbo Goransson, was cited saying: “There are those who say the system is broke. It's not [...] That's how it was built. It is there to make rich people richer” (Gabbatt et al. 2011).

The aim of this honors thesis is to explain how the cooperative movement, through seeking to meet social, economic, political and cultural needs of its members on a local scale, can address issues of human security in the context of a neoliberal capitalist order, where human security is defined as *freedom from want*, condition which meets the economic and social needs and rights, and *freedom from fear*, condition which meets opportunities for meaningful participation within a community to include civil and political needs and rights (UNDP Report on Human Development 1994; Thomas 2007: 108-109). According to the International Co-operative Alliance (ICA), the definition of a cooperative is “... an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and

aspirations through a jointly-owned and democratically-controlled enterprise” (ICA website). In this thesis, the working definition of cooperatives is the one provided by the International Co-operative Alliance, which is an international organization that represents cooperatives in 96 countries, employs over 100 million men and women and has a membership base of over 800 million individuals.<sup>1</sup>

The International Co-operative Alliance states that in the world there are “agriculture, banking, fisheries, health, housing, industry, insurance, tourism and consumer co-operatives” (ICA website), pointing to a diversity of social and economic functions cooperatives perform. In 1996, at The World Summit for Social Development in Copenhagen, the United Nations (UN) recognized the importance of cooperatives:

“[...] cooperatives in their various forms are becoming a major factor of economic and social development by promoting the fullest possible participation in the development process of women and all population groups, including youth, older persons and people with disabilities, and are increasingly providing an effective and affordable mechanism for meeting people’s needs for basic social services [...]” (United Nations General Assembly Resolution A/RES/51/58 of 1996)

Various reports confirm the UN’s findings that cooperatives are better suited for addressing crucial aspects of human security in a global neoliberal world due to their local character and sense of solidarity with cooperatives internationally. In 2009, the International Labor Organization (ILO) published a report concluding that cooperatives are more resilient in times of crisis than traditional enterprises (Birchall and Ketilson 2009: 2). The report further reported that in general, more cooperatives survive and last longer than small businesses in the private sector (Birchall and Ketilson 2009: 29). In 2007, the International Monetary Fund (IMF) analyzed the financial stability of 16,500 financial institutions across 29 countries, comparing “credit unions/cooperative banks vis-à-vis commercial and savings banks” and concluded that not only are credit unions or cooperative banks *more* stable than commercial banks, but also the “large

presence of financial cooperatives aid a country's financial sector stability" (Grace 2009). In June of 2011, the International Organisation of Industrial, Artisanal and Service Producers' Cooperatives or CICOPA,<sup>2</sup> released a report stating that generally "the situation seems to be better for worker and social cooperatives compared to conventional enterprises", especially in those countries with longer cooperative tradition and experience such as Italy and Spain (CICOPA 2011). Meanwhile, in countries with weaker cooperative implantation, the report notes that "cooperatives have had to adapt to employment and find innovative measures" to their respective crisis (CICOPA 2001). Despite the challenges, few cooperatives resort to job cuts as a solution to economic and financial woes. In other words, cooperatives would appear to be more motivated to achieve development as a social goal for human security than capital accumulation for its sake, which leaves majorities vulnerable to market forces to varying degrees across time and place.

These reports confirm that cooperatives are capable of enabling local communities throughout the world to meet their specific material, civil, political and cultural needs and rights. The UN, recognizing the importance of cooperatives throughout the world as actors of development, launched the UN International Year of Cooperatives (IYC) 2012 at the UN General Assembly Hall on October 31, 2011, in New York City.<sup>3</sup> One of the challenges that cooperatives face is the unequal treatment they receive with respect to conventional enterprises. The ILO and CICOPA reports cite examples of how banks and governments in some countries limited access to institutional and financial resources that are essential for the effective functioning of cooperatives. The UN General Assembly Resolution A/RES/64/136 of 2010, "Cooperatives in Social Development", is an important step to raise awareness and encourage member states to provide a level playing field for cooperative enterprises and recognize their unique role in society. Even though there are many different actors and ideologies that shape

policies at the UN level, one has to be careful not to overstate the importance of this initiative. The UN has a history of being controlled and heavily influenced by the major state actors that have pushed for economic liberalization that favors large corporations and the perpetuation of the status quo (Moore and Pubantz 2006: 254-266).

In light of the International Year of Cooperatives 2012, it is my expectation that this thesis will serve as an inspiration to those who seek alternative ways of organizing economic and social life. This thesis, through the case study of the cooperative movement in Argentina, aims to critically analyze the implications and extent of influence of non-violent, participatory, democratic and sustainable forms of achieving social change in the immediate communities we live in and their impact on the global community.

The current moment of neoliberal capitalist globalization has not delivered the promises on development it has made. The economic and financial crisis that erupted in 2008 disproportionately affects and marginalizes communities in both the developed and the developing world. Furthermore, it limits opportunities for them to participate in the economy and take steps to control their lives in order to overcome marginalization, poverty and insecurity. In a globalizing capitalist world, the primary tensions are not along national lines rather they occur mainly though not exclusively along class lines, specifically between those who own the means of production, the capitalist class strata, and those who are dependent upon wage-labor in order to reproduce themselves within society, the working class. Exclusion is an inherent tool of capitalism that favors the capitalists over the working classes. In July of 2001, the Center for Economic and Policy Research (CEPR) published a report titled: “The Scorecard on Globalization 1980-2000: Twenty Years of Diminished Progress”. The report concluded that the current form of neoliberal capitalist globalization has undermined development:

“This study has used standard measures of progress in the categories of economic growth, health outcomes, and education to evaluate the record of the last twenty years. The results are overwhelmingly in one direction: in every category, the comparisons show diminished progress overall in the period of globalization as compared with the prior two decades.” (Weisbrot et al. 2001)

Capitalism at its core is organized for private capital accumulation which is not necessarily the equivalent of development for the ends of human security. The CEPR report further demonstrates that so-called developing countries have been disproportionately negatively affected compared to the economically developed countries; however, there are class strata and other social forces in those societies that benefit significantly from the system. Global social polarization is a consequence of the ways in which global capitalism operates, especially under the impact of the neoliberal doctrine with growing evidence in increasing income inequality at all scales: local, national, regional and global. “One of the ideological constructs of the global capitalist system is to treat poverty and inequality as if it were a problem of scarce resources or insufficient growth. It is neither” (Robinson 2004: 151). The problem of capitalism is that of distribution and “who-what social groups” exercise power and control over the use of resources (Robinson 2004: 152).

In 2011, millions around the world went on the streets to protest. Some protestors see this movement as a global one. Lauren Zygmunt, an Occupy Wall Street (OWS) protestor who traveled from Denver to New York, stated: “Borders don’t matter at all [...] We’re all human beings, we’re all in this together. This is a global movement” (Gabbatt et al. 2011). The Occupy Wall Street and other movements of similar nature preceding it, such as *Los Indignados* (the indignant ones) in Spain (*El Mundo*, October 16, 2011) and the Arab Spring across North Africa and the Middle East, appear to have a global impact, but have made limited concrete gains. At this stage, it is premature to speculate what will be the outcomes of the Arab Spring, *Los*

*Indignados* and Occupy Wall Street protests. Even though these demonstrations have sprung up all over the world, there is no real sense of global cooperation or coordination among different groups of protestors. In order to become truly global, the movement requires a set of formal global objectives for change and a podium from which these global demands in the name of all humanity can be effectively addressed. At present, it is difficult to foresee whether this particular movement will grow more vigorous or wither away; only time will tell. What is important to recognize is that an increasing number of people across the world have been severely affected by the global economic and financial crisis, which unraveled with the bankruptcy of Lehman Brothers in the United States in 2008 (Dietmar, Mahler, Pauly, Schiessl, and Schulz 2011). It is time to look for an alternative to the capitalist form of production, which systematically structures social relations around capitalist accumulation for the private ends of especially those that own capital, resulting in severe consequences for the majority of global humanity. It is time to construct a society that will be socially, politically, economically and environmentally sustainable and inclusive of all humanity, not just a limited global minority.

For the specific purposes of this thesis, my focus will be on the particular expression of the cooperative movement in Argentina after the crisis of 2001, *las empresas y fábricas recuperadas* (the worker-recovered enterprises and factories or ERTs for short) that are managed as worker cooperatives, which by definition are worker-owned and worker-controlled enterprises. The ERTs are considered a productive form of worker organization (*organización productiva*) and the National Institute for Social Economy and Partnership of Argentina (*Instituto Nacional de Asociativismo y Economía Social* or INAES), classifies the productive worker organizations in the following nine categories: agricultural (*agropecuarias*); services (*provisión*) such as cab drivers, doctors, merchants, etc.; public services (*provisión de servicios*

*públicos*) such as electricity, potable water, phone, etc.; housing (*vivienda*); consumer (*consumo*); credit unions (*crédito*); insurance (*seguros*); bank (*bancos*); and worker (*trabajo*) cooperatives (INAES website). The worker cooperative category encompasses a wide array of economic and social activities, giving it flexibility in addressing issues of human security on various scales. Given that INAES classifies cooperatives in nine different categories, focusing on a variety of social and economic areas, it is impossible to study and observe the impacts of all nine forms of cooperatives on human security in Argentina in this thesis. The focus of the thesis will be the study of the ERTs organized as worker cooperatives. According to the National Institute for Social Economy and Partnership of Argentina, worker cooperatives are “formed by workers, who jointly pool their labor force to carry out the production of goods and services.”<sup>4</sup> Sometimes, when citing academic work from other sources, there is a tendency to conflate the recovered factories and enterprises to recovered enterprises (*empresas recuperadas* or ERs). In English, some researchers and scholars translate *empresas recuperadas* as “recovered” or “recuperated” enterprises. These are just different terms to explain the same phenomena. In this thesis, I will refer to them as worker-recovered enterprises (*empresas recuperadas por sus trabajadores* or ERTs).

The inspiration for conducting a thesis on the topic of the ERT movement in Argentina surged when I studied abroad in Buenos Aires in the fall of 2010. While there, I wrote a research paper in Spanish on the topic of “The Recuperated Factories and Enterprises Managed as Worker Cooperatives: A Model for Providing Sustainable Workplaces for the Community.”<sup>5</sup> In that research paper, I focused on the analysis of the ERT movement and the specific external and internal challenges to managing the occupied workplaces. Some of the external challenges were the limited political, judicial, state and economic support, while among the internal challenges,

there were difficulties obtaining capital, lack of management training and experience, income instability, lack of self-discipline and self-responsibility (Rebón 2005). In addition, I analyzed the outlook of the labor unions on the occupation of workplaces. During and after the crisis, most labor unions were left too weak to guarantee and defend the workers' rights. Some labor union members expressed antagonism, some were neutral and few were supportive of the worker's occupation of the bankrupting factories and enterprises. Despite the external and internal challenges, the movement has proven successful in recovering jobs and has managed to grow in recent years. Most importantly, the movement, through its non-violent, participatory and democratic approach has managed to gain the support and the legitimacy of the broader public (Ivanovski 2010: 27).

In the summer of 2011, I applied to Bucknell's Program for Undergraduate Research. As part of my research project, I attended the Eastern Conference for Workplace Democracy (ECWD), July 8-10, 2011, in Baltimore, Maryland. Over the course of the summer, I translated the research paper I wrote in Argentina from Spanish to English. I also worked with the Economics Department under the mentorship of Professor Geoff Schneider to write a paper analyzing the lessons that the US cooperative movement can draw from the experiences of the Mondragon Cooperative Corporation (MCC) and Argentina's ERT movement in addressing the socio-economic challenges that surged with the onset of the "Great Recession". In the paper, I examined the management practices and impact of the Mondragon cooperatives on jobs in Spain and how the cooperative movement can serve as a way of creating sustainable jobs on the local scale in the US at times of stagnant employment opportunities and high unemployment rate. The Argentine experience is a potential alternative that seeks to empower workers vis-à-vis capital through ensuring that factories and enterprises do not simply close down without ensuring the



source of livelihood to workers and their families. The experience of the ERT movement may not prove applicable to the US at the current moment, but it is a possibility for the working classes to consider thinking outside of the contemporary legal and normative conventions in order to find solutions to address their basic material and human needs. Through the analysis of the cooperative movements in Spain and Argentina, the purpose of the 2011 summer research was to show that the cooperative movement's success can be adapted to different parts of the world. Given that the US is undergoing an economic crisis, disproportionately affecting the working class and the poor (Reddy 2011), the cooperative movement can serve as a real alternative if it aims to take control of the means of production in an attempt to democratize the economy. The challenge however, is that there is no common vision about what specific political steps need to be taken in order to consolidate the power of the cooperatives across the US. A good number of co-op members in the US seem comfortable within the current political-economic and legal arrangements that clearly benefit large corporations.

The approach to moving beyond the previous research involves broadening the scope of my analysis of the ERT movement. In the 2010 research project in Argentina, the focus was much more limited and it involved an attempt to analyze the impact of the ERT movement on the creation of jobs. In that research, I analyzed the experiences of the Hotel B.A.U.E.N. cooperative, whose press manager, Diego Ruarte, I interviewed in October of 2010. The research paper did not seek to analyze whether the cooperative movement could become a realistic alternative to capitalism, nor was there an extensive analysis of the role or impact of the global and regional actors. It provided criticism of the implementation of neoliberal policies; however theoretical and empirical scrutiny of neoliberal capitalism was largely overlooked. In that paper, I provided a limited analysis of the role of national and state actors and their impact on the ERT

movement. In the current thesis project, I will situate the ERT movement within the neoliberal global capitalist order and analyze it by applying the theoretical framework that draws from the neo-Gramscian concept of hegemony. Moreover, I intend to show that the ERT movement, through its non-violent approach to social protest and workplace occupations, democratic governance and management, and social inclusion of the wider community into the movement, demonstrates that it is possible to resist the negative consequences of neoliberal capitalist crises. I hope that this study of the ERT movement can serve as a model for social movements in other parts of Argentina and the world to examine and see what is applicable in their respective struggles. This study highlights only one way in which the working classes globally can fight to ensure they have effective control over the means of production. The thesis goes to show that the workers, through their commitment to non-violent occupations, democratic governance and social inclusion, can garner the support and gain the legitimacy of the wider public. This legitimacy was essential in sustaining the movement in the early 2000s, during the heat of workplace “recoveries”.

History bears witness that grassroots and social movements that challenged the principles of capitalist social relations were marginalized, excluded and/or assimilated into the capitalist system. In Chapter 2, *The Rise of the Modern Cooperative Movement and its Historical Development within Capitalism* and Chapter 3, *The Historical Developments of Cooperatives in Argentina*, I analyze the developments of the cooperative movement within the context of a capitalist society over time. There I argue that the failure of cooperatives to attract the support of the wider society and the inability to control state institutions led to economic and political marginalization. The focus of most cooperatives to provide for their members and “forgetting” to focus on the well-being of the wider community leaves the cooperatives and their members

vulnerable to the contradictory workings of capitalism. An adequate understanding of capitalism helps the working class become a class-for-itself that can look beyond the capitalist order and struggle to improve the world. This is why I argue that it is imperative to understand the mechanisms and agency behind globalized capitalism and how capitalism affects social relations at the local, national, regional, international and global scales. The analysis of the workings of capitalism on multiple scales will draw on Robinson's theory of neo-Gramscian hegemony.

The case of the ERT movement in Argentina, demonstrates that at least some members have recognized the importance of expanding the network of workplace occupation beyond the local, provincial and national borders to include the regional, international and global scales. One cannot adequately resolve the issues associated with capitalism if these linkages are not well understood. For this reason, it is essential that individuals of the working class and other marginalized groups from across the world seek to raise the level of consciousness with regards to the expansion and intensification of neoliberal capitalist social relations. The struggle to construct a post-capitalist order that will be free from exploitation, pollution, exclusion and marginalization requires that a globally integrated civil society emerges that will prioritize human security and the sustainability of the ecosystem over meeting the private interests of an elite group of individuals. This counter-hegemonic discourse and movement needs to account for the workings of capitalism across time and space.

Through the historical analysis of the cooperative movement, I try to show that capitalism systematically has sought (and still seeks) to co-opt, neutralize, persecute and eliminate anti-capitalist resistance movements. Capitalism's history of dynamic change and adaptation demonstrates that any social movements, such as the ERTs, can be deemed as a "threat" to the stability and security of the capitalist order. Since capitalism operates on multiple scales across

time and space, post- and anti- capitalist movements that only focus on a singular scale (e.g. local, national, regional or global) will have much more difficulty in sustaining their struggle. Through making the connections of the workings and the effects of capitalism on different groups across multiple scales, I anticipate to demonstrate that the construction of a counter-hegemonic discourse and movement is a truly complex endeavor, which achieves progress in a non-linear fashion.

In the current moment of global capitalism, the transnational capitalist class (TCC) exercises hegemony at various scales, global, national and local, according to William Robinson (2004: 49-50). In the current thesis, I intend to analyze the manifestations of hegemony at different scales and account for how it affects the ERT movement, in other words, I seek to assess the level of resilience the ERT movement demonstrates in a current neoliberal capitalist order. Through my case study of Argentina, I intend to develop a qualitative analysis of the extent to which the cooperatives, within the context of neoliberal capitalism, might help open up spaces and opportunities for reshaping and redefining the role of the worker in Argentina and the implications for the wider world, especially for those workers severely affected by the current economic and financial crisis that erupted in 2008 on Wall Street and spread across the globe.

### **Brief Historical Development of the Worker-recovered Enterprises in Argentina**

The ERT movement in Argentina was consolidated as a response to the worst social, economic and political crisis in the history of Argentina that was set in motion by the sovereign debt default in 2001. During the 1990s, there were massive lay-offs of workers and thousands of factories and enterprises in Argentina declared bankruptcy. Argentina's default in 2001/2002 unleashed a devastating crisis that brought 57.5% of the total population below the poverty rate in October of 2002 (according to data published by the National Institute of Statistics and Census

of Argentina or INDEC) and left 21.5% of the economically active population unemployed, or over 3 million people (*La Nación*, July 26, 2002). This outcome and the suffering it imposed on the affected population suggested that the system and its practices are not designed to make development for the ends of human security the main priority. With the help of local communities, some of the laid-off workers were able to take over the control of the bankrupt factories and enterprises, seeking to protect the source of their livelihood. In the period since the crisis in 2001, the cooperative movement has grown to about 280 *empresas recuperadas*<sup>6</sup> employing more than 11,000 workers in 2011 (*Miradas Al Sur*, March 13, 2011). The sustained growth of the ERT movement, which is based on the principles of cooperation and solidarity, shows that the movement is capable of creating spaces of resistance that serve to address some of the negative effects of the implementation of neoliberal capitalist policies.

The movement has partly grown as a direct response to the crisis of 2001. More broadly however, the Ministry of Labor, Employment and Social Security<sup>1</sup> of Argentina (*Ministerio de Trabajo, Empleo y Seguridad Social*) published a report in 2010, according to which between 2000 and 2003 there were 75 and between 2004 and 2010 there were 80 ERTs formed (*Miradas Al Sur*, March 13, 2011). This shows that some factories and enterprises were recovered even before the full impact of the crisis struck Argentina in 2001 and that even after the crisis of 2001, the rate of creation of new ERTs has not subsided. The success relies on the strength, resilience and power of the movement; however it is important to recognize the roles of national, regional and multinational actors as well. For example, on the national level, the ERTs receive support from INAES, a branch of the Ministry of Social Development (Source: *Ministerio de Desarrollo Social* website) and the Ministry of Labor (Source: *Ministerio de Trabajo* website). On the

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<sup>1</sup> In the future, the Ministry of Labor, Employment and Social Security will be referred to as Ministry of Labor or *Ministerio de Trabajo*

regional level, the movement relied on the assistance of the International Co-operative Alliance-Americas and lastly on the multinational level, the UN's Social Policy and Development Division endorsed the expansion and integration of cooperatives worldwide. More specifically, the UN dedicated 2012 as the International Year of Co-operatives. To understand the local and global interplay of forces and factors that appear to be influencing Argentina's ERT movement under the neoliberal capitalist order, it is necessary to provide a brief overview of the historic development of cooperatives on a broad scale (Chapter 2) and with specific reference to Argentina (Chapter 3).

The history of capitalism is dotted with recurring economic and social crisis of devastating proportions and contradictory outcomes for various strata, groups and individuals. Crises are inherent in the capitalist mode of production and economic recovery that has followed each major crisis tended to be relatively slower and more painful for large numbers of the working class. The Argentine experience is very relevant to the current protests taking place across the globe, many of which seem to be inspired by the *Los Indignados*, Occupy Wall Street and Arab Spring movements. In the 1990s and early 2000s, some Argentine workers, who were taking over the control of the factories and enterprises, chanted the slogan: "*ocupar, resistir, producir*" (occupy, resist, produce),<sup>7</sup> which resonates with the "Occupy" Wall Street movement. The experience of the ERT movement can serve as a blueprint that could potentially be applied, albeit in a modified form, in other parts of the world. For instance, it is difficult to prove that the Occupy Wall Street movement of 2011 was directly inspired by specific anti-capitalist responses in South America, but there are some parallels namely in the nature of the responses to the destructive processes of capitalism. What matters is that people are voicing their concerns over the need for change on a global scale, which helps raise awareness about the necessity to move to

a post-capitalist order where human over “state” or “regime” security will take precedence. In the case study of Argentina, I will use empirical evidence and qualitative analysis to make my argument. I conducted two interviews with co-op members in Argentina in October of 2010. One of the interviewees was Diego Ruarte, press manager of the Hotel B.A.U.E.N. cooperative and the second interviewee was José Orbaiceta, spokesperson for the Executive Board of INAES. Their views reflect the need for change and they see great potential in the co-operative movement playing an important role in the construction of a post-capitalist social order.

In order to follow the logic of the argument that cooperatives have the potential to address urgent needs of human security it is important to analyze the historical and ideological development of cooperatives. Ewell Roy, among other authors, traces the development of cooperative ways of production in various forms, several thousand years Before the Common Era (Ewell 1969). Despite the different forms of cooperatives that existed in the history of humanity, the focus of this overview of cooperatives will be on the development of the modern co-op movement starting during the time of the Industrial Revolution in England during the 18<sup>th</sup> and 19<sup>th</sup> centuries, when capitalism has reached an important turning point in its techno-industrial development. It is of critical importance to this research to analyze the development of the modern cooperative movement under industrial capitalism, in order to contribute to our understanding of how capitalism then and now in its neoliberal global phase affects cooperatives and their development.

### **Overview of Chapters**

Chapter 1, *Contradictions of Neoliberal Capitalism and its Effects on Human Security*, will provide a theoretical framework and analysis of the global political and economic arrangements under capitalism and how it affects human security globally. The implementation

of neoliberal capitalist policies globally has implications for the ERT movement in Argentina because both the national political-economic institutions of Argentina and the ERT movement are affected by the global imposition of neoliberal policies. Despite the imposition of the neoliberal policies that provide more challenges to the ERT and the wider cooperative movement, the cooperatives in both Argentina and the world have shown that they are capable of resisting more effectively the negative effects of capitalism. Furthermore, empirical evidence shows that it is possible to achieve economic viability, while at the same time meeting human security imperatives.

To provide the context in which the ERT movement situates itself, I will analyze the developments of neoliberalism in the world through the prism of the neo-Gramscian theoretical framework that was inspired by arguments that Antonio Gramsci reflected upon in the *Prison Notebooks* published in 1971. Antonio Gramsci (1891-1937), an Italian philosopher, scholar and founder of the Italian Socialist Party, was imprisoned in 1926 by the Mussolini regime (Morton 2007: viii) and died in an Italian prison in 1937. Neo-Gramscians are concerned with theoretical developments, among them the concept and role of hegemony in the field of International Relations (IR) and International Political Economy (IPE). The neo-Gramscian theoretical framework provides a critique of the neoliberal global capitalist order. For this thesis the theoretical analysis and critique of capitalism will borrow from William Robinson's study of the rise of transnational capitalist class (TCC), transnational corporation (TNC) and transnational state (TNS) as outlined in *A Theory of Global Capitalism: Production, Class, and State in a Transnational World* (2004). In this chapter a special importance will be placed on the analysis of the four contradictions of global capitalism as explained by Robinson: "1) overaccumulation;



2) global social polarization; 3) the crisis of state legitimacy and political authority; 4) the crisis of sustainability” (2004: 147).

In the analysis of neoliberal global capitalism and the four contradictions which Robinson explains, I will focus on how the global political-economic arrangements and exercise of power by the TCC in the field of political economy significantly undermine human security. The theoretical analysis of hegemony will also focus on the concept of *polyarchy*, which Robinson defines as: “[...] a system in which a small group actually rules and mass participation in decision-making is confined to leadership choice in elections carefully managed by competing elites” (Robinson 1996: 49). Polyarchy adversely affects human security by limiting the substantive democratic participation of the majority in the political-economic institutional arrangements, leading to alienation of the public and increasing levels of popular distrust and suspicion towards the government, the elite and the broader political process (Robinson 1996: 58-59). To show how global capitalism affects human security, I will focus on the effects of capitalism on economic and social (*freedom from want*) and political and cultural (*freedom from fear*) needs and rights, which are the categories that are crucial for sustainable human development as outlined in the *Report on Human Development of 1994* published by the United Nations Development Programme (UNDP).

Chapter 1 provides an important analysis of the contradictions of capitalism and clearly shows that the effective decision-making processes in the realm of the political-economy is done by an elite group of individuals, thus trumping notions of substantive democratic or popular participation in shaping social relations. In the subsequent chapters, I will analyze how sustaining the principles of democracy, equality and solidarity within the cooperatives becomes a non-linear daily struggle. This is a consequence of the institutionalized norms and structures of

undemocratic, unequal and egoistic principles and modes of governance that permeate social relations at all scales in a capitalist social order. Provided the given context, cooperative members face an uphill struggle to balance between the cooperative principles as outlined by the International Co-operative Alliance and existential imperatives mandated by the forces of competition of the capitalist marketplace.

Chapter 2, *The Rise of the Modern Cooperative Movement and its Historical Development within Capitalism*, will address the historical development of the modern cooperatives, specifically the Rochdale cooperative in England and analyze the ideological developments and limitations such as were reflected in the efforts made by Robert Owen (1771-1858) in England and Charles Fourier (1772-1837) in France (Gonzales 2005: 5). In Chapter 3, *The Historical Development of Cooperatives in Argentina*, I will analyze the development of the most important cooperative in Argentina, *El Hogar Obrero*, and discuss how the influence of European immigrants, with their culture and strong traditions in labor movements and trade unions, contributed to the rise of the co-op movement as well as its aims, successes and pitfalls. The historical analysis of cooperatives is very important and relevant to the current ERT movement, because evidence shows that capitalism constantly seeks to co-opt or neutralize resistance. Even though much has changed since the Industrial Revolution, capitalist exploitation and oppression of the working classes in Argentina and globally has not ended, rather it has taken new shapes. The struggle to end capitalist exploitation and oppression is ongoing. The fact that some workers in Argentina sought to “recover” their workplaces goes to show that they were seeking ways to guarantee their personal security, existence and dignity within a capitalist society as well as that of their families.

The research paper of 2010 on Argentina provided empirical evidence and outlined the linkages between European immigration and the rise of the cooperative movement in Argentina; however, this thesis will attempt to develop further the historical analysis of the cooperative movement through incorporating the ideological visions of the Argentine cooperative members and empirical evidence of their performance. Providing the ideological framework of the most influential Argentine cooperative, *El Hogar Obrero*, will be necessary to establish the basis for analysis of the workings of hegemony in Argentina, which I will expand in chapters 4 and 5 with the aim of broadening the understanding of the social and historical context that contributed to the rise to the current ERT movement. The strong tradition of cooperative and labor movements in Argentina, lays the context for the ingenious and courageous responses by some workers to the crisis of neoliberalism in the 1990s and early 2000s. The culture of work in Argentina and its association with “dignity” is what made it possible that we witness the phenomenon of workplace occupations at a larger scale in Argentina than anywhere else.

Chapter 4, *Crisis of Neoliberalism in Argentina and Responses to the Crisis*, will focus on the specific expression of the crisis of neoliberalism and the analysis of neoliberalism and related policies in Argentina. In the opening of the chapter, I will provide the historical context when Argentina started opening up to the world economy and dismantled the Import-Substitution Industry (ISI) model during the military dictatorship that was denominated as *Proceso de Reorganización Nacional* or the National Reorganization Process (1976-1983). The military dictatorship laid the foundation for neoliberal policies, but the peak of their implementation came during the administration of President Carlos S. Menem (1989-1999). For a critical analysis of the neoliberal crisis in Argentina during the 1990s and early 2000s, I will analyze a seminal article, “Rise and Collapse of Neoliberalism in Argentina: The Role of Economic Groups”, by

the Argentine economist Miguel Teubal. Part of the focus of the analysis of global neoliberal capitalism will be on the role the IMF and the World Bank (WB) played in contributing to the causes of the crisis of 2001. Ironically, the World Bank praised Argentina's economic measures in March of 1995 (IMF, March 13, 1995) and Argentina's banking system was considered to be "a model for emerging market economies",<sup>8</sup> at a time when unemployment rate was increasing and peaked at 18.4% in October of 1994 (*La Nación*, July 23, 2000).

To further strengthen the critical analysis laid out by Miguel Teubal, I will use empirical evidence (indicators of poverty, income inequality, health care access and education, surveys of public perception on political legitimacy and transparency) from national, international and non-governmental organizations such as: National Institute of Statistics and Census of Argentina (*Instituto Nacional de Estadística y Censos de la Nación* or INDEC), UN Economic Commission for Latin America and the Caribbean (ECLAC), the UN and the ILO. The primary sources for the research and especially for Chapter 4 are the Argentine Constitution of 1994, Law on Cooperatives 20.337 from 1973, the Insolvency and Bankruptcy Law (*Ley de Consursos y Quiebras 24.522*) of 1995 and its subsequent reform 26.684 of 2011. These official documents are crucial for understanding the legal-judicial and political developments and their implications for the ERT movement. This chapter will integrate and synthesize the analysis of hegemony and polyarchy and explain how the ERT movement, operating within the context of the global neoliberal capitalist order offers possibilities for rethinking human security with attention to its external limitations.

The analysis of the crisis of neoliberalism provides the context in which the occupations of workplaces take place. The institutionalization of the neoliberal ideology permeates into the value systems of individuals, organizations, government, non-government and inter-

governmental organizations to varying degrees, which poses serious challenges for creating a unified counter-hegemonic discourse that will seek to meet the needs of the broader humanity as opposed to a ruling minority. After losing their jobs and seeing no other alternative but to occupy their former workplaces in order to provide for themselves and their families, the workers rediscovered the strength in their numbers and bonds of solidarity. However, after the struggle to “recover” the workplaces, the greater challenge for the members of the ERT movement is to redefine the subjectivities among the members of the cooperative organizations as well as between the cooperative and non-cooperative members.

In Chapter 5, *Challenges of Worker-recovered Enterprises in Meeting Human Security Needs and Rights*, I will analyze the challenges of the individual workers and ERT organizations focusing on the internal limitations in addressing the contradictions of capitalism. Furthermore, I will assess the extent to which the members are able to construct a vision of a form of resistance to capitalist production, at the least; or a vision for an alternative social order at best. In order to provide a qualitative assessment of the development of cooperatives in Argentina, and to account for how the role of the worker under capitalist system can be transformed, I will refer to the interviews I conducted with Diego Ruarte, press manager of the Hotel B.A.U.E.N. cooperative and José Orbaiceta, spokesperson of the Executive Board of INAES, member of the *Ferrograf* cooperative and president of the Argentine Worker-Cooperative Federation (*Federación de Cooperativas de Trabajo* or FECOOTRA). I will supplement the interviews with updated information from daily newspapers of Argentina such as: *La Nación*, *Página12* and various cooperative newsletters. In addition, I will evaluate the findings in the research project on ERTs that was authored by Julian Rebón (2005) and published by the Research Institute–Gino Germani of the University of Buenos Aires.

The key authors who contributed significantly to the research of the ERT movement are Rebón Julian (2004, 2005, 2007 and 2008), Marcelo Vieta (2007 and 2010) and Esteban Magnani (2003, 2004, 2009 and 2010). Besides working as a researcher at the Research Institute-Gino Germani, Rebón Julian holds a doctorate in Social Sciences from the University of Buenos Aires (UBA), a masters degree in population from the Latin American School of Social Sciences (*Facultad Latinoamericana de Ciencias Sociales* or FLACSO) and a degree in sociology from UBA. Rebón Julian published several articles on the *empresas recuperadas* and three books, *Desobediciendo al desempleo* (Disobeying unemployment in 2004), *Empresas recuperadas* (Recovered enterprises in 2005), and *La empresa de la autonomía* (The Autonomous Enterprise in 2007).<sup>9</sup> Esteban Magnani is the author of *The Silent Change* (2003), a book on the ERT movement. He holds a degree in Science of Communication from UBA and an MA in Media and Communication from London University. Another key researcher of the ERT movement is Marcelo Vieta who is a PhD candidate at the graduate program for Social and Political Thought at York University in Toronto, Canada. Marcelo Vieta has been doing research on the ERT movement since 2005 and has visited Argentina and conducted on-site interviews and investigations.<sup>10</sup> I will draw from the information and analysis of these authors and sources mentioned above in order to gain a better understanding of the challenges that the members of the ERT movement face. Moreover, I will provide my own insights, arguing within the theoretical framework of hegemony as outlined in Robinson's *A Theory of Global Capitalism: Production, Class, and State in a Transnational World* (2004).

## **CHAPTER 1: Contradictions of Neoliberal Capitalism and its Effects on Human Security**

In order to gain a better understanding of the economic, political and social forces that influence the ERT movement in Argentina, it is important to provide a critical analysis of the workings of neoliberal capitalism and a critique of security. The critique of neoliberalism begins with William Robinson's account of the emergence of global capitalism. Robinson argues that the emergence of global capitalism is the fourth epoch of the historical development of capitalism<sup>11</sup> and is qualitatively a new phase in the process (Robinson 2004: 2-5). The current moment of global capitalism is marked by the intensification of capitalism's inherent contradictions as is reflected in its tendencies to generate high levels of economic growth and techno-scientific innovation, while simultaneously exacerbating poverty, creating political systems with little popular legitimacy and generating vast amounts of pollution that have severe environmental consequences. According to Robinson, a contradiction within a social order is "the existence of two dimensions inherent in the particular order that are incompatible with each other and make instability and change intrinsic part of the order" (2004: 147). A World Bank report published in January 2012 concludes that the economic and financial crisis of 2008 is still producing ripple effects in the global economy. Moreover, the report anticipates economic growth to be slower in 2012 (World Bank, January 18, 2012).

It is in capitalism's nature to seek constant expansion and revolutionize the instruments (tools) of production, gain access to new markets, labor force, raw materials and land (Robinson 2004: 3). The need for capitalism to constantly reinvent itself and restructure social relations results from its inherent *crisis of overaccumulation* (Robinson 2004: 148). As Robinson

elaborates, the problem results since the dominant capitalist classes pay less in wages to the working classes than the value of the goods and services the workers produced (2004: 148). The drive to extract surplus value for the ends of making profit results in “excess” of goods and services on the market, given that the working classes cannot consume all they have produced (Robinson 2004: 148). To overcome the crisis of overaccumulation, capitalism needs to expand the geographic extent of the capitalist mode of production, intensify the process of commodification of social relations and reduce labor costs (Robinson 2004: 7).

If and when the process of capitalist production and accumulation contracts then it may lead to a recession. Since the oil crisis and the crisis of Keynesian capitalism started in the 1970s, capital has gone “global” (Robinson 2004: 148) in order to overcome the structural limitations of the immediate postwar arrangements. The recent economic and financial crisis that begun on Wall Street in 2008 shows that the world is becoming more interconnected and interdependent, both in sharing the gains and the losses from the globalization of capitalism. In 2009, the IMF published a comprehensive report on the “financial crisis” declaring that since the 1960s, the advanced economies on average “have experienced six complete cycles of recession” (IMF 2009: 103). The “cycles of recession” are an empirical evidence of the structural limitations of overaccumulation within capitalism because it shows that capitalism needs to continually expand and grow before it can overcome a crisis. Furthermore, the IMF report notes that recessions caused by “financial crises” are “more severe and longer lasting recessions associated with other shocks”, where recoveries are slow and take a longer time than the usual “business cycle” (IMF 2009: 98). On average, a recession lasts about a year and expansion “often lasts more than five” (IMF 2009: 104). Even though capitalism has demonstrated that it is capable to outgrow its economic recessions, in a world of finite resources it will be impossible to continue growing the



economy indefinitely. The ideological notions of infinite growth under capitalism are bound to hit natural limitations.

The IMF report further argues that in the advanced industrialized countries there are higher increases in economic growth during times of expansion, 20% increase in GDP, in contrast with contraction of 2¾ percent in GDP during recessions (IMF 2009: 104). The macro-economic growth that certain developing countries are currently experiencing under global capitalism is impressive. Narrow readings of GDP indicators in certain countries and regions of the world may lead to the misguided impression that capitalism is meeting the challenges of economic growth and social needs. For example, China has experienced 30 years of sustained high economic growth and has managed to lift millions out of poverty (Kurtenbach 2011). This growth however, comes at the expense of serious environmental degradation and pollution as well as increasing social inequality (World Bank 2009). For instance, on December 12, 2011, *CBS News* reported that pollution from China has reached the US (Blackstone 2011), clearly showing the need for multilateral responses to not only environmental, but social, political and economic problems that burden the world today as these problems are transnational in nature, rather than “territorial”, in the specific sense of being tied to a particular “nation” or “state”.

Thus, more regulation by any given state alone will not suffice to solve the problems of capitalism, as those problems are not “technical” rather they are “structural”. The issue of social inequality, environmental pollution and lack of legitimacy of institutions are not issues that can be resolved with more governmental policies and regulations. It has been part of capitalism to regulate the economy, to protect the interests of the capitalist class usually at the expense of the well-being of the environment and the broader masses of individuals. To address this, there is a need to democratize the economy and to place the well-being of the people and the environment

at the center over the interests of a relatively small stratum of persons whose notion of their self-interests runs contrary to the social needs of society as a whole.

The crises within capitalism thus become defining moments in history as they serve to reconstitute political power and influence (Albo, Gindin, and Panitch 2010: 9-10). Usually, the capitalists struggle to shape, regulate and control the political and economic processes in order to ensure that they remain in a position to reassert their power and do not concede political and economic control to any other forces, especially the working classes, as was amply demonstrated under the New Deal in the period after the Great Depression and Keynesianism in the aftermath of World War II. Within capitalism, the state mediates contradictory class relations and the state is an integral part of the capitalist political economy and social relations as a whole. Its role is to be the lender of last resort to protect capital and ensure that capitalism does not come to a grinding halt (Foster and Magdoff 2009: 115-120). For example, during the financial crisis on Wall Street and the European sovereign debt default crisis, one of the main concerns of the governments in the US and European countries was paying off the investors, creditors and banks. In the crisis of 2008, the US government unambiguously chose to bailout the major financial and investment banks and provided them with the necessary liquidity in order to avoid the collapse of the fragile, volatile, clandestine and lucrative financial architecture that has propelled the deepening of the globalization of capitalism.

The official version known to most is that the Wall Street investment banks that played a major role in causing the crisis, which has since extended to the entire world, received a government bailout of US\$700 billion under the Troubled Asset Relief Program or TARP (Foster and Magdoff 2009: 113). In 2011, *Bloomberg News* extracted 29,000 pages of Federal Reserve (Fed) documents under the Freedom of Information Act uncovering that the actual

amount of money used during the bailout for largely unprofitable banks was US\$7.7 trillion, which is over half of the value of United States Gross Domestic Product (GDP) for that year (Ivry, Keoun, and Kuntz 2011). The loans were issued to the banks in secret in order to avoid the strings that were attached to TARP, which was authorized by the US Congress (Murray, Kane, and Cho 2009) as well as dodge the public outrage that could have resulted if the true value of the bailout was revealed (Ivry, Keoun, and Kuntz 2011). The findings listed in *Bloomberg News* are only part of the picture. The bailout contribution authorized by Congress amounted to US\$700 billion, an amount that was dwarfed by that of the Fed. In July of 2011, the Governmental Accountability Office (GAO) published an independent audit of the Fed, completed for the first time since its establishment in 1913 (Grayson 2011). The GAO revealed that the total amount lent to major financial institutions and banks across the world amounted to over US\$16 trillion, which were awarded under the Fed's "Broad-Based Emergency Programs" fund (GAO 2011: 131). The total amount of loans provided by the Fed was more than the GDP of the US for 2011, which was estimated at US\$15.09 trillion (US Department of Commerce 2012).

In addition to the loans provided, the Fed initiated in hundreds of dollar-foreign currency swaps with foreign central banks in order to ensure the liquidity of the global financial system. These additional monies were separate from the Broad-Based Emergency Programs fund. The single biggest recipient of the US\$10.057 trillion in dollar swaps was the European Central Bank, getting almost 79.7% of the total amount followed by Bank of England, 9.1%; Swiss National Bank, 4.6%; Bank of Japan, 3.9%; Danmarks Nationalbank (Denmark), 0.7%; Sveriges Riksbank (Sweden), 0.7%; Reserve Bank of Australia, 0.5%; Bank of Korea (South Korea), 0.4%; Norges Bank (Norway), 0.3%; and Banco de Mexico, 0.1% (GAO 2011: 205).

The fact that the major global banks and financial institutions, which dominate global finance, were bailed out by the Federal Reserve shows that the institution is not independent or neutral in meeting the interests of its most important clients. Proponents of the bailout cited that these institutions were “too big to fail” and the consequences of not acting would be far more devastating. This is an important fact to note as millions of people across the world rely on the stability of these financial institutions in order to receive their paychecks, pay bills and obtain credit to meet their material, social and cultural needs (Albo, Gindin and Panitch 2010).

The financial institutions are playing an increasingly larger role in the lives of capitalists and non-capitalist forces alike across the world. The difference is that the working class individuals are forced to rely on and become dependent upon the stability of the system because most individuals deposit their savings in the major banks since they are deemed “safer”. Rarely does anyone keep stacks of cash in their homes, due largely to the insecurity and uncertainty that come with such behavior. This relationship of increasing dependency of the working classes upon the dominant global capitalist class, specifically what Robinson calls the transnational capitalist class (TCC), gives the TCC the leverage to implement more regulations that will benefit their needs and interests. After every major crisis, the TCC forces are actively rallying public support and lobbying the government to pass legislation that will further strengthen their position in the global economy. This is not a struggle that is always won by the dominating elites, nor does it always serve their best interests. The massive global protests of 2011/12, have forced governments to regulate the financial system and these regulations have not been welcomed among circles in the financial elite (Braithwaite 2011).

The “intervention” of the Fed in the “free-market” economy clearly shows that in order for the “free-market” to function it relies on constant government “interventions”. Capitalism is

an inherently unstable system that cannot operate without the active role of the state in the economy. Since World War II, the state played a crucial role in the economy and kept the system from collapsing. It is important to recognize that the lack of public accountability, transparency and social responsibility of the Federal Reserve will not contribute to evading a future crisis. The organization of capitalist society as a social process relies on the false separation of social phenomena: economics from politics, states from markets, classes from individuals, national from international/global and so forth. The ideological consciousness of the inhabitants of bourgeois society progresses on the basis of this false dichotomy of fragmenting, separating and pulverizing everything to the point of making parts seem discrete and independent of any sense of the whole, as it must disarm us of the tools required to demystify it. This extends to the notion that the Federal Reserve intervenes in the economy as though the Fed (representing the state) can be outside of the economy looking in, when in fact it is a part of the social relations of which both it and the economy are integral components.

In today's globally integrated world, dominated by finance (Dietmar et al. 2011) the US Federal Reserve did not only seek to save United States based investment banks, it also provided billions in loans to financial institutions worldwide in order to prevent the globally integrated system from collapse (Ivry 2011). In the process, the US state has been the principal promoter of further economic globalization and liberalization (Albo, Gindin, and Panitch 2010: 28; Robinson 2004: 77). As the recent crisis has shown, the Federal Reserve serves as the global lender of last resort. The Director of the Fed's Division of Monetary Affairs, William B. English, stated for *Bloomberg News*:

“Supporting financial-market stability in times of extreme market stress is a core function of central banks. Our lending programs served to prevent a collapse of the financial system and to keep credit flowing to American families and businesses.” (William B. English as cited in *Bloomberg News*, November 27, 2011)

The fact that the major banks and financial institutions across the world, who dominate global finance, were bailed out by the Federal Reserve, shows that the Central Banks as institutions are not “independent” or politically neutral in their functioning; rather they serve to meet the interests of the TCC. The Central Banks are deemed “independent” because they appear to act separately of the state, while in fact they are an integral part of the state. Central Bank officials are given the liberty and institutional resources to conduct policies “free” from the influence of popularly elected officials in state institutions such as parliaments and congress. The fact that Central Bank officials are not elected by the general public makes them free from being subject to public accountability; rather they answer to the TCC interests. Proponents of the bailout cited that these institutions were “too big to fail” and the consequences of not acting would be very devastating.

This is an important fact to note as millions of people and organizations across the world rely on these financial institutions in order to meet their material, economic, social, political and cultural needs. For example, after Wikileaks released over 250,000 unedited cables of diplomatic correspondence between 2010 and 2011, major financial firms such as MasterCard Inc., Visa Europe Ltd., Bank of America Corp., Western Union Co., and Ebay Inc.’s PayPal were quick to stop processing donations to Wikileaks, stripping the organization of 95% of its income sources (Satter 2011). Even organizations such as Wikileaks that seek to shed light on unethical practices conducted by governments and corporations across the world are reliant and heavily dependent on the major financial actors. Any form of resistance to capitalism is co-opted and absorbed into the system. The institutional framework within capitalism is flexible and dynamic, ready to accommodate to the changing realities on the ground, while bearing in mind to preserve the structural inequality that places the capitalist elite at the apex of economic and political control

that dominate social relations at all scales. Under capitalism, those who own capital dominate, dictate and constrict the activity of alternative forms of resistance limiting their ability and potential to prosper, thrive and reach wider audiences. In discussion about forms of resistance such as the ERT movement, it is important to understand the importance of global financial capital and how it can limit and deprive the movement's ability to obtain much needed capital in order to expand its operations and production.

In a globalizing state of the economy such as the current one, the coordination of states on the world arena becomes crucial. For this reason, in 2009, the G-20 members jointly decided to create the Financial Stability Board (FSB) in order to strengthen practices of accountability and transparency as well as improve international cooperation and coordination of crisis management and prevention (G-20 Summit 2009). The G-20 states thus become crucial actors in ensuring the functioning of the global economy and finance; however the crisis of legitimacy seems to be deepening. The lack of public accountability, transparency and social responsibility in the functioning of the financial industry will not prevent a future crisis. Some economists and proponents of capitalism, such as DeAnne Julius, former CIA analyst and economist, stated that capitalism is “*not in a crisis in the existential sense*”, but rather it is in a state of “*turmoil*” from which it will come out transformed (Julius as cited in *Financial Times*, January 2012, emphasis added).

In order for the dominant classes to rule, they need to implement strong disciplinary measures. The financial institutions do this through co-opting working class individuals into the global financial web and making them dependent upon the “stability” of the system. This relationship of increasing dependency of the working class on the dominant global capitalist class, gives the TCC the leverage to implement more regulation, in the name of financial

stability, that will serve to benefit their needs and interests. Free-market economics within capitalism is not about freedom from regulation; on the contrary, it is about regulation that seeks to create structural adjustments that will benefit the global political and economic establishment. After every major crisis, the capitalists are actively rallying public support and lobbying governments in order to pass legislation that will further strengthen their position in the economic and political spheres. The Financial Stability Board, based in Basel, at the request of G-20 members decided to create a list of 29 global financial banks that are “too big to fail”; they are called “global systemically important financial institutions” or “G-Sifis” (Cox and Larsen 2011). Among these there are several previously unprofitable financial institutions that received generous loans from the Federal Reserve in order to keep them from collapsing such as JP Morgan Chase, Goldman Sachs and Morgan Stanley from the US, UBS and Credit Suisse from Switzerland among others (Cox and Larsen 2011; Ivry, Keoun, and Kuntz 2011).

In order to keep capitalism from coming to a halt, the TCC rely on the state and its underlying institutions. The G-20 states, of which Argentina is a member, are the principal promoters of the global economy and they have demonstrated their determination to keep the current capitalist structures of production and accumulation in place. The notion of a “free-market” economy under capitalism is a myth. Capitalists have always had commanding political and economic power to implement changes and create rules that will keep the masses at bay, while in times of severe crisis the capitalist elite has sought to operate in secret in order to prevent the system that so benefits them from collapsing.

As Marx and Engels noted in *The Communist Manifesto* in 1848, to sustain itself capital must necessarily constantly expand. This much needed expansion process of capitalism takes place in a dual form of *extensive* and *intensive* enlargement (Robinson 2004: 6-7). The making of



early world capitalism was largely characterized by the *extensive* enlargement where capitalism sought to replace “primitive forms of accumulation” i.e., transform pre-capitalist and non-capitalist social relations across all parts of the world into capitalist ones. More recently, the *extensive* enlargement has taken place in regions that were not included in the so-called “free world” of the Cold War. These countries include the republics of the former Soviet Union, former Yugoslavia, Eastern Europe, parts of Asia (notably China and Vietnam) and Africa. Latin America was always part of the “free world” and was compelled to be under US influence and domination since the institution of the Monroe Doctrine in 1823 onward (Roncallo 2006: 9). Cuba was the only one to attempt a break from 1959. The geographic expansion of capitalism is usually violent and brutal as was the case with the two decade long war in Vietnam (Turse 2003). The process of capitalist expansion has not been halted as there are still countries and regions of the world that are at least nominally outside of the logic of capitalist accumulation, among the most notable ones is North Korea and to a lesser extent, Cuba.

The enlargement of capitalism justifies any means to meet its ends. Robinson notes that countries are forced to either “*globalize or perish*” (2004: 24, emphasis added). The pressure to adopt capitalism in both Cuba and North Korea is mounting as the United States is pushing Cuba into submission after over five decades of “tough US trade and social embargo” that has had a serious impact on its economy and society (MacAskill 2011). The US currently presses its allies to adopt more sanctions against North Korea, that affect the already fragile and unstable autarkic economy (Laurence 2011), further exacerbating the terrible social and material conditions for a vast number of North Koreans. It is important to bear in mind that some of the alternatives to global capitalism, as is the case with North Korea are unsustainable since a large number of its population is undernourished (Bodeen 2011) and is politically, economically and socially

oppressed (Human Rights Watch 2011). These human security issues, such as economic, social, cultural and political marginalization and repression are also prevalent in capitalist societies. In this thesis, alternative anticipates a set of social arrangements that would be an improvement to the capitalist social relations that seeks to meet the rights and needs of humanity rather than privilege a minority through elitist rule and domination. The goal of the thesis is to provide a critical understanding of how the current system operates in order to envision an alternative society that will be economically, politically, socially and culturally inclusive and environmentally sustainable. The experience of the ERT organizations in Argentina, which will be discussed in further detail in Chapters 4 and 5, serve to demonstrate that it is possible to begin constructing an alternative society within the current capitalist one, i.e. one that is better.

The second form of capitalist enlargement is the *intensive* one, which seeks “the penetration by commodity relations of spheres of social life that were formally outside the logic of profit making” and examples of such relations are healthcare and education among others (Robinson 2004: 7). Given that capitalist production covers almost the entire world (*extensive* enlargement) it now focuses on the *internal* one, which seeks the “*total commodification, or marketization, of social life worldwide*” (Robinson 2004: 7-9, emphasis added). The commodification of social relations as an integral part of capitalist production is very contradictory as it causes vast denizens of humanity to fetishize, “naturalize” and “internalize” the capitalist mode of commodity production and defend it even when it goes against their own interests.<sup>12</sup> The danger is that large masses of people are recruited and they actively consent to the hegemonic ideology of global capitalism and if all fails, they are coerced by force (Robinson 2004: 161).

## **Human Security Implications of Globalization of Capitalist Production and Accumulation**

Global social polarization is a consequence of the intensification of capitalism globally through the implementation of neoliberal doctrine and is expressed through the increase in income inequality, globally and locally (Robinson 2004: 151). According to Robinson, global social polarization is the second contradiction of global capitalism (Robinson 2004: 147) and it seriously undermines prospects for human security. Under global capitalism, the TCC, is a global ruling class that is in the process of consolidation and is driven by the “logic of global accumulation [and production], rather than national accumulation [and production]” (Robinson 2004: 75). The TCC works through the transnational state (TNS) and multilateral institutions, such as the IMF, the WB, the World Trade Organization (WTO) and the G-20 to implement neoliberal policies globally. This is not to say that the TNS and TCC have indefinite or uninhibited influence and power in shaping the global economy and politics (Satgar 2007: 62), but rather they are its principal promoters. These policies have to varying extents deprived and/or dispossessed large numbers of people of their means of production and subsistence to expand the scope and process of capitalism.

In 1996, the United Nations’ Food and Agriculture Organization (FAO) estimated that the world produced enough food to provide all human beings with 2,700 calories per day (*The Economist*, February 24, 2011), yet hunger and poverty are prevalent and threatening human security for billions of people across the world. Those who would argue that globalization has helped eradicate poverty will probably say that the number of people in the world who live below the “international poverty line of US\$1.25 a day”, declined from 1.8 billion people in 1990 to 1.4 billion in 2005, based on the findings in UN’s report of 2010. The problem is that poverty alone is not an accurate representation of human insecurity in the world today due to the

arbitrary nature of setting the “international poverty” line at an income of US\$1.25 a day. There are people who may be suffering through poverty at even higher income levels than at the US\$1.25 per day given the higher costs of living in different parts of the world, even when it comes to meeting basic needs such as buying food. The problem with the international poverty line of US\$1.25 a day is that if an individual hypothetically makes US\$1.30 a day on average, technically, the person is said to have “risen out of poverty”. This notion is only illusionary as an increase of US\$0.05 a day, only brings about 4% increase in income, yet substantively the individual still suffers through the vicious cycles of poverty and structural dehumanization, while at the same time is “formally” not living below the internationally accepted poverty rate. A more accurate representation of poverty should be comprehensive in scope to include notions of socio-economic, political, cultural and environmental poverty.

An example of the limitation of the statistics that cite reduction in the number of people living below US\$1.25 a day is when statistics about the quality of life are taken into account. A UN report on the Millennium Development Goals (MDG), estimated that the number of hungry people in the world today has increased from 815 million in 1990 to 925 million people in 2010, concluding that the progress towards achieving the 2015 Millennium Development Goals of eradicating extreme poverty and hunger has stalled since 2000-2002 (UN Department of Public Information 2010). To make matters worse, food prices have been highly volatile in the period from 2006 through 2010, disproportionately affecting the poor, while the main beneficiaries of this predicament were the financial investors (*World of Work Report* 2011), who have the power to influence prices through their speculative activities, which adversely affects the low income families and individuals worldwide.

The problem is not that under capitalism there is scarcity in resources as mainstream economists would argue, but rather it is a problem of power, ownership and distribution (Robinson 2004: 152). Moreover, since capitalism has a tendency to overproduce and overexploit natural resources and human labor, it is not a problem of “insufficient growth” (Robinson 2004: 152). For instance, the World Institute for Development Economics Research of the United Nations published a report in 2006, according to which, the wealthiest 1% owned 40%, the richest top 10% owned 85% and the bottom 50% owned just 1% of the world’s wealth.<sup>13</sup> The concentration of vast amounts of both tangible (e.g. houses, land) and non-tangible (e.g. financial assets) wealth carries tremendous political implications and these were clearly demonstrated in the US where the global financial elite and institutions were able to get secret loans from the Federal Reserve (Ivry, Keoun, and Kuntz 2011), which raises important questions of who influences the formulation of key public policy in the United States as well as globally.

The vast income inequality undermines the potential to develop the intellectual, cultural and material conditions of each individual. The *Foreign Policy* journal published an article that questioned UN’s statistics, whether in fact there were truly about 1 billion hungry people in the world (Banjee and Duflo 2011). The *Foreign Policy* conducted their own field research and they found out that poverty and hunger are much more complicated and require creative responses from development agencies and NGOs than was previously believed (Banjee and Duflo 2011). Critics of aid, such as William Easterly and Dambisa Moyo argue that aid “prevents people from searching for their own solutions, while corrupting and undermining local institutions and creating self-perpetuating lobby of aid agencies” (Easterly and Moyo as cited in Banjee and Duflo 2011). Moreover, contrary to conventional wisdom, they found out that poor individuals spend less on food when it is cheaper, because they prefer buying better tasting food

as opposed to purchase subsidized rice as was the case in rural China (Banjeree and Duflo 2011). In their study in the Philippines they concluded that poor individuals could afford to eat 2,400 calories per day, but their diet would be limited to bananas and eggs, something that people would not enjoy eating “day in, day out” (Banjeree and Duflo 2011).

In many cases, the poor do not maximize their spending on food neither do they acquire food with the highest caloric intake or nutrients their money can buy (Banjeree and Duflo 2011). *Foreign Policy* collected a data set from 18 countries noting that “food represents 36 to 79 percent of consumption among the rural extremely poor, and 53 to 74 percent among their urban counterparts” (Banjeree and Duflo 2011). In some cases, the poor will save up to spend on “alcohol, tobacco, festivals”, including electronic devices for entertainment purposes or buy better tasting food instead of ones with more nutritional and caloric value (Banjeree and Duflo 2011). For the writers of the *Foreign Policy* journal, the 1 billion hungry, may not be “hungry” at all, rather undernourished (Banjeree and Duflo 2011).

The complexity of poverty and hunger show that human beings are not machines and they will not always seek to make “rational” decisions and buy food even when they are starving. Distributing more income and food alone to the most marginalized communities will not improve their conditions to reproduce themselves fully in society. Understanding poverty and hunger require multifaceted, transdisciplinary approaches in order to fully account for *freedom from fear* and *freedom from want*, in other words to ensure the economic, social, political, cultural and environmental securities of each individual. Hunger and malnutrition are serious problems because they lead to health problems such as anemia, among others, that decrease the productivity of each individual and the capacity to develop oneself (Banjeree and Duflo 2011).

As Robinson (2004) noted, the problem of hunger in the world is not that of scarcity, rather it is a problem of distribution.

The process of capital accumulation and macroeconomic growth is marked by structural unevenness within power relations. Capital exploits the differences of wages between nations, producing in countries where labor costs are low and selling where spending incomes are high. The UNDP *Human Development Report* (1999) shows that the income inequality ratio between the wealthiest and poorest states has widened from: “3 to 1 in 1820, 11 to 1 in 1913, 35 to 1 in 1950, 44 to 1 in 1973 and 72 to 1 in 1992.” The International Labor Organization (ILO) concluded in the *World of Work Report of 2008* that despite the increase in employment of 30%, since the early 1990s, (70 countries for which data was available were studied) there has been a redistribution of income away from labor and the largest “[...] decline in the share of wages in GDP took place in Latin America and the Caribbean (-13 percentage points), followed by Asia and the Pacific (-10 percentage points) and the Advanced Economies (-9 percentage points)” (*World of Work Report 2008*).

Moreover, the IMF has stated that “[m]any aspects of the current crisis are new and unanticipated” (IMF 2009: 97), meaning that the possible breadth and depth of the crisis are not yet known at this stage, especially as Europe is trying to grapple with its sovereign debt crisis.<sup>14</sup> The *World of Work Report of 2011* indicates that the world is headed towards another recession and that there will be a need for 80 million jobs to be created across the globe in order to retain current employment levels. The report also warned of increased social unrest despite the fact that global anti-capitalist protests have already sprung in many parts of the world. The increasing levels of frustration show that the levels of violence will escalate and it can be anticipated that

the state will step in and try to crack down on protestors in the name of security and antiterrorism.

As Marc Neocleous notes, “security [...] shares a fundamental unity with capital” (Neocleous 2008: 143). Any move to uncover the corruption or to challenge the contradictory nature of the workings of capitalism is going to be seriously contested. For example, the US government currently “is pursuing an ‘active criminal investigation’ of WikiLeaks” despite government’s alleged violations of “protections against unreasonable searches and seizures” as guaranteed in the Electronic Communications Privacy Act and the US Constitution Fourth Amendment (Angwin 2011). The US government is thus clearly demonstrating that it is protecting the interests of the TCC because the main beneficiary of a non-transparent government is the TCC itself, as was the case with the government sponsored bank bailout. To uncover information in the manner that WikiLeaks has done is said to pose a “national security” threat, which really means a threat to the security and stability of capitalist accumulation and the political-institutional order on which it must depend for its reproduction.

### **Expansion and Implementation of Neoliberalism**

It is important to note that global capitalist growth and expansion have been sustained at serious economic, social, political and environmental costs. Capitalist expansion and its social relations are never neutral and are designed to strengthen the dominance of the capitalist class strata and related social forces on a global scale. According to David Harvey, neoliberalism is a global capitalist political project with distinct ideological underpinnings that work to reconstruct and/or restore the power that capital was forced to concede during the neo-Keynesian period between the end of World War II and the end of the 1960s at the expense of the working class across the world (Harvey 2007: 41). In the case of the United States and the United Kingdom,



neoliberalism has brought about the restoration of power to the upper classes, while in many other countries, such as Brazil, Russia, India, China and South Africa (BRICS) and Mexico, it has created the conditions for capital accumulation in the hands of a few individuals: Carlos Slim from Mexico is exemplary of this process, as he is now considered to be the wealthiest man in the world (Harvey 2007: 34).

The economic, political and social conditions that were developed in the face of the oil crisis in the 1970s and the rise to power of President Ronald Reagan and Prime Minister Margaret Thatcher in the United States and the UK respectively, favored the conditions that were already taking shape in the direction of the global neoliberal project (Harvey 2007: 23). The neoliberal ideology and policies were promoted and imposed with the unstinted support of the media which form an integral part of the leading capitalist strata, transnational corporations (TNCs), multilateral organizations such as the IMF, the WB and the WTO, all advocates of “free trade” throughout the world (Harvey 2007: 23). The implementation of neoliberalism resulted in the redistribution of wealth and power from the working classes to the capitalist classes, which takes place in the form of “*creative destruction*” that operates on the logic of “*accumulation by dispossession*” (Harvey 2007: 34, emphasis added). Four elements are crucial in this process: 1) *privatization*, 2) *financialization*, 3) *the management and manipulation of crisis* and 4) *state redistributions* (Harvey 2007: 35).

In the first aspect, the aim of *privatization* has been the forcible opening of areas previously outside the effective scope of private capitalist accumulation such as public utilities, social welfare provisions, public institutions and even warfare (Harvey 2007: 35). This process of dispossession and “*creative destruction*” has not only devastated the livelihood and dignity of millions around the world, but has brought about the destruction of the environment through the

pollution of the water, the air and the soil. The capitalists who are spearheading the process of passing control of the commons (such as land, water, air, and even knowledge) from public to private control, are “dispossessing” denizens of people from their primary sources of livelihood (Harvey 2007: 35-36) effectively exacerbating the power, control and domination that the capitalist class exercises over the working classes on a global scale.

The second element that capitalist class forces rely on to reinforce their power is the *financialization* of the economy. According to Foster and Magdoff, the current form of capitalist production and accumulation is monopoly capital, which cannot overcome the problem of stagnation, given that the “*real barrier* of capitalist production is *capital itself*” (Marx as cited in Foster and Magdoff 2009: 91, emphasis in original). The authors elaborately argue that periods of growth in the US economy since the end of World War II have only been temporary and largely characterized by declining wages as a share of GDP, increasing accumulation of debt, declining growth in real GDP, rising income inequality and a decline in the utilization of industrial productive capacity, thus aggravating problems of low economic growth, high levels of underemployment, unemployment and overcapacity as structural features within capitalism (Foster and Magdoff 2009: 128-134). In order for capital to overcome its structural contradictions of stagnation and overaccumulation it has to constantly reinvent itself which has led to the increasing financialization of capital, which however does not overcome its inherent problems in overaccumulation (Foster and Magdoff 2009: 77).

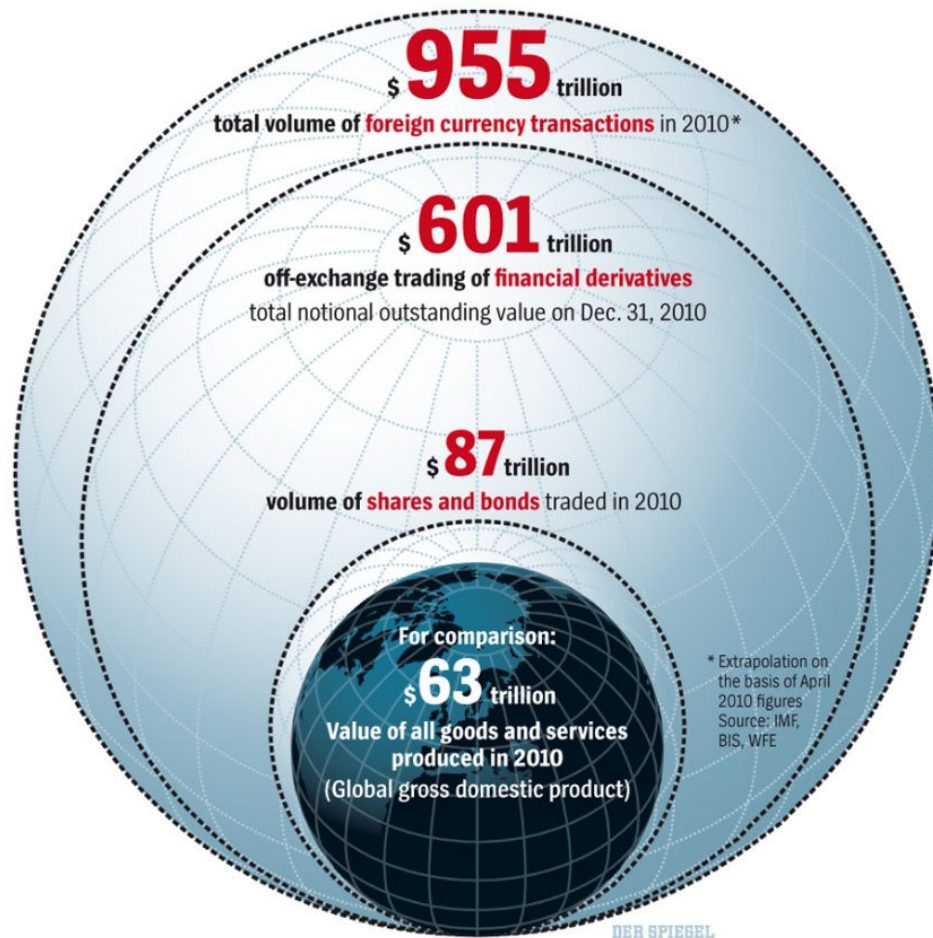
Financialization has brought about the increases in profits, which have been distributed unequally. The increases in profitability are the result of the intensification of speculation that is based on incurring larger and larger amounts of debt. The costs of servicing the debt are socialized, while profits are individualized. For instance, the growth of total debt as a percentage

of GDP of the US economy, where total debt includes household, financial, non-financial businesses and government debt, has increased from 151% in 1959 to 373% in 2007 (Foster and Magdoff 2009: 121-122). The working class in America is forced to rely on debt to increase their spending in the face of declining real income and purchasing power. Consumption among the working class in the US increased from “60 percent of GDP in 1960s to 70 percent in 2007” at times of “declining wage and salary disbursements as a percentage of GDP” (Foster and Magdoff 2009: 130-131). This dramatic increase in spending was made possible mainly by accumulating more debt. The piling of consumer debt and the decreasing wage levels that disproportionately burden the American working class are necessary to keep the economy, which benefits a handful of capitalists and certain other social and economic strata, afloat.

The fact that the top 1% in the US “grabbed 28 percent of the rise in national income, 33 percent of the total gain in net worth, and 52 percent of the overall growth in financial worth” (Foster and Magdoff 2009: 130), clearly shows that the neoliberal project served to restore the power of the capitalist elite. The fact that the government has used the stimulus package of US\$700 billion to bailout the large financial institutions and banks (Foster and Magdoff 2009: 113) that engaged in speculative, fraudulent and criminal activities to increase their profits, confirms that the state protects capitalists and capitalism from the most egregious contradictions that, left unattended, threaten the entire system with the possibility of a systemic collapse (Foster and Magdoff 2009: 115-120). Thus, the state with its institutions is an integral part of capitalist social relations and the state plays a key role in mediating capital-labor relations. This restoration of power is not aimed at restoring the power of certain groups of national elites in any exclusive sense of the term rather it is designed to establish the necessary conditions for the restoration and expansion of the global accumulation of wealth that benefits the TCC on a global scale.

Therefore large masses of people in all countries are routinely threatened with destabilization and disaster by capitalism.<sup>15</sup>

The attractiveness of finance is that it is truly globalized, extremely mobile and highly lucrative, but devastating at the same time. The financial sector is deemed independent of the “real” economy, while in fact it is not. The way statistics are kept and the seemingly detached nature of the growth of financial per capita income from the real economy gives the illusion of the autonomy of finance from the “real” economy. For instance, *Der Spiegel* created a chart, which shows the size of the financial industry in comparison to the “real” economy. In 2010, *Der Spiegel* found that the “volume of shares and bonds” equaled to US\$87 trillion; the value of “off-exchange trading of financial derivatives” amounted to US\$601 trillion; and the “total volume of foreign currency transactions” amassed to impressive US\$955 trillion, which dwarfs the “Global gross domestic product” of US\$63 trillion of 2010 (Dietmar et al. 2011).



Graph 1: Size of the global financial industry (not to scale).

Source: Dietmar, Hawranek, Armin Mahler, Christoph Pauly, Michaela Schiessl and Thomas Schulz. "Out of Control: The Destructive Power of the Financial Markets." *Der Spiegel*, August 22, 2011.

<http://www.spiegel.de/international/business/0.1518.781590.00.html> (accessed: November 15, 2011).

Graph 1 shows that the size of the financial industry is truly astonishing. These numbers however do not portray the vast inequality that it produces. Allianz is a global financial asset management firm based in Munich, Germany, that publishes reports on financial wealth in the world. The *Allianz Global Wealth Report of 2011* noted that the "global financial assets of private households" were compensated for their losses as a consequence of the crisis of 2008, rising from €92,200 billion in 2007 to €93,500 billion in 2009 (Brandmeir, Grimm, Heise, and Holzhausen 2011: 14). These numbers demonstrate that the financial industry was able to recuperate its losses from the crisis in 2008, while the "real" economy still struggles to provide

jobs for millions that were left unemployed and underemployed. Additionally, the Allianz report notes that there is a vast income disparity gap where “87% of gross global financial assets are in the hands of private households in the HWCs [high wealth countries]”, which account for about 20% of the world’s population and “just two thirds of global economic output” (Brandmeir et al. 2011: 16). Specifically, the global financial assets in average per capita terms amount to €90,800 for HWCs; €10,540 for MWC (medium wealth countries); and €2,100 for LWC (low wealth countries) (Brandmeir et al. 2011: 9).

Even though there is a huge global wealth disparity, the authors argue that the LWCs and MWCs are catching up (Brandmeir et al. 2011: 16). As an example, they state that since 2000, LWCs are experiencing annual per capita growth rates of 17%, MWCs of 10% and HWCs of 2.3% (Brandmeir et al. 2011: 17). However, most of this growth is not shared among all the citizens in the respective countries; rather about 10% of the population owns approximately half the assets (Brandmeir et al. 2011: 32-35). In Latin America, this percentage is even higher, amounting to 60 to 70 percent of total wealth that is in the hands of the top 10% of the population (Brandmeir et al. 2011: 41). So, clearly the increase in financialization is not a popular project that seeks to bring about welfare to the majority of the world, rather it consolidates a global capitalist stratum.

Another major problem that the report cites is the increase in financial asset wealth at the expense of the piling of debt, especially in high wealth countries (Brandmeir et al. 2011: 26-29). *Der Spiegel* ran a report on the destructiveness of the financial markets stating that their magnitude, scope, mobility, volatility and instability pose a “permanent threat to the global economy” (Dietmar et al. 2011). Lord Adair Turner, “chairman of Britain’s Financial Services Authority (FSA)” stated for *Der Spiegel* that a lot of what happens in Wall Street and City

(London's financial district) is "socially useless" (Turner as cited in Dietmar et al. 2011). Paul Volcker, "the former chairman of the US Federal Reserve" and Paul Woolley, a former financial analyst from City, have made similar remarks, specifically Woolley described the financial markets "[...] like a tumor that keeps growing" (Woolley as cited in Dietmar et al. 2011).

The high profitability rates in the financial sector attract the best and the brightest that engage in creating innovative financial products that generate profits for their employers and do not "devise products that make people's lives better, nor do they found new companies that further progress" (Dietmar et al. 2011). The bottom line is that finance is unstable and unproductive for society as a whole because it is constructed on a foundation that resembles a "deck of cards" that will inevitably collapse.

The third aspect of neoliberalism according to David Harvey is *the management and manipulation of crisis*. Proceeding from what Foster and Magdoff have argued about the nature of financialization, Harvey stresses that the trio of the "US Treasury/Wall Street/IMF complex" play a critical role in "crisis creation, management and manipulation on the world stage" and engage in what he calls "the fine art of deliberative redistribution of wealth from poor countries to the rich" (Harvey 2007: 37). George Soros remarked for *Der Spiegel* that "[f]inancial markets have a very safe way of predicting the future. *They cause it*" (Soros as cited in Dietmar et al. 2011, emphasis added). This is an important statement, as George Soros is one of the wealthiest men on the planet and has significant public influence. Moreover, *Der Spiegel* remarked that "[...] *financial markets are controlling the politicians*" and that no effective change can be made since the finance industry pumps millions into lobbying to water down regulation (Dietmar et al. 2011, emphasis added), which clearly shows how the TCC is capable of establishing and maintaining their state of dominance in the global political and economic spheres. The highly

talented individuals that the finance industry attracts are capable to effectively circumvent regulation and the “shadow banks”, i.e. hedge fund institutions are an example of this because they are outside of any effective regulation as of the time of writing (Dietmar et al. 2011). Hilmar Kopper, the former CEO of Deutsche Bank, which is “the top global player in foreign currency trading”, stated that future crises are not likely to be prevented nor regulated by the government (Kopper as cited in Dietmar et al. 2011). This is due to the herd mentality that guides and greed that motivates financial speculators to increase their profits even at the expense of creating crises that are “potentially triggering famines” (Woolley as cited in Dietmar et al. 2011).

Albo, Gindin, and Panitch note that neoliberal policies in North America have been used to attack and restrict workers rights, through individualizing them, turning them against each other, breaking trade unions as a form of resistance and thus effectively limiting the majority of the working class to see their struggle as a class struggle against the capitalist class in a market-based society (Albo, Gindin, and Panitch 2010: 90-95). The recent crisis shows that the costs of the egregious practices on Wall Street are socialized (bailed out by taxpayers), while the profits are individualized (Woolley as cited in Dietmar et al. 2011) and this practice serves as an institutionalized form of market discipline that keeps the working class from fully realizing their human needs and rights in society. The threats that largely unregulated financial markets pose for society are severe and there is a need to put the financial institutions under public scrutiny and democratic control. Otherwise, the financial industry will keep destroying society and as Woolley notes “many of his former colleagues [...] have a guilty conscience” because they are able to get away unpunished for their deeds (Woolley as cited in Dietmar et al. 2011).

The fourth element of neoliberalism according to Harvey is *state redistributions*, where



the state becomes the principle actor in mediating relations between capital and labor. The state's pursuit of privatization and cut-backs may seem to have positive short-term effects for the working class however in the long-run, it turns out to have devastating consequences (Harvey 2007: 38-39). To support the latter claims, Harvey cites examples of how neoliberal policies produced increased levels of homelessness and relocation, in the case of Britain, and forcible dislocation of rural residents to urban environments who become desperate in search of employment, in the Mexican, Chinese and Indian cases, all instances affecting especially lower income populations (Harvey 2007: 38-39). On the other hand, the state provides various types and forms of subsidies that benefit large agricultural, corporate and military producers (Harvey 2007: 38-39) that have increasingly transnational linkages. In order to address the issues associated with the increasing levels of social polarization and opposition to neoliberalism, the state sometimes engages in "low-level warfare", where anti-neoliberal movements are sometimes designated as terrorist in order to gain the support of the US military, as is the instance with the "Zapatistas in Mexico or the landless peasant movement in Brazil" (Harvey 2007: 39).

In light of the recent economic and social upheavals that are associated with the global economic and financial crisis of 2008, the UN launched the International Year of Cooperatives 2012.<sup>16</sup> On February 11, 2010, the UN's General Assembly passed resolution A/RES/64/136 through which it urges and encourages member states and all relevant non-governmental actors to raise awareness and promote the necessary legal and financial conditions to ensure that cooperatives have equal rights in relation to "other business and social enterprises". In addition, the resolution urges all member state governments to take an active role in raising public awareness of the contributions of cooperatives in job creation and preservation as well as provide the programs that will aim at improving the organizational, managerial and financial skills of its

members and access to new technologies (UN Resolution A/64/432 of 2009). The United Nations Secretary General, Ban Ki-moon, summed up the role of the cooperatives very concisely: “Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility.”<sup>17</sup> This is highly relevant to the ERT movement, because they as cooperative enterprises are included in the General Assembly’s resolution that encourages states to promote cooperatives across the world.

The passing of the resolution urging member states, international, national and local organizations and actors to promote cooperatives is an important step. As with many other UN resolutions and declarations, resolutions A/RES/64/136 of 2010 and A/64/432 of 2009 can be trumped by the influence of the advanced industrial states and the TCC elites. It is important that social organizations and cooperatives around the world take advantage of the legal challenges and battles that have been won thus far. The difficulties that lie ahead for the rise of a global cooperative movement is to create a counter-hegemonic project that seeks the replacement of the current ideological hegemonic dominance imposed by the TCCs, TNCs and TNS. The struggle at the UN organization is only one among many and it should continue in other multilateral organizations that are controlled by the TCC elites and other allied groups such as the WB, the IMF, the WTO and G-20. To ensure concrete gains, there is a need for globally integrated movements that will endeavor to internalize values of transnational solidarity, democracy and nonviolence as means to respond to capitalist exploitation. For this reason, it is necessary that cooperatives join forces with other social movements and unite to defend the interests of all working class individuals throughout the world, without discrimination based on class, race, gender, ethnicity, sexuality, nationality or religious affiliation. It is necessary to fight and support social movements and organizations, such as WikiLeaks that seek to create a more transparent

world and uncover the widespread corruption of global capital and national governments. The alternative movements need to work together to democratize and bring under social control and public accountability international and national institutions as well as the financial industry.

The challenge for the UN is to follow through on its commitments and resolutions. Given that the General Assembly's (GA) resolutions are not binding, and the fact that Resolution A/RES/64/136 was issued by the GA, it means that member states are not required, but rather encouraged to follow the UN mandates. The fact that the UN is largely underfunded makes it susceptible to the influence of member states, especially from its most influential member, the US. Critics of the UN have pointed out that the reports it issues largely try to balance between state and human security while at the same time account for the interests of the powerful member states (Moore and Pubantz 2006: 80; Mack and Furlong 2004: 70). For these reasons there is a need to seek the increased democratization, transparency and accountability for the operations and workings of the UN system as well.

As the IMF report of 2009 has concluded, cooperatives have proven to be more resilient in times of crisis than the traditional business enterprises (Birchall 2009: 2). The cooperatives are better suited to respond to the challenges of the increasing rates of unemployment as a result of the crisis because the profit motive is not the main driving force among cooperatives. There is a commitment to the well-being of the members and generally cooperatives are more aware of their impact within the community and they have the potential to approach human security as a human project that can bend the ear of humanity in the direction of justice.

The recurrent crisis of capitalism and the recent "Great Recession" have increased the loss of legitimacy of the current neoliberal institutions, which is reflected in the report of Transparency International in 2010. Over half of the surveyed across 86 countries reported that

corruption increased in the period from 2007 to 2010 and that current governmental measures are inadequate to resolve issues associated with corruption (Riaño, Heinrich, and Hodess 2010: 2-5). The institutions in which most people expressed their distrust were political parties (79%), public officials/civil servants (62%), parliament/legislature (60%), police (58%), business/private sector (51%), religious bodies (50%), judiciary (43%), media (40%), education system (38%), NGOs (30%) and the military (30%) (Riaño, Heinrich, and Hodess 2010: 9). The fact that the key intuitions of representative democracies such as political parties, public officials/civil servants and parliament/legislature were considered the most corrupt shows that the representatives of these institutions are not accountable to the general populace, rather they seek to meet economic and political interests for their particular social groups or classes. The lack of trust was reflected in the increase in social protests across the world that appeals for more accountability and transparency in governance.

The organizational structure and experience of cooperative enterprises demonstrates that they are better equipped for instituting representative and democratic participation of their members in both the cooperative organization and society. In Chapter 2, I will analyze the historical development of the modern cooperative and the principles that guide it. In Chapter 3, I will focus on the specific development and the experience of the most influential cooperative in Argentina, while in the last two chapters the focus will be on the institution of neoliberal policies in Argentina and their effects on human security and the broader ERT movement (Chapter 4) and the advantages and structural limitations of cooperative organizations and the challenges that each individual faces in transforming him or herself from a wage-earner to a cooperative worker (Chapter 5).

## CHAPTER 2: The Rise of the Modern Cooperative Movement and its Historical Development within Capitalism

Charles Gide, former president of the International Co-operative Alliance noted that “a co-operative society is really an association that may be at any point on the scale between individualism and communism” (Gide as cited in Melnyk 1985: 4). Various scholars note that cooperatives can exist in different economic and political systems and social orders. A number of different theories about cooperatives have emerged partly as a result of these notions. Generally, the theories on cooperatives seem to coincide with the type of economic system under which they have operated for the past two centuries, largely capitalist, socialist or communist. For example, Paul Casselman sees cooperatives as reflecting “three schools of co-op thought: (1) *Socialist Cooperative school*, (2) *Cooperative Commonwealth school* and (3) *Competitive Yardstick school*” (Casselman 1952: 10-11), whereas Melnyk divides cooperatives in “four distinct political categories: *liberal democratic*, *Marxist*, *socialist*, and *communalist*” (Melnyk 1985: 9).

According to Casselman, the cooperatives that symbolize the *Socialist Cooperative school* are to be found in socialist and communist economies, whereas within capitalism serve as transitional tools to socialism. The socialist school was particularly influential in Europe and in Casselman’s view it has harmed the cooperative movement in two ways, “first by confusing the issues and keeping many non-cooperators and anti-socialists away from the cooperatives, and by dividing the movement” (Casselman 1952: 10). Furthermore, Casselman argues that the socialist cooperatives seek to “suit their own social and economic philosophy” and thus are against the

“Rochdale principles and methods”<sup>2</sup> (Casselman 1952: 10). Melnyk’s theory that compares with Casselman’s *Socialist Cooperative school* would be the Marxist cooperatives. Melnyk sees the Marxist cooperatives as standing in opposition to capitalism and coming to prominence after a violent revolution. Dimitri Benítez expands on Melnyk’s and Casselman’s remarks about socialist cooperatives by stating that the members of the socialist cooperatives struggle to gain the power of the state and eliminate the exploitation of man by man that is characteristic of life under capitalism (Benítez 1999: 28). Moreover, Benítez states that socialism can serve as a peaceful transition to communism, contrasting Melnyk’s view that Marxist or socialist cooperatives can only surge after a bloody revolution.

In Benítez’s view, cooperatives cannot exist under communism because their role becomes obsolete in a true communist society due to the absence of classes; therefore there is no need for mediation of class relations as would be necessary under capitalism or socialism (Benítez 1999: 29). In contrast with the “voluntary nature” of association within the liberal democratic cooperatives, the Marxist ones are always created by the state and are a part of “a centrally planned and government-controlled economic system” (Melnyk 1985: 32-33). The notion of “voluntary nature” of the liberal democratic cooperatives is misleading because the state and large corporations control the market in a capitalist society and voluntary implies compatibility with capitalist norms and practices. The so-called “free market” is influenced and controlled in large measure by the interests of the ruling capitalist class and operates foremost to meet their private interests. Contrary to Melnyk’s notion of the “voluntary nature” of association, the founders of the liberal democratic Rochdale cooperative were forced to join forces in order to

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<sup>2</sup> The Rochdale Cooperative was a *liberal democratic* cooperative in Melnyk’s view (1985: 11) or *Competitive Yardstick School* in Casselman’s view (1952: 10-11). These types of cooperatives do not seek to overthrow capitalism; rather strengthen it (Ewell 1969: 22).

secure their livelihood, as will be discussed shortly. Capitalism and its “free market” ideology do not devote attention to the well-being of the majority of humanity unless they are forced to do so. The social contradictions and extreme social polarizations that took place during the Industrial Revolution became the breeding ground for numerous revolutionary movements and thinkers, among them Karl Marx (Knutsen 1997: 145-201).

The *Cooperative Commonwealth School* envisions “a capitalistic economy in which cooperatives are dominant type of business organizations, with sole proprietorships, partnerships and profit-type corporations occupying a secondary role” (Casselman as cited in Ewell 1969: 21). William Loucks, expresses doubts that cooperatives will ever reach this stage within a capitalist economy, because that would constitute the cooperative movement posing as an alternative to capitalism in which case it would either have to resort to the use of government’s force or it would encounter a government hostile to the achievement of this goal (Loucks as cited in Ewell 1969: 21-22). Melnyk accounts for the existence of socialist cooperatives (not to be confused with Casselman’s *Socialist Cooperative school*) within the free market economy as an alternative to the *liberal democratic* ones, which is comparable to Casselman’s *Competitive Yardstick School*. The names of the different theories on cooperatives that various scholars have adopted may be misleading, however there is significant overlap in their analysis. The authors broadly agree that cooperatives can exist within both capitalist and socialist economic systems however they diverge on some of the particularities of the cooperative’s role in society and their relationships with the state.

With respect to the socialist cooperatives, Melnyk notes that they are “multi-functional in nature” whereas the liberal democratic ones are “unifunctional”; in other words, socialist co-ops “tend to emphasize cooperation in both production and consumption, while liberal democratic

ones are either one or the other” (Melnyk 1985: 11). Also, socialist cooperatives operate within the market economy, have a more negative view of private property than “*liberal democratic* ones and are more community-oriented in structure” (Melnyk 1985: 11). The difference between Melnyk’s socialist cooperatives and Marxist cooperatives is that socialist cooperatives have been created by “non-Marxist socialist ideologies and by noncommunist political movements” (Melnyk 1985: 53). Contrary to the Marxist cooperatives, which in Melnyk’s view, are always born to a revolutionary war, socialist cooperatives “evolve more or less peacefully within a capitalist framework” (Melnyk 1985: 53).

According to Melnyk’s theoretical framework, the Argentine cooperatives can be broadly classified as socialist cooperatives, even though this is not the most accurate representation. For example, the development of the most influential cooperative in Argentina, *El Hogar Obrero* (EHO), was spearheaded by Juan B. Justo (1865-1928), who was a socialist activist, thinker and cooperativist, strongly influenced by the writings of Karl Marx. Justo, inspired by Marx, sought the establishment of an alternative to capitalism based on agricultural production (Forni 2004: 18). In Melnyk’s view, *El Hogar Obrero* would be classified as a Marxist cooperative because it was rooted in the teachings of Marx, but the fact that the cooperative coexisted peacefully within capitalism, and sought peaceful transition to socialism, would classify it as a socialist cooperative. Lastly, Argentina’s cooperative movement has in large been inspired by the Rochdale Cooperative, which the authors describe as a *liberal democratic* (in Melnyk’s view) or *Competitive Yardstick school* (in Casselman’s view), i.e. the Argentine cooperatives strengthened capitalism and the principle of private ownership.

Due to its specificity, the ERT movement requires a separate theoretical framework because it cannot be coherently classified under any of the theories outlined by Melnyk or



Casselman. An important distinction to make is that socialists, as is the case with Juan B. Justo, see the peaceful coexistence of socially minded cooperatives within capitalism. The eight decades of active role of the *El Hogar Obrero* within the Argentine capitalist economy is a case in point. In general, socialists, such as Juan B. Justo, emphasize the importance of slow evolutionary and non-revolutionary development within capitalism, where there is some public and private ownership in a mixed economy. Marxists on the other hand, seek the abolition of classes and class exploitation via a revolutionary path. Whereas Marxists are confident in the ability of the working classes to run the state and the economy, socialists express certain levels of skepticism.

Ewell notes that most of the cooperatives in the “free enterprise system” belong to Casselman’s *Competitive Yardstick school*, which sees cooperatives “only as a means of checking the evils of the capitalistic system and correcting these defects within the system, thereby making the capitalistic system stronger and more nearly perfect” (Ewell 1969: 22). Melnyk’s account of the *Competitive Yardstick school* or what he refers to as *liberal democratic* cooperatives is quite comprehensive. The *liberal democratic* cooperatives have been inspired by and modeled after the Rochdale cooperative and they face an “essential duality” within capitalism:

“On the one hand they support the marketplace, while on the other they work hard to make sure that their kind of organization, rather than the capitalist kind that created the market, makes inroads [...] But one thing is clear, co-operatives in this tradition have a very high respect for the private property of their members” (Melnyk 1985: 10-11).

The three defining features of cooperatives in the liberal democratic context are: “emphasis on private property”, “basic tolerance of capitalism” and “pragmatic unifunctionalism” (Melnyk 1985: 15).

First, Melnyk notes that the dominance and hegemony of private property is the norm under liberal democracy (Melnyk 1985: 15). It is the state, controlled by the capitalist class that guarantees and protects the rights to private property in the means of production as a whole. The liberal democratic cooperatives are subsumed under capitalism and are based on capitalist principles of economic organization, in effect expanding the realm of capitalist practices. Those cooperatives are not set up to contest or challenge capitalism because the dominant industrial and financial sectors (Melnyk 1985: 15) under global capitalism remain outside of the control of the cooperatives (Benítez 1999: 25). In Argentina, some industrial productive capacities are cooperatized with the recent take-overs of the control of factories, but their number and economic influence remains marginal. The details of the effects of the ERT movement will be analyzed in more depth in chapters 4 and 5.

Second, liberal democratic cooperatives are a part of capitalism and do not seek to overthrow it because they are reliant for their own self-existence upon the “dominant principles of free enterprise, whose main feature next to private property is the marketplace” (Melnyk 1985: 16). The fact that liberal democratic cooperatives have been in existence within capitalist societies for over 150 years and in this time period cooperatives have remained a relatively marginal force within the global economy, demonstrates that liberal democratic cooperatives have not been capable of nor have sought to then use their position to change society by transforming capitalism. Their pragmatism has helped them survive for such a long time:

“They did well in the marketplace and so they had no reason to fight for its elimination. Their members joined co-ops not to end capitalism but to improve their personal economic situation. Liberal democratic co-ops were integrated into the dominant system right from the start” (Melnyk 1985: 17).

Another reason for the survival of the liberal democratic cooperatives is the adoption of the capitalist ideology of self-interestedness and individualism, which stand in contrast with

emphasizing the well-being of humanity and nature as a whole. The fragmentation of cooperatives by embracing unifunctional roles in society limits the ability of liberal democratic cooperatives to bring meaningful reform to the system (Melnyk 1985: 17). The cooperatives, as a marginalized economic force, become subject to the domination of the private sector, which dictates the terms and conditions of capitalist production. The unifunctionalism of those cooperatives forces them to compete with other cooperatives in the private and public sectors in order to provide a sustainable livelihood to their members (Melnyk 1985: 17, 30). The competitive forces of the market as well as the “compartmentalization of co-operation” mean that the cooperative sphere of influence and operation is limited, thus leaving it to the private and public sectors to control and “dominate the actions of their [the cooperative] members” (Melnyk 1985: 17).

The Rochdale cooperative rises to defend itself from excessive exploitation by capital. However, within a capitalist economy, the class character is present even among cooperatives (Abarca, Horacio, Gerschenfeld, and Rodríguez 1975: 43). The existence of cooperatives organized on the one hand by working class forces and others by capitalist interests is marked and defined by the fundamentally different positions they occupy in society where working class cooperatives bring together wage laborers and other categories of workers to form worker and consumer cooperatives that engage in small scale production and consumption (Abarca et al. 1975: 43-44). On the other hand, petty capitalist cooperatives are formed by small producers around limited forms of industrial, rural or commercial activities such as credit unions, cooperative insurance companies and agrarian cooperative manufacturers and those cooperatives might even imagine that they can challenge “big capital”, which is described as the *national* or *imperialist bourgeoisie* (Abarca et al. 1975: 43-44). A distinguishing feature of petty capitalist

cooperatives is that they can employ wage laborers and thus engage in the exploitation of other individual workers. Their ultimate goal is not to end exploitation per se, but rather to become the biggest exploiters themselves in contrast with, working class cooperatives that seek to end the exploitation of workers (Abarca et al. 1975: 44-45).

Lastly, Melnyk accounts for the *communalist* cooperatives, which are largely utopian cooperatives that seek their own self-isolation in order to meet the needs of their community and they have tended to arise out of religious and political streams (Melnyk 1985: 79). Since they are isolationist, they do not seek the overthrow of capitalism rather they are content, to at least in theory co-exist peacefully with capitalism. The four defining features of the communalist cooperatives are their isolationist tradition, charismatic leadership, intimate community structure and total egalitarianism in ownership, production and consumption (Melnyk 1985: 79-81). An example of communalist cooperatives surging from the political stream are the Owenite colonies that were founded in the United States.

The disunity and lack of coherence of ideologies and political and other positions within the cooperative movement makes it difficult for the movement to find a common ideological position in dealing with capitalism and its contradictions such as economic exploitation. The most influential consumer cooperative was established in Rochdale, England (1844) and it tried to accommodate itself to capitalism rather than seek a radical economic transformation of society. It is important to bear in mind that the class struggles in a capitalist society do not occur in a linear progression, rather their motion is very conflictual and is bound up with contradictions and changes in the relative power relations between the capitalists and the working class and are mediated by gender, ethnicity, race, religion and many other factors.

## Marxist View of Cooperatives

To better understand the ideological roots of Argentina's cooperative movement, it is important to briefly look at the nineteenth century analysis of capitalism that Marx and Engels developed as well as the ideological underpinnings that led to the rise of the Rochdale cooperative. The focus of this section will be the development of the modern Rochdale cooperative within capitalism and how it appears to have influenced the Argentine cooperative movement. The development of the Argentine cooperatives, as will be demonstrated shortly, has had a strong socialist ideological basis, rooted in Marxism.

In *The Communist Manifesto* (1848) Karl Marx and Friedrich Engels outline the history of class exploitation as an expression of contradictory relations between two opposing forces or classes: "Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed" (Marx and Engels 1848). Marx and Engels argued that in a capitalist society, this opposition exists between the capitalist class, the bourgeoisie, and the working class, the proletariat (Marx and Engels 1848). The aim of the capitalists is to maximize the extraction of surplus labor from the worker to realize profit while the objective of the working class is to ensure that they obtain highest wages and benefits possible to raise the standard of living and thereby combat the tendency toward the commoditization of their existence. The tension between the capitalists and the working class gives rise to certain contradictions in capitalist society and is also reflected in various methods that the capitalists use to control the working class, while the working class searches for ways to counteract and reverse the exploitation imposed by the capitalists (economic compulsion) and mediated by the state (political coercion) (Wood 1997).<sup>18</sup>

It is important to note that the class relations in a capitalist society are more complex and contradictory than the dichotomous relationship that is described in *The Communist Manifesto* (1848). Karl Marx himself discussed the complex and contradictory nature of class relations in his seminal work *Das Kapital* (Wright 1979). These contradictory and complex class relations are influenced and shaped by economics, politics and culture (Resnick and Wolff 2006) and they have ambiguous consequences for the ERT movement in Argentina.<sup>19</sup> As will be analyzed in chapters 4 and 5, the class struggle in Argentina is more nuanced, where capitalists and working class individuals alike, have contradictory interests and ways in which they respond to the crisis of neoliberalism. These contradictory class relations are most evidently exemplified in the conflictual relationship between some trade union and cooperative members. Instead of creating a unified social group, some trade unions did not want to support the recovery of workplaces in Argentina, leaving the newly unemployed to fend for themselves, which essentially weakened the potential for a more human oriented social transformation. Even state institutions and members of the governing elites in Argentina have had contradictory responses to the workplace occupations, which will be subject to a more detailed analysis in chapter 4.

One response is the creation of worker cooperatives, which tend to be reformist in nature rather than transformationist or even revolutionary (Abarca et al. 1975: 6; Ewell 1969: 19; Benítez 1999: 1). This is not to say that there are no cooperatives or any members of cooperatives that seek a radical transformation of the capitalist mode of production; however, this is not what the modern cooperatives that surged during the Industrial Revolution sought to do. The cooperative movement arose in order to address the injustices and inequalities that capitalism generated (Herrera 1992: 13). Additionally, the cooperative movement implements new methods of socio-economic integration to meet common needs of working people in society

(Herrera 1992: 13). Since its inception, the cooperatives have tried to grow while paying close attention to managing economic and social inequalities as well as creating an environment of liberty and internal democracy (Herrera 1992: 13). According to Herrera (1992), Benítez (1999), Abarca et al. (1975), the cooperative movement has faced challenges in the capitalist, socialist and communist economic systems (Herrera 1992: 13; Benítez 1999: 25-26, Abarca et al. 1975: 43). Moreover, Benítez argues that in every regime or social order in history, the state has been in service of the dominant class where the interests of the class were mediated by the state and coerced by the law (Benítez 1999: 26) and effectively no cooperatives are exception to this rule even today.

This is what Ellen Meiksins Wood calls the moment of economic compulsion that obtains in the market where capitalist power prevails and through the juridical role of the state which she called the moment of coercion (Wood 1997). Ellen Wood insists that economic compulsion is built into capitalist social relations of production and is masked in market relations that assume the external form of legal equality between capitalists and workers bargaining over the wage contract as equals. Wood insists that market-mediated relationship between the capitalists and the workers is the external manifestation of deeply embedded and hidden power relations between two unequally positioned classes. She also contends that economic exploitation (moment of compulsion) does not take over where democracy and freedom end, rather it lies at the foundation on which liberal democracy, freedom and justice take shape across the entire political and cultural landscapes under capitalism (Wood 1997).

Abarca et al. note that in a capitalist society, the capitalist class attempts the hegemonization of the means of production (1975: 5) through the use of laws and regulations that seek to justify its domination over the working classes (Benítez 1999: 26). For this reason, it

is important to push for legal changes that would support the cooperative movement and would seek to eliminate the domination of the capitalist over the working class. The capitalist class, as the owners of the means of production, can dictate the rules under which the working class, the class that does not own the means of production, operates within a capitalist social order. To further their aims and dominance, the bourgeoisie had to carry out a revolution in the means of production, which resulted in industrialization (Abarca et al. 1975: 5-6). The increase in industrial production and technological innovation, propelled by the Industrial Revolution of the 18<sup>th</sup> and 19<sup>th</sup> centuries, gave rise to the conditions necessary to boost the rate of concentration of capital via monopolization of the economic resources and the concentration of power in the hands of a small number of capitalists on a national level and on an increasingly international and global scale as time progressed.

In order to enhance the process of private accumulation, the bourgeoisie is in constant need of market expansion: “[the] need of a constantly expanding market for products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere” (*The Communist Manifesto* 1848). *The Communist Manifesto* provided the working class with the necessary theoretical and political tools for the development of its class consciousness about their existence as a class that is to be exploited by the capitalists within a capitalist society. It also helped workers to transcend their national self-consciousness and see themselves as a class, a proletarian force whose ultimate aim is to overthrow capitalism and abolish all classes, which would ultimately lead to the establishment of a communist society. Important to note is that the modern cooperative movement was rising in prominence at the time when Marx and Engels published *The Communist Manifesto* in 1848.



The concentration of economic power in the hands of the capitalists that Marx and Engels describe put the proletariat at the “mercy” of the capitalists in order to be able to socially reproduce themselves in society. As Ellen Wood notes, it is this economic compulsion, which results from the fact that the workers do not own the means of production and are forced to work for the capitalists. This economic reality presents confusion when it comes to the political reality under liberal capitalism where classes and class relations are rejected for individuals and individualism, with the individual regarded as the unit of analysis and also as the politically equal subject before the law. The economic reality however reveals individuals as materially and economically unequal and dependent in the real world, due to their separation from the means of production which forces them to work for the capitalists. Therefore the relationship between economic compulsion and political coercion is mutually reinforcing and is necessary for capitalism to function (Teschke and Heine 2002; Wood 1997).<sup>20</sup>

Melnyk notes that the political categorization is important because it “is an acknowledgment of the economic reality and the primacy of political ideology in shaping socio-economic relations” (1985: 10). The working class, given the uneven social relationships under capitalism, tries to organize itself in labor unions, mutual associations, cooperatives and political parties in the expectation of increasing its power vis-à-vis capital. The cooperative movement emerged as one form of response to the exploitative nature of capitalism. As noted in the Introduction, Ewell argues that a variety of forms of cooperatives existed even before the Industrial Revolution (Ewell 1969). The thesis, however, concentrates on the ERT movement, which is a worker cooperative movement that was inspired by the principles of the modern consumer cooperative of the Pioneers of Rochdale. The modern cooperative movement has its roots in the Industrial Revolution.

## **The Rise of the Modern Cooperative**

The Industrial Revolution first started in England in the late 18<sup>th</sup> and early 19<sup>th</sup> century and later spread to other Western European countries and the United States. The Industrial Revolution, as a stage in development of the capitalist mode of production (Robinson 2004: 4), coincided with an increase in the exploitation of the working class, which prompted Robert Owen (1771-1858), a Welsh social reformer and Charles Fourier (1772-1837) from France, considered the fathers of cooperatives, to develop ideas and activities for a cooperative movement that aimed to improve working and living conditions of the working class (Gonzales 2005: 5).

In his early twenties, Robert Owen was a textile factory owner. Throughout his life he fought for his ideals of improving the working conditions for labor in England. He first started implementing his ideas while working as the manager of New Lanark Mills:

“[Owen] raised wages of his workers, reduced the hours of labour from seventeen to ten a day, prohibited the employment of children under ten years of age [...] provided free education, free amusements, cheap provisions, good cottages for his workpeople and their families” (Webb 1891: 13,15).

The Eight-Hours' Day movement noted that in 1817, Robert Owen proposed legislation for the passing of an eight hour work day at a time when the typical factory laborer, including children, worked 15 to 16 hours (Dwight and Bliss 1897: 429, 859, 1226). Even though the proposed bill was not immediately adopted, Robert Owen offered many benefits to his workers, which were unheard of at the time, especially at the textile mills. Despite all of these privileges offered to his workers and their families, the rise in labor productivity, the increase in profits, and the improvement in the material conditions of the workers, there was pessimism among other capitalists and proprietors of the future financial success of Owen's factory. After four years, Robert Owen managed to reap a profit of £160,000 (Webb 1891; 13) and thus demonstrated that

his theoretical ideas were applicable in practice. In a letter to other manufacturers, Robert Owen argued the necessity to invest in human capital and not only in inanimate machines:

“If, then, due care as to the state of your inanimate machines can produce such beneficial results, what may not be expected if you devote equal attention to your vital machines, which are more wonderfully constructed?” (Owen as cited in Webb 1891: 14)

Owen’s efforts to convince his fellow manufacturers and later the government to adopt the principles and ideals in which he believed, have largely failed. Even though initially he enjoyed the support of prominent English individuals, such as the Duke of Kent, father of Queen Victoria, his harsh criticism of all religions led to his rejection and alienation (Dwight and Bliss 1897: 860). Despite this setback, in 1819, the government adopted a bill that regulated child labor, shortened working hours and provided rudimentary guarantees for health and education to employees (Gonzales 2005: 6; Dwight and Bliss 1897: 859).

With regards to the organization of the cooperatives, Owen’s idea was to promote a democratic voting and management system (Abarca et al. 1975: 9). In the communities that Robert Owen envisioned, he saw the substitution of private property for “communal possession of land and a communal accumulation of wealth” as a means of addressing the issue of “over-production” (Webb 1891: 21, 27) or as Robinson defines it “over-accumulation” under capitalism (Robinson 2004: 148). Robert Owen’s concrete strategy and plan of action reflected the need to address the issue of moving the logic of profit making from benefiting the shareholders of an enterprise or an industry to it being subject to democratic distribution and thus ensure that profits meet the needs and wants of the community rather than a handful of individuals (Owen as cited in Webb 1891: 21). Owen’s position demonstrated that the market is a human invention that is subject to political and economic manipulation because it is rooted in class relations of exploitation. In other words, one of Owen’s seminal contributions to social and

political theory was to be found in the way he helped to demystify the market by revealing the hidden undemocratic tendencies it achieves when it is left to be manipulated and controlled almost exclusively by private business interests. Owen also showed that concrete steps would have to be undertaken to bring the market within the boundaries of democratic control and accountability. He recognized that there is nothing natural about the market in history and there is no justification in fetishizing it by treating it as natural and beyond human determination, considering that it is a human invention with forms that have varied through time and place.

In his books, Owen argued that cooperatives should be “communist” associations where there would be equality among all members and the managers would be elected democratically (Abarca et al. 1975: 9). In addition, Owen talked about the need for cooperatives to be supported through government loans, which would later be returned through salary deductions. After the loans were paid off, the workers would distribute the income equally, reserving a portion for the future development of the cooperative enterprise (Abarca et al. 1975: 9). The idea of reserving a portion for the future development of the cooperative was integrated in the Law on Cooperatives 20.337/73 of Argentina, where Article 42 states that five percent should go to the legal reserve (*reserva legal*); five percent to the Welfare and Labor Fund (*fondo de acción asistencial y laboral*) or Personnel Encouragement Fund (*fondo para el estímulo del personal*); and five percent to Cooperative Education and Training Fund (*fondo de educación y capacitación cooperativa*), which some cooperatives use to sponsor cultural events.

Owen criticized the notion of individualism within the workplace and society (Abarca et al. 1975: 9). Under capitalism, individualism is an ideology that serves to inculcate the ideology of rational self-interestedness and thinking among the working class members. This seeks to discourage the working class and make it seem “unnatural” and “irrational” to cooperate and

collaborate in order to challenge the exploitative power of capital. Robert Owen suggested the need for the development of cooperatives and he was the first to coin the term “cooperative” (Abarca et al. 1975: 9). Under capitalism, Owen observed that the value paid to the workers for their labor was unjust because it did not include the full value of the labor that workers put in the production of the goods and services (Owen as cited in Webb 1891: 21). He argued that through joining forces in labor unions, the workers had more opportunities of obtaining better wages and working conditions. According to Marx and Engels, every class struggle is a political one and the working class is compelled to organize itself in trade unions in order to fight the downward drive of wages and resist the power of the bourgeoisie (Marx and Engels 2008: 14). Individualism further fragments and divides the working class, which results in the debilitation of the political power of workers and exacerbates exploitation. Seeing the threat of individualism, Owen harshly criticized it and opted for cooperation.

The struggle against capital was not to be won solely through constituting cooperatives. Owen recognized the importance of broader cooperation and solidarity among the working class and encouraged the participation of workers in labor unions; however, the collaboration of the labor unions with the cooperators was limited at best (Gonzales 2005: 6; Webb 1891: 61). Webb notes that the *experienced* labor union members were suspicious of the *profit-sharing* ideas of Robert Owen and were largely unsupportive of the cooperative movement because they saw it as an attack on the “standard wage” through debilitating the collective bargaining power of the unions by “separating the sticks from the bundle” (Webb 1891: 165). Even though Owen’s ideas enjoyed limited success at the time, it is important to recognize his struggles to end capitalist exploitation during the Industrial Revolution and their influence today. One of the great achievements that resulted from Owen’s proposed idea of joint struggle of trade unionists and

cooperators was the strengthening of the Ten Hours Movement (*The Home of Co-operation* 2008: 2) that pushed for the passing of the Ten Hour Bill in England, eventually going into law in 1847 (Dwight and Bliss 1897: 1227; Marx and Engels 2008: 14). Owen's strategy also revealed some of the contradictions in the working class movement in relation to the workers' disposition toward the cooperative movement. There were clearly fissures within the working class movement, especially within the trade unions, that prevented it from acting in a unified manner to end capitalist exploitation.

One of the obstacles to bringing about a transformation beyond the capitalist mode of production is the disunity that exists between different groups of people, such as cooperators and labor unionists, who see one another with suspicion, antagonism and open competition. This only serves to segregate, fragment and debilitate the working class movement, as the labor union and cooperative members seek to only protect the interests of their members rather than the interests of the working class as a whole. To trade unionists it did not appeal that cooperators not only distributed profits, but that they also shared the losses, thus reinforcing the competitive pressures on the earnings of cooperative members in a capitalist market (Webb 1891: 165). According to the trade unionists, this makes the cooperative subject to the forces of contradiction of capitalism, which eliminates the notion of "autonomy" of the cooperatives from the capitalist market.

The cooperatives may have a formal autonomy in making decisions, but they are forced to compete in the market and cannot effectively operate outside of it. Thus, cooperatives become an integral part of markets and are subject to its contradictions. A consequence of the difficulty of cooperatives in Britain to become major economic actors in production and consumption has been their failure "to raise the wages of the manual workers to the level of effective citizenship"

(Webb 1891: 215). Given that cooperatives are “voluntary” associations, it is difficult to attract a large number of working class individuals to cooperate in order to bear the risks that they may not only share profits but losses as well.

The challenge for cooperators has been (and still is) that they were (are) competing with capitalists who owned (own) large amounts of capital and were (are) able to invest in heavy machinery that undercuts competition from cooperatives, thus making it more difficult for the cooperators to compete. As a consequence of the structural unevenness in the share and distribution of capital, power and influence between the capitalist and the working class, the cooperative movement in England has largely remained a marginal economic, social and political force (Webb 1891: 225-230). Despite remaining a limited force in England, the ideas of Owen have inspired the founding of cooperatives throughout the world. One of Owen’s ideas was that the struggle was an international one, which requires a consciousness of solidarity among cooperators around the world (Abarca et al. 1975: 18). Owen’s attempts to form cooperatives in England, the United States and Mexico resulted in failures (Abarca et al. 1975: 9-10). In 1835, he founded the “Association of All Classes of All Nations”, which was not successful due to lack of support. Despite its failure, the idea gave rise to the founding of the International Co-operative Alliance in 1895 (Abarca et al. 1975: 10) and today the International Co-operative Alliance is the largest, non-governmental association of cooperatives worldwide.

Charles Fourier was a French philosopher and social theorist who contributed to the development of the cooperative movement. He was also part of the French socialist political tradition that helped to inform the development of socialist political economy in European circles. Fourier published his ideas in the “Treatise on Domestic Agricultural Association” in 1822, where he describes small utopian communities, *Phalanstère*, that would provide social,

educational and production facilities all in one place (Gonzales 2005: 6). The members of the *Phalanstère* were supposed to work in “accordance to their natural inclinations”, in other words, the members should do the type of work in which they are best trained and most talented (Omar 1993: 93-94). Some of Fourier’s ideas were similar in nature to those of Robert Owen. In line with Owen’s criticism of individualism, Fourier emphasized the need to work collectively as a community, where all social classes would be included (Abarca et al. 1975: 10). Fourier’s call for a form of all class cooperation signaled his naiveté and idealist utopian disposition which indicated that he did not fully grasp the class and state contradictions of industrial capitalist society at the time.

Contrary to the traditional enterprises, Fourier noted that there should also be a democratic election of the directors and managers without any additional compensation for holding a leadership position (Abarca et al. 1975: 11). Contextually, Fourier believed that income should be distributed in accordance with the contribution and talents offered by each individual at the service of the enterprise (Abarca et al. 1975: 11). Fourier also believed that the start-up capital should come from outside investors, so he waited all his life, in vain, to realize his utopian project (Abarca et al. 1975: 11). The problem with Fourier’s idea is that outside capital creates a relationship of dependence and reliance for the members of the *Phalanstère*. Under capitalism, an investor seeks to obtain a return on investment and if there are no profitable outlets, then the capitalist would not invest his or her capital in the endeavor. The reliance on outside capital, only serves to perpetuate the class relationships that are already in place.

The writings of Fourier inspired the Fourierist movement, which was one of the leading socialist movements in Western Europe, especially in France, between 1837 and 1849 (Davidson 1973: 277). Victor Prosper Considerant (1808-1893) was one of the leading figures who not only



popularized the writings of Fourier, but also established “branch societies in almost every major city in Europe and in the United States and disseminated propaganda throughout the world” (Davidson 1973: 278). Despite inspiring, at least in part, “such figures as Karl Marx, Wilhelm Weitling, Alexander Herzen, Louis Blanc, and Fyodor Dostoevsky”, the influence of the Fourierist utopian social movement was short-lived (Davidson 1973: 278).

Another leading figure in the Fourierist movement was Jean-Baptiste André Godin (1817-1888). Godin along with Considerant applied Fourier’s theoretical ideas in practice (Abarca et al. 1975: 11). In 1854, Godin received a donation of F100,000 francs and founded “*Familistère*” or Social Palace in the small town of Guise in present-day northeast France (Abarca et al. 1975: 12). This utopian socialist project was initially successful, but later as the members became less progressive, the utopian ideals among the members subsided (Abarca et al. 1975: 12). The *Familistère* project, influenced by the writings of Fourier, was the only utopian ideal that came to fruition and was running successfully as a cooperative until 1968.<sup>21</sup> Currently, the site is a museum and serves as a tourist attraction, only invoking memories of its “utopian” past.

Considerant, like Godin, followed Fourier’s ideas; however, his endeavors were not successful. After visiting the United States, Considerant attempted to establish a “phalanstery” in La Réunion, Texas, which failed due to a lack of skilled colonists, a lack of any sense of socialist history or background among the early settlers, outright and systematic opposition from the government of Texas to grant settler land for socialist purposes, investors withdrawing funds from the project (after political opposition from the state of Texas), poor location due to unfavorable soil and climate and the anti-socialist, xenophobic attitude of local Texans towards the colony (Davidson 1973: 284-290). Even though, Considerant was very elaborate and detailed

in his plans about the necessary steps to take in order to establish an effective and efficient colony based on socialist principles (Davidson 1973: 283), he assumed that in the US his project would succeed due to his perceived absence of preconceived notions, prejudices and stereotypes of many people in the United States of America. The challenges he faced resulted in successive failures and he realized that the US was not the romantic place he envisioned in *The Great West* (Davidson 1973: 284).

One notable parallel between Marx and Considerant is their analysis of 19<sup>th</sup> century capitalism. Considerant's criticism of capitalism was first published as an introduction of a newspaper in 1843 under the title *Manifeste de la démocratie pacifique* (Manifesto of the Peaceful Democracy) and later incorporated in his book *Principes du socialisme: Manifeste de la démocratie au xixe siècle* (Principles of Socialism: Manifesto of Democracy of the 19<sup>th</sup> century) published in 1847 (Davidson 1973: 279). Some of the topics covered in Considerant's newspaper article and book are similar to those of *The Communist Manifesto*, published five years later in 1848. Davidson notes that Considerant discussed the:

“[...] defects of un-regulated capitalism as the creation of monopolies, the destruction of small industry and agriculture, the concentration of wealth and political power, overproduction, depressions, cyclical economic tendencies, imperialism, and class warfare” (Considerant as cited in Davidson 1973: 279).

There were differences to note between the analysis of capitalism advanced by Considerant and Marx. The former saw the transition to a post-capitalist society through the creation of phalansteries, whereas the latter developed a theory of the formation of communist societies (Davidson 1973: 280). In his time, Considerant saw that large numbers of people lacked the necessary ideological understanding in order to contribute to social transformation in the world, hence he believed that humanity would have to undergo a slow, gradual process of evolution before any significant changes in society could be achieved (Davidson 1973: 280). He

also envisioned the phalansteries as the transitional entities to a utopian socialist society. In each phalanstery about 300 families would live, engaging in and rotating between various social, economic, political and intellectual endeavors, depending on their individual talents (Davidson 1973: 280). With regards to the economic system, “[t]he principal activities would be those of agriculture, manufacturing, commerce, and domestic economy; art, science, and education; self-government and social intercourse”, while the political structure would be characterized by a system of “pure democracy based upon universal suffrage and direct legislation” (Davidson 1973: 280). To distinguish the system from communism, Considerant contemplated a remuneration system based on each individual’s contribution of capital, skill and labor. Not only did Considerant express his anti-communist sentiments in theory, through protecting the notion of private property within the phalansteries, but also in practice, when he initially invited capitalists to participate in the funding of La Réunion (Davidson 1973: 286). One of the underlying similarities in the ideas of Owen, Fourier, Godin and Considerant is their commitment to “democratic” management of the social and economic enterprises they envisioned. Given that all the thinkers sought to give workers and members the right to participate in the decision-making process, it can be stated that these enterprises were “democratic”, at least in their form of management. All four thinkers envisioned the importance of the right of workers to participate in the voting of their leadership. The principle of one person one vote was developed and adopted by the pioneers of the Rochdale cooperative, who in turn inspired individuals and communities around the world, including Argentina, to follow their values.

Even though Owen, Fourier, Godin and Considerant sought democratic forms of organization for their utopian communities and cooperatives, the fact that these organizations

operated within the liberal capitalist framework made them subject to its contradictions. For example, Fourier, Godin and Considerant, expected capitalists to invest capital in order to establish the phalansteries, however, this places the members of these communities in a subordinate position and in a relationship of dependence to capital. Despite the fact that Fourier and his followers sought to empower members of the phalansteries through democratic organization and management, this form of democracy is only nominal in nature as it does not account for meeting the full material and intellectual needs of each member. Since the initial investments would have to be made by the capitalists, the members are obliged to repay these loans, thus restricting their effective autonomy. The true power of economic and political coercion as Teschke and Heine (2002) and Wood (1995) note lies with the capitalist class. The longest surviving project conceived after the ideas of the French socialist thinkers was the *Familistère*, which eventually became less progressive and abandoned its democratic form of organization as it was increasingly coming up against its external and internal limitations. A real democracy, as its Hellenic etymological origins imply, “demos” (people) and “kratos” (power) would constitute a social order where the people have effective control over economic, social, political and cultural affairs. Owen flirted with the idea of communist societies that would be organized democratically; however Marx, out of all the aforementioned thinkers, comes closest to the notion of democracy where power rests with the people as a whole, rather than minority elite.

Utopian socialist communities modeled after the ideas of Fourier and Owen were also established in France, the Netherlands and the United States but have largely failed partly due to “bad management, lack of funds and poor recruiting” (Ewell 1969: 70). The Fourierists, through thinking that it was possible to establish egalitarian societies that included both capitalists and

working class individuals, demonstrated limited understanding of the structural forces and power relations embedded within capitalism. In his analysis, Ewell does not credit the failure of these socialist endeavors to external factors such as political and ideological pressures and influences, but rather focuses on internal factors. The analysis of both the external and internal pressures and challenges to the success of Argentina's ERT movement will be crucial. For this reason, it was important to take into account Davidson's notion of the external and internal challenges that utopian projects, such as La Réunion in Texas, suffered.

Throughout the history of capitalism, the ruling capitalist elite pushed for the promotion and implementation of capitalism and its ideology as the only viable option. The capitalists rely on state institutions and their capital in order to dominate the political and economic spheres of life and dictate the rules. For example, the government of Texas refused to grant land to Considerant for establishing a colony organized under socialist and democratic principles. These utopian thinkers, with the exception of Owen, lacked capital and depended on the financial support of capitalist investors and the bourgeois state in order to carry out their projects, when in fact, the state and the capitalists were fundamentally opposed to any measures that give workers any potential ability to control their lives and labor power and other ways to control dependence, poverty and material and psychological insecurity.

Under capitalism there is a structural unevenness in the distribution of economic and political power and any attempts at rearranging the power balance in favor of the working class will encounter severe resistance, which will even be backed by the use of force. While the Industrial Revolution brought many technological advances resulting in increases in productivity and production, there was a serious discontent from the factory workers who were severely exploited. In Rochdale, strikes were frequent and sometimes violent. The most notable ones took

place in 1808, which led to the stationing of troops staying there until 1846 (*The Home of Co-operation* 2008: 2). In 1829 the strike was “suppressed by horse and foot soldiers, resulting in some fatal casualties, prison sentences, and the transportation for life of one of the leaders” (*The Home of Co-operation* 2008: 2). The unequal distribution of resources disproportionately affected the poor in Rochdale (and elsewhere) who not only suffered from poor employment opportunities but also from hunger and malnutrition, especially during the 1840s (*The Home of Co-operation* 2008: 3).

The first successful modern cooperative inspired by the ideas of Robert Owen and Charles Fourier was The Rochdale Equitable Pioneers Society. In fact, at least 15 of the original founders were Owenite Socialists, while at least 10 were weavers.<sup>22</sup> The cooperative was founded in 1844 in Rochdale, England, by a group of 28 artisans, referred to as the Pioneers of Rochdale, some of whom faced “miserable working conditions and low wages” (ICA 2005).

Marx and Engels described in *The Communist Manifesto* that capitalism was inherently unstable and prone to crisis as a consequence of the necessity to be propelled by competition, which ultimately drives down the costs of production, having serious implications for labor’s living standards and well-being (Marx and Engels 2008: 14). To cope with the competitive pressures of the marketplace under capitalism, the Rochdale pioneers pooled their scarce resources to “purchase supplies and consumer goods cooperatively” (Ewell 1969: 53-54), their total capital adding up to £28 (*The Home of Co-operation* 2008: 1, 8). In addition, they tried to avoid the conventional management structure of traditional enterprises where the owner/major shareholder or a group of owners/shareholders make/s all executive decisions.

The members of the Rochdale cooperative wanted to be in control of the redistribution of the surplus value they generated so they pursued democratic principles of management. These

same democratic principles were exalted in the writings of Robert Owen and Charles Fourier as was previously discussed. Specifically, the pioneers of Rochdale adopted “one voice, one vote” rule in all elections (Ewell 1969: 53-54), regardless of the number of shares that a member may have possessed in the cooperative, where the maximum number of shares per person was set at 50 (*The Home of Co-operation* 2008: 15). Effectively the founders established a democratic workplace, where each worker was the owner of the means of production and was in control of the distribution of remunerations. In addition, the assembly democratically elected the cooperative leadership to include a “President, Treasurer and Secretary, three trustees and five directors”, all of whom who had annual terms (*The Home of Co-operation* 2008: 5), thus reinforcing the principle of accountability of the elected cooperative leadership to its members.

Since the founders wanted to avoid the exploitation they faced and suffered when working in a capitalist enterprise, they agreed to work and live by the values of “self-help, self-responsibility, democracy, equality, equity and solidarity” as well as the ethical values of: “honesty, openness, social responsibility and caring for others” (ICA 2007). These values and the seven principles<sup>23</sup> of cooperation inspired by the practice of the Rochdale cooperative have been adopted by the ICA and serve as the foundation for cooperatives today around the world. These values and principles proved essential to the growth of cooperatives since the members confided in the quality and the price of the products and services. Consequently, the cooperative expanded its membership to 12,000 in only 50 years of its existence (Ewell 1969: 53). As the membership base of the cooperative grew, in 1850 they expanded operations and decided to purchase a corn mill. The Corn Mill Society, after some initial financial struggles, became so successful that they had to purchase another one and this required capital investments from new shareholders. The financial solvency of The Corn Mill Society attracted hundreds of new shareholders and as a

result their number increased from 200 or 300 to 1,400 (*The Home of Co-operation* 2008: 18). The new shareholders only wanted a return on their investment and by 1862 the principle of profit-sharing was abandoned which irked some of the founders (*The Home of Co-operation* 2008: 18). As Webb (1891) noted, within capitalism, cooperatives run the risk of becoming profit-seeking enterprises due to structural pressures to compete and innovate.

The members of the Rochdale cooperative adopted many of Robert Owens' ideas, but they also had their differences. For example, the Rochdale cooperators were firmly committed to open membership for all people regardless of gender, national and ethnic origins or religious affiliation. Dr. William King (1786-1865), a British physician and founder of the newsletter *The Co-operator* (1828-1830), expressed the need for cooperatives to be open to people of all walks of life, without regard to differences in religious beliefs, while on the other hand Owen opposed religion to the point of aversion (Abarca et al. 1975: 12-13). What mattered to Dr. King was that the members should join a cooperative on a voluntary basis and should never be forced to become members (Abarca et al. 1975: 12). In effect, many of the key ideas that the Rochdale pioneers adopted were taken from the articles written in *The Co-operator*.

It is important to point out that the notion of free and voluntary membership, as Dr. King advocated, is misleading. The contradictions and exploitative nature of capitalism forced the Rochdale founders to establish a cooperative where they sought to improve their lifestyles. The founders wanted to avoid their prior predicaments such as low wages, poor working conditions and long working hours and to do so, they were forced to pool their limited resources and generate enough capital to start a consumer cooperative. It was not their "free" will to do so; rather they were subject to marginalization and exploitation.



One of the reasons for the relatively slow growth of the cooperative movement is the lack of class or group consciousness among those who are marginalized and exploited by the workings of capitalism. Through the private organization of the means of production and the regulatory power of the market and the state, the people are forced to become members of the capitalist society. The state determines our relative position through dictating the rules of citizenship, national identity, language, which arbitrarily frame the social relations among different groups of individuals. Moreover, the state sets the rules and laws on cooperative formation and governance and the market dictates access to capital. From the legal-judicial perspective, potential membership in the cooperative is regulated by the state, while the access to capital to start, run and expand operations is regulated by the “free market” where the power of capital is hidden from clear view. The subsequent analysis of the cooperative experiences of Argentina’s *El Hogar Obrero* (Chapter 3) and ERT cooperatives (Chapters 4 and 5) will focus on the limitations the state places as well as the economic coercion of the marketplace, which determines and controls the membership of cooperators in capitalist society.

The influence of the writings of Owen, Fourier, Godin, Considerant and Dr. King helped shape not only the Rochdale cooperative but also the worldwide cooperative movement. Tolerance and openness were among the unique and defining features of the cooperative movement. The economic success of the cooperative, coupled with the democratic values and principles became the basis for a worldwide cooperative movement because the rules were flexible and could be adopted “by all classes, all shades of political opinions, and all nations” (Melnyk 1985: 3). Dr. King saw the cooperative movement as the only revolutionary weapon to bring about a radical change in society, given that cooperatives, in his view, formed social capital which gave workers an independence from private capital (Abarca et al. 1975: 12-13). Here, Dr.

King sees individuals rather than classes and class relations as playing a role in exploitation, which is different from Owen's notion and analysis of exploitation within capitalist societies.<sup>24</sup>

History shows that the inception of the Rochdale consumer cooperative did not result in any challenges with the potential to overthrow capitalism. The evidence points to the fact that the cooperatives tried to accommodate themselves to the requirements of the capitalist society. Through organizing in cooperative enterprises, the cooperative members sought to end their precarious conditions of subsistence wage labor. The struggle against poor labor conditions was limited to the membership and did not seek to end the widespread exploitation that existed within capitalism. From that vantage point, the capitalist bourgeoisie did not oppose the Rochdale cooperative because in their view, it was a refined form of exploitation that resulted in the increase of productivity and the distribution of benefits with the bourgeoisie (Benítez 1999: 22). In other words, capitalists might support certain types of cooperatives, especially those that have respect for private property in the means of production such as the liberal democratic, i.e. the Rochdalian cooperatives. Other types of cooperatives, such as Casselman's socialist or Melnyk's Marxist cooperatives that are opposed to capitalist exploitation and principles will face more challenges and even outright rejection and repudiation.

Over 150 years after the establishment of the Rochdale cooperative, cooperatives have become entrenched in the capitalist system and have not been a major revolutionary tool that Dr. King might have envisioned, even in his utopian ideology. One of the limitations of the cooperative movement was its inability to attract a broad-based participation. Another problem is that cooperatives serve as advocates for their members and not for addressing the ills of society as a whole. Cooperatives do demonstrate solidarity with the outside community and they have played an important role in contributing to social justice; however, their most immediate

concerns lie with the existential well-being of worker-owners. In this respect, cooperatives are not very different from trade unions which seek to represent their organized members within the working class while paying little direct attention to the needs of the unorganized and unemployed workers, for the most part.

Throughout its history, the Rochdale cooperative remained a relatively marginal player that operated within capitalism and did not seek to reform or overthrow it. Perhaps their pragmatism and benign “radical” political activity helped it survive for as long as it did. Unlike Owen and Considerant who criticized the workings of capitalism vociferously, the founders of Rochdale had no pretensions in this area and thus did not attract major attention among the capitalists who did not necessarily had to take any direct action or show any interest in stifling its functioning. The founders of Rochdale were seeking a pragmatic solution to their immediate needs and saw that through cooperating and working together they had better chances of survival than competing against each other. The cooperative was important in that it succeeded in demonstrating that democratically owned and managed workplaces are capable of competing and succeeding within the capitalist framework, provide a less stressful livelihood to its members and retain some autonomy in management. A major decision in maintaining financial autonomy was the prohibition of the use of credit for all purposes, which was severely punished (*The Home of Co-operation* 2008: 5).

The only way that cooperatives could transform the class relationships in the rest of society, would be when the mode of production under capitalism would lose its class character (Abarca et al. 1975: 6). Cooperatives play an important role in demonstrating that there is an alternative way to organize and mobilize the means of production that does not require intermediaries or the direct control of big capital. However, competition with transnational

corporations (TNCs) would require the consolidation of economic power of smaller groups of cooperatives and small businesses, as is the case with the Mondragon Cooperatives Corporation (MCC) in Spain, which groups over 256 cooperative and non-cooperative entities in 18 different countries.<sup>25</sup> Given that most cooperatives in the world fall under the small and medium enterprises category, cooperatives across the world are marginal economic players and cannot compete on equal terms with major TNCs that are better connected politically and economically in the world.

To remain competitive in the market, cooperatives need not only consolidate their economic and political power, but also innovate technologically in order to increase their productivity (Herrera 1992: 16). This is necessary if cooperatives are to satisfy their objectives to meet the basic needs of its members. If cooperatives are economically viable then they will be able to dedicate resources to social, political, cultural and environmental projects. In this sense, remaining economically competitive vis-à-vis capitalist enterprises becomes essential in order for the members of the cooperatives to reproduce themselves in society. Moreover, the resilience of the cooperatives could potentially attract more members who seek an alternative form of production and consumption, which does not subject human dignity to exploitation, commodification and marginalization. MacLeod emphasizes that technological innovation alone is not sufficient; there is a need for technological innovation to be coupled with social innovation:

“Blind technology that follows only free market forces can destroy societies, while highly ideological movements, without the powers of technology, will be humanly interesting but will remain marginal to the main economy” (MacLeod 1997: 134).

So far, technological development has been controlled by capital strengthening the class interests of the dominant capitalist classes. Especially, since the advent of the Industrial Revolution, labor

has been in direct competition with machines. In this struggle, especially low-skilled labor is most affected by the rapid technological advances. The challenge is not to eliminate or stall technological innovation just because machines increasingly replace human labor; rather it is necessary to place technology at the forefront of human development with a focus on environmental preservation and protection. In other words, technology needs to serve the needs of society as a whole, rather than a handful of individuals, bearing in mind that technology does not possess any autonomy from the social relations within which it is produced.<sup>26</sup>

In a capitalist economy technological innovation serves to boost productivity, its primary interest being the increase of profit margins that will benefit the private interests of the investors. Through investing in technology and the process of mechanization and automatization of production, the capitalists drive costs of production down, forcing human labor to compete globally for decreasing wages. Under capitalism, the application of new technological innovations is not a neutral process that seeks to benefit humanity. It primarily has commercial purposes and any benefits that reach vast numbers of individuals come as trickle-down effect. Once human dignity reaches a certain low point, as a result of deprivation of resources and worsening of human conditions, large numbers of people start to protest and object to this form of exploitation. This has been part of the reason why protests have sprung all across the world in the aftermath of the global economic and financial crisis. Capitalists turn to technology for political as well as economic ends.<sup>27</sup>

The scientific and technological revolution that is heralded under capitalism decreased costs of transportation, communication and production, facilitated exchange of ideas without which the cooperative principles would not be shared across the world as quickly and as effectively as they have been. It is important to recognize the contradictory nature of the

workings of capitalism. On one hand, globalization of capitalism has reached virtually everyone in the world and many have experienced some of its positive impacts; on the flip side, capitalism contributes to an increasing social polarization that disproportionately benefits capitalists at the expenses of the working class worldwide. To overcome these challenges it is necessary to truly democratize the economy and society. This will entail the full democratization of the means of production, consumption and distribution of resources, which will include direct accountability and transparency for all decisions made by an elected executive leadership. The Rochdale cooperative attempted to meet their own material, social and cultural needs through democratizing the process of consumption. The fact that they chose not to seek the democratization of the production processes (*The Home of Co-operation* 2008: 17) placed them in a subordinate idealist position in relation to capital. The goods they were selling were produced in the big factories at wholesale prices. The Rochdale members and co-operators relied on acquiring their merchandise from the capitalists, effectively pumping cash into the capitalist machinery and reinforcing the principle of private accumulation that meets the interests of the owners of the means of production. Even though the Rochdale cooperative sought its autonomy, its reliance on the market, need to access capital in order to expand operations, led to its conversion to a joint stock company in 1862 (*The Home of Co-operation* 2008: 18). In other words, the Rochdale project entered at the distribution and circulation of capitalist commodities expanding the process for capital while reducing capital's cost of bringing the commodities to the market. In effect, the Rochdale cooperative benefited the capitalists based on where it entered the division of labor. Capitalists had no need to fear the Rochdale cooperatives as a threat to capitalism, because there was a complementary relationship that benefited the capitalists. As Benítez mentioned, liberal democratic cooperatives within the capitalist economy constitute a

refined form of exploitation, where the cooperative members generally extract enough of the benefits in order not seek to seek the overthrow of capitalism (Benítez 1999: 22).

Despite the shortcomings, it is paramount to recognize the brave and determined steps that the Rochdale founders took in order to realize their ideal. This has inspired millions across the world and has had a major influence in the early development of cooperatives as well as their more recent evolution in the form of ERTs in Argentina.

### CHAPTER 3: The Historical Development of Cooperatives in Argentina

In Argentina, the development of the cooperative movement was influenced in part by the arrival of European immigrants with strong background and history of socialist ideology and activism (Forni 2004: 79). Those immigrants, largely of Spanish and Italian descent, helped to form political parties, labor unions and cooperatives (Rodríguez 1994: 14). One of the most prominent figures that contributed to the cooperative movement and socialist thought in Argentina in the late 19<sup>th</sup> and early 20<sup>th</sup> century, was Juan B. Justo.

In 1890, Juan B. Justo (1865-1928) was awarded a trip around the major European capitals for his academic excellence (Pigna 2011). The trip to Europe was transformative for Justo and he became a workers' activist. In particular he drew his inspiration after reading Marx's *Das Kapital* and he was the first to translate it into Spanish (Pigna 2011). In 1894, he publishes the socialist newspaper *La Vanguardia*, along with Augusto Kühn, Esteban Jiménez and Isidro Salomó (Pigna 2011). Given the specific circumstances in Argentina, Justo moved away from the German model of seeking transformation of society, as defined by the battle of classes, to the Belgian model of civil societal development, which is based on the creation of labor unions and cooperatives (Forni 2004: 18). In one of his speeches, Justo noted that in the Belgian case politics, labor unions and cooperatives are all united around common socialist aims (*La Vanguardia* as cited in Forni 2004: 46).

Justo's activism and success with *La Vanguardia* prompted him to accommodate the growing needs for socialist intellectual development and in 1896, largely through his initiative; he founded the Socialist Party of Argentina (Pigna 2011). As a member of the Socialist Party, Justo was fighting for workers' rights, economic justice and against capitalist exploitation (Forni



2004: 34). At the time, in Argentina there were two kinds of socialist movements, one of them was “romantic anarchism” and the other one was socialist (Forni 2004: 34). The romantic anarchism was taken up by some European immigrants who could not stand the peaceful coexistence with the bourgeoisie. Contrary to their principles, Justo adopted a socialist ideology (Forni 2004: 34) and preferred non-violent forms of civil resistance, a practice which was influenced in the ideas of the French socialist, Jean Laurès (Pigna 2011), in other words, Justo was for accommodation within capitalism.

In the struggle within capitalism, Justo saw the necessity to organize small and medium producers in rural cooperatives in order to challenge the agro-industrial monopoly that had a dominant role in Argentina’s economy (Forni 2004: 18). In 1905, inspired by the Rochdalian principles (Forni 2004: 20), Juan B. Justo founded the most successful consumer and housing cooperative in Argentina, *El Hogar Obrero* (Pigna 2011). The creation of *El Hogar Obrero* was an important political project for the further promotion, development and growth of the cooperative movement on national level in Argentina (Forni 2004: 20). Justo’s ambitions were not small for Argentina’s cooperative movement. The inspiration was the Belgian cooperative bakery *La Maison du Peuple* (The House of the People), located in Brussels, which opened its doors in 1880 with 10 members and grew to 2,000 by 1886 and to 25,000 by 1895 (Forni 2004: 47-48). Part of the achievement of the most successful Belgian cooperatives at the time, *La Maison du Peuple* (demolished in 1965) and *Vooruit* (Forward), lay in the successful implementation and use of technology to increase production to meet the needs of their members, rather than benefit a minority of owners (Forni 2004: 48).

The history of the cooperative movement in Argentina, especially thanks to the influence of *El Hogar Obrero*, was strongly committed to addressing social needs. With its strong presence

in the Argentine economy and society through the early 1990s, the cooperative movement aimed at providing cheap housing for the working class while also focusing on production and distribution of goods at affordable prices. From its inception in 1905 until the 1970s, the cooperative was characterized by its progressive growth, while from the 1970s until the crisis of the 1990s the expansion has been exponential (Forni 2004: 80). The impressive growth was marked with the increase in the number of cooperative centers around the country. For example, in the urban areas, the number of cooperative centers jumped from 135 in 1983 to 300 in 1990, employing 14,000 individuals by 1991 (*El Hogar Obrero* 1991) and registering 2 million members by the early 1990s (Forni 2004: 82-83).

In 1973, the Law on Cooperatives 20.337 was passed, which did not put any restrictions on the size of cooperatives, or on the number of members or associates of cooperatives (Forni 2004: 83). The implementation of economic reforms in the 1980s in line with neoliberalism led to changes in the way *El Hogar Obrero* was organized which posed a challenge to the spirit of solidarity to which the cooperative responded with the founding of the Institute for Cooperative Education (*Instituto de Educación Cooperativa*) in 1974 (Forni 2004: 84). The establishment of an educational institution that seeks to promote the cooperative principles was crucial in reminding worker-owners, members and the community of the importance and the role that *El Hogar Obrero* plays in their lives and how each individual can help in order to preserve its core principles.

Despite the macroeconomic challenges and pressures as a result of structural adjustments in the global economy, *El Hogar Obrero* has not abandoned its community commitment. During the inflationary crisis of the 1980s, *El Hogar Obrero* collaborated with the state, through the government's program, *Plan Alimentario Nacional* (PAN, 1984-1989) in ensuring that poor

people had access to food (Forni 2004: 93). *El Hogar Obrero* entered in collaboration with other cooperatives that were producers of agricultural goods and sought to expand its network of supermarkets *Supercoop* and protect consumers from price fluctuations, while providing jobs to the local communities. In one example, around 200 producers have grouped into cooperatives to raise pigs for export through the Cooperative Association of Argentina (*Asociación de Cooperativas Argentinas* or ACA) (Forni 2004: 90). The *El Hogar Obrero* initiatives to stimulate production were important as a government report cited that *Supercoop* was a major national supermarket chain that was selling its own brand (*marca propia*)<sup>28</sup> and was utilizing local productive capacities, employing local workers and offering cheap products to its consumers in Argentina. The *Supercoop* was important in supporting the government's PAN program, because these cooperative supermarkets were located in all major urban areas. Through keeping basic products accessible to all its members as well as the community, *El Hogar Obrero* reaffirmed its commitment not only to its members but also the community that was most vulnerable to price fluctuations.

In the 1990s, the cooperative faced its decline. One of the major causes for the downturn of *El Hogar Obrero* came with the election of the neoliberal administration headed by President Carlos S. Menem in 1989. At the time when President Carlos S. Menem assumed power, Argentina's economy was burdened by rampant annual hyperinflation rate of 3,079.81% (The World Bank 2011). To curb the hyperinflation, the government decided to take action and passed *Plan Bonex*, a legislative measure that made it mandatory to exchange personal savings for government bonds (*La Nación*, December 1, 1998). Considering that cooperatives, including *El Hogar Obrero* were not controlled by the Central Bank of Argentina at the time, it meant that the government, under *Plan Bonex*, could force the depositors of *El Hogar Obrero* to convert the

personal savings of their depositors into government bonds. This is exactly what the government did and it required the 250,000+ depositors of *El Hogar Obrero* to yield their personal savings accounts, stripping the cooperative of access to capital and making it financially insolvent (*La Nación*, December 1, 1998). The government bonds that *El Hogar Obrero* was forced to purchase have depreciated significantly. In fact, they were valued at less than 30% of their initial worth, which forced *El Hogar Obrero* to sell off its assets in order to meet the demands of the creditors (*El Hogar Obrero*, May 20, 1997). The state clearly sought to meet the interests of the capitalists who wanted to purchase its real estate assets and commercial properties. The main buyers of the *El Hogar Obrero* assets were George Soros's *Inversiones y Representaciones Inc.* (IRSA), Chilean supermarket chain ELSE and Argentine supermarket chain COTO (*Clarín*, December 20, 2004). As David Harvey (2007) noted, this is an example of accumulation by dispossession in Argentina as it relates to the cooperative movement, where the state provides the necessary conditions for accumulation of wealth for the private interests.

In the early 1990s, the cooperative was the largest private firm and the sixth largest provider of goods and services in all of Argentina (*La Nación*, May 11, 2006). According to the vice president of the cooperative, Rubén Zeida, *El Hogar Obrero* had a net worth of US\$650 million (*La Nación*, May 11, 2006). The Minister of Economy at the time, Domingo Cavallo, declined the cooperative a loan stating that there were “more urgent needs” (*El Hogar Obrero 2011*). The members of the cooperative pleaded for US\$20 million in government loans, which could have potentially saved the cooperative from disaster (*El Hogar Obrero*, December 2011). They were denied. Even though the cooperative had liabilities amounting to ARS\$438 million Argentine pesos (ARS) it also had ARS\$550 million in physical assets (*La Nación*, December 1, 1998) to back their loans. Besides, the cooperative was very solvent considering that the value of

the monthly sales of the *Supercoop* alone could meet all the costs of servicing its liabilities (*El Hogar Obrero*, December 2, 1998). The fears of government confiscation of personal deposits also lead many of the prior depositors to withdraw their funds from *El Hogar Obrero* (*El Hogar Obrero*, May 20, 1997).

It was clear that the government had no interest in saving the cooperative even though it proved to have profound social and economic consequences for the quarter of a million of depositors, over 14,000 of its employees and other business that depended on the *Supercoop* chain to distribute their goods (*El Hogar Obrero*, May 20, 1997). This demonstrates how the state helped capital to wage class struggle against the working class. In 1999, the president of *El Hogar Obrero* at the time, José María Rodríguez Cabarcos, gave an interview in which he stated that the government's position in 1989 was not to kill any cooperative, but rather let them die (*El Hogar Obrero*, June 2, 1999). A similar sentiment was shared by some of the other cooperative members. In May of 2001, Floreal Forni and Laura Roldán conducted a survey with 67 of the remaining cooperative members of *El Hogar Obrero* asking them various questions about the causes of the fall of the cooperative (Forni 2004: 102). Table 28 of the survey asks: "To what do you attribute the crisis of the cooperative" (*¿A qué atribuye la crisis de la Cooperativa?*) and 46 out of 67 (68.6%) of the respondents blamed the government; 17 (25.4%) blamed the administration (the cooperative management); and 4 (6%) blamed the "cooperative principles in the context of the crisis" (Forni 2004: 118). The subjective perception of some of the cooperative members demonstrates that the cooperative principles of democratic management and organization can be at odds with responding to economic compulsions within a capitalist society. Specifically, the workers attributed the external factors due to the economic instability and the "political-ideological intentional decisions" (Forni 2004: 118), probably referring to the lack of

willingness of the Minister of Economy at the time, Domingo Cavallo, and other relevant state institutions to assist the cooperative during a time of capitalist restructuring. Table 30 poses a different question: “Who defended most the cooperative during the crisis?” (*¿Quiénes defendieron más la Cooperativa ante la crisis?*) and 28 out of 67 (41.8%) responded the members; 25 out of 67 (37.3%) other cooperatives; 12 out of 67 (17.9%) other; 1 out of 67 (1.5%) trade unions; and 1 out of 67 (1.5%) responded that they did not know (Forni 2004: 120). *El Hogar Obrero* members’ response that 79.1% of those who defended the cooperative were members and other cooperatives, demonstrates that the cooperatives largely serve to protect their own interests. This shows that the cooperative structural organization limits the ability to forge effective alliances with the broader working class movement in constricting the power of and eventually ending capitalist exploitation.

Even though, by May of 2001, most of the cooperative membership had disappeared, the perceptions of the remaining members are very relevant and important. It shows that the struggle against capitalist exploitation in Argentina is divided and there is generally a lack of cooperation and understanding between trade unions and cooperative members. The trade unions were not united in the struggle of the cooperative members to protect their jobs. Only the cooperative members of *El Hogar Obrero* and other cooperatives most vehemently attempted to protect the cooperative from collapse. The division between the trade unions and the cooperative members has also manifested itself in the crisis of 2001, when again, labor unions largely declined to support the ERT movement, a critical factor in the battle of the working class to gain dignity in the point of production. Trade union leadership is not always interested in fighting for the rights of workers or for the rights of all its members. Sometimes, the leadership is interested in resolving and meeting its personal interests. The current Secretary General of the General

Confederation of Labor (*Confederación General del Trabajo* or CGT), Hugo Moyano, was closely aligned with the President Christina Fernández de Kirchner and her Justicialist Party. Recently, there was a rift between CGT labor leader, Moyano, and the Argentine President, Kirchner. According to Ken Parks' report for the *Wall Street Journal* Moyano seeks to increase his political power and influence, which has resulted in disagreements between the government and the labor union.

The most important cooperative in Argentina, *El Hogar Obrero*, has been brought to its knees, but it has decided not to bow down. The cooperative administration vowed to pay back its depositors and reaffirmed this position in 1999 (*El Hogar Obrero*, June 2, 1999). Until now, the cooperative has managed to pay off part of the debts to over 200,000 of its former depositors and through the sale of its assets it paid off the creditors, which included banks, former employees and former members (Sanguinetti 2011). After a long and exhausting judicial process, dragging on since March 7, 1991 (Sanguinetti 2011), the cooperative is now slowly getting back on its feet, rising slowly from the ashes of its near destruction. The *Cronista* newspaper reported that the cooperative can now legally operate and it invested US\$9 million in a condominium targeting middle class consumers (Sanguinetti 2011). The persistence of the remaining co-op members is finally showing concrete results. The challenge for the cooperative now is to ensure that a future set-back, such as the one it experienced at the beginning of the 1990s can be averted. To do this, it is necessary for the cooperative to broaden their alliances by building closer collaboration with trade unions, members of the ERT movement and other groups and social classes that seek the transformation of capitalist production and Argentine society.

## **CHAPTER 4: Crisis of Neoliberalism in Argentina and Responses to the Crisis**

### **Rise of Neoliberalism in Argentina and Degradation of Human Security (1973-present)**

US hegemony became a decisive factor in the making of the postwar international order in ways that affected Latin America and the wider world. The *Old Pax Americana* (1947-1964) was essentially an anti-communist Cold War project that employed political repression and direct military force to pursue certain economic, political, ideological and other strategic goals in Latin America. The *New Pax Americana* (1982-present) seeks to impose neoliberal reforms and institutions in order to concretize the hegemony of global capitalism with the US state at the apex (Roncallo 2006: 9-10). In order to prevent communist and other anti-capitalist social movements from rising, international organizations focusing on capitalist form of development, such as the IMF (est. 1944), the WB (est. 1944), and the Inter-American Development Bank (IDB, est. 1959) were created and play crucial role in co-opting anti-capitalist resistance (Roncallo 2006: 13-14). At the end of WWII the US made a calculated decision to establish a hegemonic order with a number of components. The UN was assigned responsibility for decolonization leading to self-determination and sovereignty, promotion of human rights, refugee issues and so forth. The Washington DC-based multilateral organizations such as the IMF, the WB, and the WTO (before 1995 known as the General Agreement on Tariffs and Trade or GATT) assumed responsibility for investment, trade, balance of payments and other issues that were strategic for the future of international capitalism (Smith 2005).<sup>29</sup> The Structural Adjustment Programs (SAPs), implemented by the IMF, were crucial for managing the external debt of the so-called Third World countries, which made these countries reliant on the Washington-based financial



institutions and were forced to put into practice market-based reforms (Soederberg 2004: 303-316).

Economic coercion alone is not sufficient to maintain hegemony. It is necessary to “educate” individuals about the principles upon which the dominant social order functions. The US Army School of the Americas (SOA)<sup>30</sup> and the University of Chicago,

“became crucial articulators of power between American and Latin American elites as they were the sites of ideological formation and training of Latin American agents of change from above...[SOA] trained about 60,000 Latin American military in repressive techniques to protect the interests of American transnational corporations and their local counterparts” (Roncallo 2006: 27-29).

Among the SOA graduates were some of the most infamous Latin American dictators of the 20<sup>th</sup> century. For instance, Argentine General Leopoldo Galtieri '49 and military officer Roberto Eduardo Viola '71 (*SOA Watch*)<sup>31</sup> were involved in the active and systematic abuse of human rights termed “the dirty wars.”<sup>32</sup> These techniques were not only used in Argentina, but were later “exported” under the name of *Operación Charly* (Operation Charly) to covertly fight anti-communist movements in Central America, specifically in Nicaragua, Honduras, El Salvador and Guatemala with the financial and logistical backing of the CIA (*Clarín*, March 24, 2006). The authoritarian military regime of Argentina, under *Operación Cóndor* (Operation Condor) was involved in the suppression of economic, political and cultural rights of the people through undermining democratic institutions, terrorizing the leftist opposition, while at the same time strengthening the globalization of capitalism (Roncallo 2006: 37)

While the SOA trained the military dictators, the University of Chicago alumni were taught the “principles of Friedmanite monetarism” and “obtained key positions at the Ministries of Finance, at Central Banks and other public economic institutions.” The University of Chicago alumni actively dismantled the Keynesian principles of the welfare state and laid the foundation

for the neoliberal policies that gave rise to foreign direct investments, privatization of the commons, the internationalization of production, the globalization of financialization and increased reliance on foreign debt (Roncallo 2006: 28-29).

The Argentine military regime (1973-1982) became instrumental in laying the foundation for the social, economic and political transformation of the Argentine society towards a site in the neoliberal globalized economy. The militaries established linkages with international financial institutions and elites that made Argentina dependent on foreign economic and political influences and conditionalities. Miguel Teubal identifies three factors that led up to the consolidation of power of the new economic bloc, comprised of large private businesses that spearheaded Argentina's social transformation:

“First there is the foreign debt that increased significantly under the military dictatorship, and continued doing so thereafter, in particular in the 1990s after the Argentine government adhered to the Brady Plan.<sup>33</sup> Second, the privatization program, deregulatory measures, and ‘opening’ to the world economy in the 1990s favored substantially the new and old conglomerates. Third, the overall dynamics of the Argentine economy in the 1990s led to a substantial concentration and centralization of capital and to the consolidation of large firms excluding small and medium-sized business” (Teubal 2004: 175).

Teubal argues that the military regime favored the internationalization of finance and the economy. The process was characterized by the rise in foreign debt, which became increasingly managed and dependent on the conditionalities of the International Financial Institutions (IFIs) and foreign banks. The IMF pushed for economic, social and political restructuring that facilitated the flight of capital from Argentina to foreign private banks, IFIs and the TCC elites. Furthermore, the military used public funds to enhance the process of international financial capital flight rather than stimulate national industrial production. During the rule of the militaries, Argentina's foreign debt increased almost seven fold from US\$7 billion in 1976 to US\$46 billion in 1983, which resulted in the rise of “interest on foreign debt from US\$515

million in 1976 to US\$5.4 billion in 1983” (Teubal 2004: 174-179). The rise of Argentina’s foreign debt demonstrates how foreign debt serves as a mechanism to accelerate accumulation by dispossession to transfer wealth to the financial wing of the TCC.<sup>34</sup>

Argentina’s public deficit swelled and the extension of additional IMF funds to pay for public operations was conditional on the further implementation of neoliberal policies, due to a large degree to the rising cost of servicing the external debt. The policies pursued during the military dictatorship laid the “necessary” pre-conditions for the privatization of public assets and the money from privatization was “invested” into speculative financial activities that did not stimulate industrial production (Teubal 2004: 177-178), which seriously undermined the economic and political structure of Argentina and made it more dependent on foreign direct investments for growth and job creation.

The new emerging economic bloc, “local and foreign banks, new privatized firms, and concentrated conglomerates in industry and the services”, dismantled the Import-Substitution Industry (ISI) model, where small and medium-sized businesses coexisted with large public enterprises. In addition, the new economic bloc polarized the workers in two major syndicates, those working in the large businesses, Industrial Union of Argentina (*Unión Industrial Argentina* or UIA) and others employed by the small and medium-sized enterprises, General Economic Confederation (*Confederación General Económica* or CGE), the former gaining effective economic and political power while the latter losing it (Teubal 2004: 175-176). The labor unions, representing workers of the large enterprises, were closer to the political power structures and state institutions. These labor unions served to represent the interests of the dominant capitalist elites, rather than the working class as a whole, whereas under the import-substitution industry model, the labor unions representing the small and medium enterprises enjoyed the political

support of the state. After the worst effects of the crisis in 2001 unfolded, the major labor unions were not in favor of supporting the worker occupations of the bankrupt enterprises and factories and this will be analyzed subsequently in the chapter.

To make matters worse for the Argentine society, especially the working class and marginalized groups, Teubal notes that private debt was “nationalized” during the military regime and “legitimated” under the new liberal democratic government headed by President Raúl Alfonsín (1983-1989) (Teubal 2004: 178). There were genuine efforts by President Alfonsín to moderate the interests of the TCC and the people; however he did not understand the processes of transnationalization and how it would impact his governance. President Alfonsín focused on producing change on the local, national and regional scales, without seriously taking into account the role of international and global actors in shaping national policies. He attempted to create a bloc of Latin American countries that would change the power relations in order to renegotiate the terms of the foreign debt, but he failed in the effort.<sup>35</sup> Even the subsequent democratically elected governments, were forced and conditioned to pursue policies that worked against the overall well-being and improvement of living conditions of the general population. The much needed capital for domestic development was transferred to the TCC elites located both in Argentina and abroad. In the period from 1981 to 1989, US\$105 billion of state assets and funds were transferred to the new emerging economic bloc of Argentina (Teubal 2004: 180).

The Alfonsín government temporarily halted the servicing of Argentina’s foreign debt which created tension among the capitalist elites, who wanted a government that was prepared and equipped to “discipline” society at large and accelerate the process of the “wholesale capital flight” (Teubal 2004: 180). The efforts by President Alfonsín to produce change were limited, because he did not exercise effective power, rather he was expected to be an agent of the TCC

elites that wanted to integrate the Argentine society and economy more closely to the global one. The government's strategy contributed to the resistance and struggle that eventually led to an "economic coup" that "ousted" the Alfonsín government and brought President Menem to power through democratic elections. It was during Menem's administration that the emerging TCC elite in Argentina and their foreign counterparts effectively consolidated their economic and political power in the country (Teubal 2004: 180).

### **The Crisis of Neoliberalism in Argentina (1990s-2000s)**

The IMF praised Menem's economic and social reforms in the 1990s and regarded Argentina as "a model for emerging market economies."<sup>36</sup> The neoliberal policies were implemented in accordance with the IMF mandated SAPs. More specifically, the massive increase in privatizations and the level of foreign indebtedness contributed to the concentration of capital, which aggravated the country's external indebtedness:

"[...] under the fully fledged SAP of the Menem administration [foreign indebtedness increased] from about US\$61.3 billion in 1991 to US\$139.3 billion in 1998. In these latter years foreign debt was combined with an important privatization program and became complementary to an intense process of concentration of capital" (Teubal 2004: 175).

The massive privatizations and the increase of foreign debt under the Menem and Fernando de la Rúa administrations led to the decline in the quality of life and material conditions for millions of Argentines. In other words, the implementation of neoliberal policies in the 1990s and early 2000s seriously undermined prospects of improving human security and violated rights formally guaranteed in the Constitution of Argentina. Teubal notes that the privatization extended to areas and resources that were previously deemed public goods. In 1993, the government privatized the public supplier of water, National Sanitation Service (*Obras Sanitarias de la Nación* or OSN). The bid was supposed to go to the company that would commit

to improve the provision of services, while at the same time keep rates within those prescribed in the contract. The enterprise that won the bid, *Aguas Argentinas S.A.*, was driven by high levels of profitability and raised rates beyond those agreed in the contract, while not improving the quality of services offered (Teubal 2004: 182).

Maximiliano Montenegro notes for *Página 12*, that in 1994, under the initiative of the Minister of Economy at the time, Domingo Cavallo (1991-1996), the public pension and retirement funds were privatized. According to a government report titled *Impacto de las reformas al Sistema Previsional (1994-2003)* (the Impact of the Reforms of the Pension System (1994-2003)), the privatization of the pension and retirement agency led to the loss of US\$64 billion of public funds out of which US\$45 billion went directly to private banks and companies (Montenegro 2004), which is another example of accumulation by dispossession. One of the problems is that there is lack of accountability and transparency and when reports are published by the government citing cases of corruption it is usually too late or it takes place after the fact. For instance, the report *Impacto de las reformas al Sistema Previsional (1994-2003)* was distributed among government circles in 2004, three years after the peak of the economic crisis in 2001 (Montenegro 2004). Furthermore, during the 1990s, the neoliberal policies “subsidized” the private agro-industrial sector in Argentina with about US\$35 billion (Montenegro 2004), while leading to the overall decline in the quality of food production and standards of living in agriculture dependent rural areas (Levidow and Paul 2010: 442-444).

Les Levidow and Helena Paul argued that the privatization of land further exacerbated the health, economic and social conditions of the general population, especially the poor and indigenous groups. The production of soy in Argentina, was placed in the hands of transnational interests, namely through the use of Monsanto patented genetically modified soy, Roundup

Ready (RR). Since 1996, the production of genetically modified soy in Argentina has been used for the export market to generate foreign currency to meet the government's debt obligations to the international financial institutions (IFIs). The process has led to the sharp decline in overall land fertility, decreased general prosperity and nutrition especially among the poor, reduced numbers of agricultural jobs and increased dependence on multinational corporations and IFIs to purchase the RR seeds, tools, machinery and obtain credit for meeting rising costs of production (Levidow and Paul 2010: 442-444). Levidow and Paul (2010) show the extensive range and scope of the negative impacts of accumulation by dispossession in Argentina.

As Harvey (2007) noted clearly, neoliberal policies act on the principle of “creative destruction”, where what was previously publicly owned and managed, becomes privately owned and serves to marginalize more individuals and subordinate them under the highly disciplinary norms of the neoliberal institutions. David Harvey, also labels this process *accumulation by dispossession* (Harvey 2007: 34). The transnationalization of the Argentine economy under President Menem (1989-1999) and later under President de la Rúa (1999-2001) administrations contributed to the rise of the conditions that led to the neoliberal crisis in Argentina in 2001, which disproportionately affected the working class of Argentina in favor of the enrichment of the TCC elites:

“Foreign banks did not honor local deposits, despite the fact that previous presidents of the Argentine Central Bank had declared that the financial system was ‘solid’ due basically to the fact that the bulk of the banking system by then was foreign owned, and that the head offices of these banks would surely honor local deposits. This, of course, did not occur, and it severely questioned the legitimacy of the banking system as a whole” (Teubal 2004: 186).

Ultimately, the neoliberal reforms led to the 2001 crisis, by far the worst crisis the country had experienced to that time. Since the end of World War II, under the *Old and New Pax Americana*, the US state spearheaded the establishment of capitalist hegemony in South America

through “educational” (the SOA, currently called Western Hemisphere Institute for Security Cooperation and the notorious *Friedmanite* monetarism directed through the Department of Economics at the University of Chicago), military (the “dirty wars” in Argentina and CIA backed coups) and economic institutions (IFIs, foreign and local private banks) that repressed anti-capitalist opposition and movements through both structural state and non-state violence and other means (Roncallo 2006: 22-39).

### **Argentina’s Constitutional Reform of 1994**

In order to acquire a better appreciation of the importance of the institutional means that were employed to co-opt and abate anti-capitalist opposition it is necessary to offer a critical analysis of the Constitution of Argentina. Specifically, the ERT movement cited Section 14 and 14 bis of the constitution to justify their occupation of factories and enterprises. In the analysis of the implications of the constitution for the ERT movement, I will focus on three elements: the constitutional framework within the neoliberal capitalist context, the inherent constitutional contradictions and ambiguities that make way for divergent interpretations that may benefit capitalist and anti-capitalist agencies alike, and how the ambiguities of the current constitutional framework allow for the inadequate enforcement of constitutional provisions which justify institutional oppression of the working class in the context of the hegemony of neoliberal global capitalism.

The Constitution of Argentina was first adopted on May 1, 1853, and it was subsequently reformed in 1860, 1866, 1898, 1957 and 1994 (Constitution of Argentina 1994). In a context of neoliberal capitalist globalization, the Constitution of Argentina, as the first official document for establishing the legal and political norms for institutionalizing state power and shaping the framework of social relations, was subject to various national and international political and



economic influences. Robinson argues that the sponsorship of “democracy” worldwide, or polyarchy, started in the 1980s and is an evolving process led by the US state (Robinson 1996: 6-7). Prior to the 1980s, the US sponsored authoritarian regimes in the Third World (Robinson 1996: 6) such as the CIA backed coups in South and Central America (Roncallo 2006: 22-39). Moreover, Robinson notes that the drafting of liberal democratic constitutions and promotion of free elections are elements of polyarchy that serve to bolster the hegemony of the consolidating transnational elites over the fragmented working class globally (Robinson 1996: 374-376). Polyarchy is a form of “low-intensity democracy” that seeks to perpetuate “elite-based and undemocratic status quos” that suppress “popular and mass aspirations for more thoroughgoing democratization of social life in the twenty-first century international order” (Robinson 1996: 6). In the current moment of capitalist globalization, polyarchy is the “*political system of capitalism*”, which is eroding the popular base of state institutions and political parties that are largely seen as corrupt, undemocratic, inefficient and unaccountable because they generate “*social decay, cultural alienation, and political crises*” that exacerbate the global poverty (Robinson 1996: 374-375, emphasis added). In those cases where the political system of polyarchy is not grounded in “any material basis to sustain relations of consensual domination in global society” there will be a greater prospect for the rise of more authoritarian forms of leadership in the structuring of both state and private institutions (Robinson 1996: 376) that goes against the principles of popular governance. Liberal democratic governments are representative but are not grounded in popular power, thus liberal democracies serve to justify bourgeoisie rule as it will be subsequently argued.

For example, the military dictatorship in Argentina and the subsequent liberal democratic governments largely contributed to the growth of financialization instead of fomenting the

increase in industrial production. Effective economic and social development can be achieved through increasing levels of material (for example agricultural and industrial) production rather than destabilizing speculative financial activities. The highly volatile nature of financial capital and its reliance on debt for growth, aggravates existing economic instabilities and crisis, or produces new ones such as the current global crisis that erupted into full force on Wall Street in 2008. The heavy diversification of investments away from material production (brick and mortar) to financial activities, contributed to new forms of human insecurities, marginalization and exclusion of the masses of people from economic, social, political and cultural decision-making processes that affect their lives across the entire world. This radical change had contributed to what Robinson refers to as “*social authoritarianism*” (Robinson 1996: 376, emphasis added) and Argentina is not an exception to this phenomenon.

Elina Armiñana Mecle argues that the global movement of *Constitucionalismo Social* (Social Constitutionalism) during World War I and World War II was necessary in order to preserve liberal capitalism globally (Mecle 2001: 38). The *Constitucionalismo Social* is characterized by the generous guarantees of social rights to individuals, which includes provisions for the right to work, social benefits and decent housing (Section 14 and Section 14 bis of the Constitution of Argentina of 1994). These social provisions were especially necessary in the aftermath of both World War I and World War II, where millions were left destitute, homeless and jobless. The twentieth century was characterized by the spread of social democracy and it was based on struggles spearheaded from below. In the current moment, neoliberalism seeks to destroy what was left of this.<sup>37</sup> The strategy was to stave off or otherwise discourage the surge of radical social movements that might endanger the existence of liberal capitalism (Sampay as cited in Mecle 2001: 38). Capitalism responded to the changing realities in rather

dynamic and flexible ways that co-opts resistance movements and draws them into the capitalist political and economic machinery (Mecle 2001: 39). This is class struggle being waged from above by capitalists via political parties, trade unions, media, education, family and broader social forces among the working class and beyond in civil society.

Mecle also argues that the constitutions serve to establish the political-juridical relations in national societies that organize the structure of domination and power (Mecle 2001: 47). Empirical evidence suggests that since the deepening of neoliberal reforms heralded under President Menem's and President de la Rúa's administrations, there has been a tendency toward the decline in the social standing for many in all social strata and for large numbers of people to experience greater difficulty in trying to overcome deteriorating social conditions; this has been especially so for members of the working class (Fitoussi as cited in Mecle 2001: 53). Thus it is evident that in capitalist liberal democratic societies the constitution sets the political, legal and juridical framework for the generation of winners and losers, on the basis of social exclusion and the individualization of blame (Fitoussi as cited in Mecle 2011: 54). As it will be analyzed shortly, the arbitrary interpretation of contradictory constitutional provisions and national laws, contributes to the systemic marginalization and disempowering of individuals and communities.

Liberal democratic constitutions and free elections form part of the global capitalist political order of polyarchy, which is promoted under the leadership of the US state with the assistance of Northern states, multilateral organizations (such as the IMF, the WTO, the WB and the UN), national governments, institutions and various NGOs (Robinson 1996: 363-374). The 1994 Constitution of Argentina was drafted to fit the political and economic needs of the transnational corporations and the transnational elites through promoting polyarchy politically and capitalist production economically. As the fundamental legal document of the state, the

Argentine constitution ostensibly recognizes and guarantees social, economic, political and cultural rights. Some of the constitutional guarantees and rights are truly laudable and generous. For example, the constitution guarantees and grants its citizens certain “inalienable” rights such as equality among all its citizens, regardless the province they inhabit (Section 8), right to work, to form unions, to strike, to receive social security and access to decent housing (Section 14 and Section 14 bis), abolition of slavery (Section 15), equality before the law and abolition of privileges granted on the basis of origin or nobility (Section 16), right to paid legal defense and privacy (Section 18), equal rights for foreigners as well as citizens (Section 20), and right to a safe and healthy environment (Section 41) are some of the liberal rights guaranteed by the constitution.

Broadly, these constitutional provisions are abstract (deontological) and do not provide a guarantee of enforcement to protect concrete rights for most. In spite of all these generous civil liberties and rights, the Argentine government, since the implementation of neoliberal policies globally, has not been capable of fulfilling the terms of the constitutional provisions for an increasing number of citizens. For example, in November of 2004, the Committee of Economic, Social and Cultural Rights of the UNDP published a report on the Latin American and Caribbean states. The committee requires governments to report every five years on the fulfillment of rights that are enshrined in each nation’s constitution as well as in the International Covenant on Economic, Social and Cultural Rights,<sup>3</sup> which entered in force on January 3, 1976. In the case of Argentina, the Covenant, along with 11 other treaties, resolutions and declarations, has constitutional hierarchy (*jerarquía constitucional*).<sup>38</sup> In other words, Argentina is constitutionally obliged to guarantee (in law, not in fact) the rights upheld not only in the Covenant but also in

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<sup>3</sup> Subsequently it will be referred to as the Covenant.

the 11 other resolutions and declarations. In a capitalist society that is organized on the basis of private property in the means of production and exploitation of labor, the economic, social and cultural rights cannot be guaranteed, which constitutes a structural contradiction in capitalist societies.

The UNDP report (2004) examined each country's progress in complying with the Covenant in the period of 1989-2004. In the particular case of Argentina, the report covers the period of the Menem (1989-1999) and de la Rúa (1999-2001) presidencies as well as the aftermath of the economic crisis in Argentina of 2001. The report concludes general decline in the welfare and human security of increasing numbers of the population (UNDP 2004), which constitutes breach of fundamental constitutional rights and guarantees.

For instance, the report argued that in the 1990s the economic crisis, rampant hyperinflation and the piling of external debt in the 1980s, led to the general worsening of the rights of citizens. There were instances of reduced access to food, housing, work, health treatment and education (UNDP 2004: 38). In addition, the implementation of economic reforms under the military regime (1976-1983), led to the increased financialization that contributed to the generation of enormous amounts of wealth for the few, at the expense of the vast majority (UNDP 2004: 40). As a temporary relief, the government implemented *Plan Alimentario Nacional* (PAN), which constituted in providing access to basic commodities at affordable prices to poor individuals from 1984-1989. The Argentine government's commission in response to the UNDP report, stated that the deprivation and limited economic and material means remaining after the fall of the military regime, led to the worsening of the specific health, educational, social, cultural, and political rights and that it took steps to remedy these issues. However, the measures adopted by the democratically elected government were not sufficient. This

demonstrated that the democratically elected governments were not committed to providing for the welfare of its national constituents, rather as Teubal argued the liberal democratic governments were pressured to “legitimize” the policies of the military dictatorships and increased the level of subordination of Argentina to the mechanisms of the global economy (Teubal 2004: 178).

The Argentine government, after the restoration of democracy in 1983, remained committed to providing access to free education at the primary and secondary levels despite all the economic challenges (UNDP 2004: 42-43). This, however, did not lead to the improvement of the general welfare of its population, considering that around 12 million citizens struggled to make ends meet, a situation that also extended to individuals with university degrees (UNDP 2004: 44). This demonstrates that access to education and skills alone is not enough to guarantee employability and thus fulfill the citizen’s needs to function in society. There is incongruity between the employers’ expectations and national education standards (UNDP 2004: 44) which exacerbates the already precarious situation for millions of individuals and their families.

In the first term of President Menem’s administration (1989-1995) the UNDP report lauded the government for its efforts and successes at curbing inflation, generating monetary stability and sustaining real economic growth after years of economic instability and uncertainty that characterized the 1980s in Argentina (UNDP 2004: 35). The report praised the government’s efforts to raise the overall public well-being through devising plans to tackle the housing crisis, improve pension compensations as well as implement training programs for the unemployed and underemployed (UNDP 2004: 36). Despite the positive remarks, the committee raised doubts about the method of execution of the latter policies and the reliance on SAPs and privatization of

pensions, which the committee saw as potentially negatively affecting marginalized groups and communities (UNDP 2004: 36-37).

The initial privatizations, as mandated by the IMF and the WB, were not carefully supervised and led to the erosion in human rights and security (UNDP 2004: 36-38). Contrary to the government's declaration of its commitment to provide affordable housing, it let rents rise by about 12%, while wages remained frozen, jobs became increasingly more insecure and there were weak regulations and enforcement of the widespread workplace abuses characterized by poor hygiene practices that threatened the health and overall well-being of the workers (UNDP 2004: 37-38). The weak socio-economic conditions of labor were exacerbated by the poor employment prospects, such as the rising levels of informalization (Robinson 2008: 241-244) and the increasing unemployment rate. More specifically, the unemployment rate jumped from 7.3% in 1989, to 18.8% in 1995 and declined to 14.1% at the end of President Menem's term in 1999 (World Bank 2011). The decline in the quality of life generated the conditions that gave rise to a variety of social movements, among them the ERTs.

The UNDP report noted that the government selectively engaged in the implementation of the rights guaranteed in the constitution. The implementation of the neoliberal policies started to take effect during President Menem's second term and helped to aggravate the crisis at the turn of the century, which later led to the massive increase in the number of ERTs. From 1995-1999, the Argentine government received some credit for taking steps to restitute lands and offer more rights to indigenous communities, protect Peruvian and Bolivian immigrant rights and partially implement its housing plan (UNDP 2004: 30). Substantively, most of the praise the government received was for plans or implementation of constitutional provisions into national laws that do not guarantee actual enforcement (UNDP 2004: 30). When it comes to the concrete

results, the Menem and the de la Rúa presidencies contributed to solidifying the foundation that expanded the scope for foreign investments and increased levels of financialization that contributed to the crisis of 2001 in Argentina.

As was indicated in its previous reports, the UNDP criticized the government's implementation of the SAPs heralded by the IMF<sup>39</sup> as one of the reasons for the decline in the quality of life of marginalized groups (UNDP 2004: 30). Even though the government vowed to protect indigenous rights, the implementation and enforcement of these laws is poor and violates *The ILO Convention No. 169*, which the Argentine Congress ratified in 1989 (UNDP 2004: 31). The neoliberal measures and policies contributed to rising unemployment rates, decline in social security, lack of unemployment benefits (6% of unemployed received benefits, despite the fact that it is guaranteed by Section 14 bis of the Constitution), rising poverty, as well as informalization of work through the expansion of the informal sector, temporary and contract work as well as increased incidences of discrimination against women (UNDP 2004: 31). These issues are critical in the analysis of the challenges that the ERTs face, because the ERTs surge out of a specific social context that is based on economic exploitation, discrimination and exclusion. The internal management in some ERTs will reflect the general exclusionary trends of the neoliberal state institutions. The deterioration of the economic, social and political conditions nationally ("external factors") will in part condition and influence the practices within the ERT organizations ("internal factors") which will be addressed on a more comprehensive scale in Chapter 5. The workers in the ERTs have little control over the "external factors" and for this reason it is necessary to understand the agency behind them, their scope and their impact in order to gain a better understanding and appreciation for the uphill struggle that the ERTs are waging.



Furthermore, the UNDP was critical of the lack of timely collaboration on the part of the national government, which prevented the committee from conducting a more comprehensive report regarding the situation in Argentina. Some of the other observations that the committee made centered on the mediocre governmental self-evaluation that reflected the poor quality of the statistics the government collected, weak public policy on the housing crisis, which is characterized by the illegal housing occupations and forceful evictions by state security agents, privatization of labor inspection and enforcement agencies, which have not contributed to the improvement of working conditions especially in the construction industry, pitiable conditions in public hospitals in general and psychiatric institutions in particular, rising infant mortality rate and teenage pregnancy rates, increase in domestic violence especially against women and the rise in the number of homeless children (UNDP 2004: 31-32). The fact that the UNDP criticized the methodology of the INDEC, the national statistics body, is an important factor that limits the ability of the government to produce effective public policy to tackle socio-economic issues.

Even though, the constitution and the national laws may provide guarantees for worker's rights, the Argentine government ultimately reserves the right to implement and enforce its laws and can always hide under the veil of economic turmoil and instability as the reason for the deteriorating material and social conditions for an increasing number of individuals from different social strata. The overall verdict on the Menem and de la Rúa presidencies based on the conclusions of the UNDP report is that it resulted in serious violation of human security for millions of Argentines, immigrants and indigenous people through undermining their basic economic, social and cultural rights that are guaranteed in the Constitution and the Covenant (UNDP 2004: 29-47).

The structural abuse of human rights and security under neoliberal capitalism will also in part be reproduced on the organizational and individual level of the ERTs, which will be subject to further analysis in Chapter 5. Néstor Kirchner (2003-2007) and his spouse, Kristina Fernández de Kirchner (2007-Present), served as presidents of Argentina. Bearing seemingly leftist-populist credentials, they failed to make any fundamental impact toward changing certain principles of neoliberal capitalism in Argentina, in effect keeping the country closely linked to the policies and practices of the global neoliberal order (Robinson 2011). Despite this, the Kirchner policies enjoy broad popular support including from some members of the ERT movement, labor unions and members of the cooperatives (Orbaiceta 2012). For instance, in the 2007 elections, President Néstor Kirchner won 47% and in the 2011 elections President Cristina Kirchner won 54% of the vote (*Russia Today*, December 10, 2011). Even though, the Kirchner administrations enjoy relative electoral success, in 2010, Transparency International, reported that 62% of those surveyed in Argentina stated that corruption increased, 30% said corruption remained unchanged, and 8% that it decreased in the previous three years (2007-2010) (Riaño, Heinrich, and Hodess 2010: 41). Furthermore, on a score ranging from 1 (least corrupt) to 5 (most corrupt), Argentina's respondents noted that the most corrupt institutions are political parties (4.1), public officials/civil servants (4.0), parliament legislature (3.9), police (3.8), judiciary (3.7), business/private sector (3.2), media (3.0), military (2.9), religious bodies (2.7), education system (2.5) and NGOs (2.4) (Riaño, Heinrich, and Hodess 2010: 43).

Robinson argues that the leftist governments in Latin America, specifically the Kirchner (2003-present) and Lula (2003-2010, Brazil) administrations, have been able to deepen their countries integration into global capitalism more effectively than their neoliberal predecessors, precisely because they have engaged in some redistributive policies, while at the same time

allowing transnational capital to prosper and further exacerbate income inequalities (Robinson 2011). Moreover, so-called, left-wing popularly elected governments apply populist policies in ways that help divide the public and strengthen capitalism (Robinson 2011). For instance, at the 2011 G-20 summit in Cannes, France, Argentine incumbent President, Cristina Kirchner, stated the need to move towards “capitalism for real” (*capitalismo en serio*) and away from what she referred to as “anarchic financial capitalism” (*anarcocapitalismo financiero*) that has caused the global financial crisis (*La Nación*, November 4, 2011). Argentina’s membership in the G-20, as well as President Kirchner’s statements about the need to reform capitalism, demonstrates that Argentina is strongly committed to global capitalism. The UN Economic and Social Council (ECOSOC) report on Argentina confirms that the Kirchner administration adopted neoliberal policies in Argentina from 2003 onward.

In 2011, ECOSOC published a report on the compliance of Argentina with the Covenant in which it reached the conclusion that broadly the neoliberal policies established since the arrival of the military regime are continuing to produce negative effects and the Kirchner administrations since 2003 have had limited success at reversing them. The ECOSOC report was limited in its analysis of the situation in Argentina because the Argentine government delayed for eight years in submitting the national statistics to the UN body (ECOSOC 2011: 1). Some of the major points of concern (based on limited information) were the widespread disregard of constitutional rights and national laws. For example, the government has allowed the widespread deforestation and destruction of the environment resulting in the forcible dislocation of indigenous groups (ECOSOC 2011: 3). The Committee raised concerns about the methodologies of INDEC, which limits the effectiveness of public policy measures, the disproportionate use of force by public and private security agents, increase in social tension, undermining the rights to

peaceful political assembly, perpetuation of income inequalities, increase in the scope and depth of the large informal sector where workers remain outside of the government's legal responsibility to enforce minimum wage laws and provide social services, poor enforcement of labor union laws, continuation of the housing crisis from earlier decades characterized by forcible evictions and lack of reliable data to produce effective public policy, and contraction of opportunities for and access to education for mostly marginalized individuals and communities (ECOSOC 2011: 3-8). On April 3, 2011, *La Nación* reported that five public universities grouped under The Academic Council of Evaluation and Monitoring (*Consejo Académico de Evaluación y Seguimiento* or CAES) criticized INDEC's methodology and statistical reports. The CAES report notes that since the arrival of the Secretary of the Commerce of the Interior (*Secretario de Comercio Interior*), Guillermo Moreno, in 2007, the quality of the work produced by INDEC diminished and that CAES called for the "urgent and profound" institutional reform (Jueguen 2011). INDEC's manipulation of statistical data especially inflation (*The Economist*, February 25, 2012; *La Nación*, March 3, 2012),<sup>40</sup> hides the real costs of living in Argentina and has the effect of underreporting the actual number of poor people living in the country (Galak 2011).

Based on the findings of the ECOSOC 2011 report and the 2010 survey by Transparency International, the rhetorical claims of the popular nature of the policies of the Kirchner administrations have only been partially supported by available data. Both Néstor and Cristina Kirchner have managed to disguise the wolf in sheep's clothing. In other words, capitalism's structural exploitation persists alongside the implementation of socially oriented policies that serve to appease the masses after the crisis of 2001 and co-opt them into the capitalist economic and political framework.

## The Embedded State of Polyarchy in Argentina

The basis for the blatant and institutionalized deprivation and abuse of economic, social, cultural and political rights by the Argentine economic and political elites is built into the liberal democratic constitution. Antonio Gramsci analyzed the dialectical relationship between *structures* and *superstructures* in his *Prison Notebooks* (1971). In the current context, the structure refers to the neoliberal capitalist economic complex and the superstructure to the juridical-ideological-moral configuration. The structures, represent the material reality while the superstructures refer to the ideas that are used to explain them as part of a dialectically connected whole. In order to construct a post-capitalist social order it is necessary to change the discordant existence of the material reality and the ideas that are used to portray it, in other words, it is necessary to transform both the capitalist form of social relations of production (*structures*) and ideology (*superstructures*):

“Structures and superstructures form a ‘historical bloc’. That is to say the complex, contradictory and discordant ensemble of the superstructures is the reflection of the ensemble of the social relations of production. From this, one can conclude: that only a totalitarian system of ideologies gives a rational reflection of the contradiction of the structure and represents the existence of the objective conditions for the revolutionising of praxis. If a social group is formed which is one hundred per cent homogenous on the level of ideology, this means that the premises exist one hundred per cent for this revolutionising: that is that the ‘rational’ is actively and actually real. This reasoning is based on the necessary reciprocity between structure and superstructure, a reciprocity which is nothing other than the real dialectical process (Gramsci 1972: 366).”<sup>41</sup>

The existence of contradictory discourse and practice helps sustain the status quo while at the same time leaves opening for pragmatic reform and eventually social change or transformation. Any attempt by progressive forces to transform one in isolation from the other, either the *structures* or *superstructures*, targeting change at a specific scale (local, national, regional or global) will likely fail in the long-run. It is important to understand that theory is part

of the reality we seek to understand and change. Therefore it is essential not to create a false dichotomy between theory and practice. A flawed theoretical framework coupled with a poor understanding of the material conditions on the ground has a tendency to lead people to remain frustrated due to their inability to bring about and sustain an effective social transformation. As David McNally notes, workers do not wake up with a grand scheme of constructing an alternative society, rather they approach change in a piecemeal fashion, trying to modify those manifestations of the system that negatively affect them. It is through political and social agitation that the workers and other marginalized groups contest the egregious practices of the system. It is through expanding the limits of the possible that the space to reform the system becomes a reality, and from there surges the opening for social transformation (McNally 2011). Given capitalism nature to totalize and commodify social relations it is essential to work at transforming both, *structures* and *superstructures*, across all scales because they are intricately interconnected and interdependent.

In the context of Argentina, the 1994 Constitutional reform reflected the changing reality of the globalization of capitalism and the need to respond to the meaning and impact of new challenges. The constitutional order in Argentina gives the right to transnational, national and technocratic elites to justify and institutionalize their dominance over the marginalized classes. Sections 68 and 69 guarantee the legal immunity of Congressmen, which seriously undermines notions of public accountability because these provisions protect them from legal persecution for expressing opinions or speeches delivered to them even if they are against the well-being of the people. The only exceptions to legal persecution are criminal actions worthy of capital punishment or other serious unspecified unlawful acts. This constitutional provision implies that the institutional and structural domination and exploitation of the masses by politicians and

others so protected are not considered a crime, even if political decisions or statements may cause the enactment or enforcement of laws that threaten fundamental human rights. Here we see how the capitalist structure of social relations centered on the sanctity of private property is protected by the juridical-ideological-moral superstructure of neoliberal capitalism.

Evidently, certain citizens and the political elites seem to operate above certain constitutional rules, legal provisions and principles of equality. Equality in all class societies is nominal (i.e. abstract or deontological). This is why in a capitalist society the state reserves the right to repressive actions in order to sustain the dominance of the capitalist class under the rubric of security and law and order.<sup>42</sup> It is not surprising that at times, the contradictory and ambiguous language contained in the constitutions leaves room for creative interpretation and passing of laws that go against certain rights said to be guaranteed by the Constitution. The ERTs have fought hard to reverse these trends. Even though the ambiguities in Argentina's legal framework provide leeway to justify the domination by the capitalist class over the working class, with considerable skill and effort, they can be utilized for the benefit and interests of the working class as well, provided that they have the means to abolish the provisions that benefit owners of private property in the means of production. The capitalist elites however, are better organized and coordinated and are economically, politically and socially more powerful than the global working class thus they can definitely dominate from its objective class position, class privilege and its proximity to state power. On the other hand, the potential strength of the working class begins with their numbers however it does not necessarily end there. The issue is that the working class is divided and work against each other because the vast majority consent to the hegemonic capitalist order organized in part around the ideological principles of individualism and competition. The ideology of individualism and competition which operates

through capitalist market forces rests on the idea that individuals are by their nature self-interested competition market subjects that are naturally predisposed to be selfish and individualistic and pursue their interests on such a basis rather than along lines of cooperation and interdependence with a view to meeting basic needs of the totality of humanity and the environment.

In theory the constitution leaves provisions for amending it or reforming it to meet the needs and interests of the broader masses of citizens in Argentina. However, any real attempts at changing the fundamental principles of the capitalist mode of production will be resisted by the state. Moreover, the contradictory language of the constitution leaves room for ambiguous interpretation that could serve to justify the violent suppression of resistance movements. For instance, Section 28 states that “[t]he principles, guarantees and rights recognized in the preceding sections shall not be modified by the laws that regulate their enforcement” (Constitution of Argentina 1994). Some of the constitutional rights guaranteed in the previous Sections were discussed earlier and these include the right to work (Section 14 and 14 bis) and the protection of private property (Section 17).<sup>43</sup> Section 28, thus protects the inalienable right of ownership to private property (Section 17) and the right to work (Section 14 and 14 bis). In a capitalist society the right to work is crucial because the capitalists need to be able to exploit labor power in order to accumulate profits and wealth and meet their private interests. In a capitalist society, the right to work means the necessity of labor to depend on capitalists for work; however it does not mean a right to a job or a guarantee of employment.<sup>44</sup> The right is only legal, i.e. deontological.

On the other hand, Section 30 states that parts or the whole constitution may be amended or reformed solely through a two thirds majority vote by Congress. Hypothetically speaking it is



possible to work within the constitutional framework to undo the legal provisions that justify the capitalist class domination and power. This struggle would constitute the elimination of ambiguous and contradictory language in the constitution as well as treaties, covenants and resolutions passed by multilateral organizations such as the Organization of American States (OAS), the UN, the WB, the IMF and the WTO. This is a necessary step for the ERT and other social movements in Argentina because under the Constitution of Argentina, there are 12 treaties, covenants and declarations that have constitutional hierarchy (*jerarquía constitucional*). For example, the rights guaranteed in the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights have equal legal standing to the rights guaranteed in the Argentine Constitution of 1994. Section 33 alludes to these provisions as “other rights and guarantees not enumerated”:

“The declarations, rights and guarantees which the Constitution enumerates shall not be construed as a denial of other rights and guarantees not enumerated, but rising from the principle of sovereignty of the people and from the republican form of government” (Constitution of the Argentine Nation 1994).

The challenge is for the ERT and aligned social movements to evoke the provisions of Section 33, which protects the rights guaranteed in one of the 12 covenants, resolutions and declarations with constitutional hierarchy. The complexity and multiplicity of layers (international, national and provincial) of the legal provisions that organize social relations in Argentina (and the wider world) demonstrates the need for all social struggles to take the global context as the unit of analysis rather than the territorial national form in their struggle to end capitalist domination and exploitation that is enshrined in the legal framework. This does not translate into effective power for members of the working class however it is an important step to take in order to challenge and restrict the domination of the capitalist class.

In practice this has always been resisted by the dominant classes. Section 22 provides a legal mechanism for protecting the liberal democratic constitution that serves to justify the current polyarchic political system of capitalism:

*“The people neither deliberate nor govern* except through their representatives and authorities established by this Constitution. Any armed force or meeting of persons assuming the rights of the people and petitioning in their name, commits the crime of sedition” (Constitution of the Argentine Nation 1994, emphasis added).

In other words, the state reserves the right to use force against armed and unarmed movements that seek to assume “the rights of the people and [petition] in their name” (Constitution of Argentina 1994). Even though Section 22 states that the people’s interests will be pursued by democratically elected officials, the UNDP (2004) and ECOSOC (2011) reports have concluded that the Constitutional rights and national laws have been violated even during “democratically” elected governments, so there is no guarantee that the current institutional framework is adequate to meet the human security imperatives of the people that it is supposed to represent. If the Argentine state is incapable of protecting itself from popular capture, history points that the global hegemon will step in and intervene either directly or by proxy. For example, the US state has actively supported the overthrow of democratically elected governments in order to ensure the supremacy of the capitalist over the working class as was the case in Iran (1953), Guatemala (1954), Chile (1973) and Haiti (1994, 2004-2005) among many others (Zoltán 2011).

In the case of the ERTs in Argentina, the main points of contestation and contradiction rests in Section 14, Section 14 bis, which guarantee the right to work and access to decent housing and Section 17, which protects private property and prohibits confiscation without prior indemnification (Rodríguez 2007). When the workers took control of the bankrupt factories and

enterprises, they technically usurped private property without due compensation, which is illegal, according to the constitution. In the heat of the protests in 2001/2002 the government attempted to evict the workers from the occupied factories and enterprises. However, due to the generally nonviolent nature and massive public support, the government had to concede and scale back, even though the use of force is legal in order to defend the constitutional order, which is based on the primacy of private property.

During the tumultuous 2001, the public clearly expressed its frustration with political corruption and the lack of governmental accountability. Many Argentine protestors gathered and chanted *¡Qué se vayan todos! ¡Qué no quede ni uno solo!*, which means “They all must go! Not a single one of them should stay!” (The Lavaca Collective 2004: 64). The point seems to be that the people believe that their interests are not effectively represented by the state and pursued from within the current institutional framework, where the majority of people have expressed their discontent by calling for all to go. Gramsci refers to the moment when the majority does not believe in the dominant ideological discourse as “organic crisis”, which leaves the opening for change. Whether this change will come about, depends on the ability of the marginalized classes and groups to capture effective political and economic power.

From the provisions of Section 22, the state reserves the right to quell (including through the use of force) both violent and nonviolent protests or assemblies that challenge the liberal democratic constitutional norms and the capitalist form of social relations. Any acts against the institution of global capitalism, whether peaceful or violent, can be considered to be a threat against the constitutional order. Moreover, Section 23 gives the state the right to use force, while Section 21 requires all citizens to arm themselves and protect the constitutional order even though some of the constitutional provisions and their enforcement go against the needs and

interests of millions of individuals as was noted in the UNDP (2004) and ECOSOC (2011) reports.

For example, the workers (most of them women) of the former Brukman textile enterprise, currently *Cooperativa 18 de diciembre*, occupied the premises on December 18, 2001 (Rodríguez 2002). On March 16, 2002, the government dispatched a riot control unit, Infantry Guard Corps (*Cuerpo Guardia de Infantería* or CGI), “armed to the teeth”, in order “to conduct an inventory” (Rodríguez 2002). The security agents encountered three women and a six year old child, a daughter of one of the workers who is a widow, and violently evicted them even though they were peacefully occupying the factory (Rodríguez 2002). Under pressure from the previous owners, the judge, Enrique Velázquez, released a search warrant under the premises of suspected “usurpation and robbery” (Rodríguez 2002). The judge’s decision to grant a search warrant in order to probe the former owner’s accusations of usurpation and robbery are justified under Section 17 of the Constitution, which states that “Property may not be violated” and “[e]xpropriation for reasons of public interest must be authorized by law and previously compensated” (Constitution of the Argentine Nation 1994). The state actions clearly demonstrate that the sanctity of private property under the constitution is incompatible with any form of popular democracy.<sup>45</sup>

Given the workers’ limited access to capital, the women could not purchase the enterprise and the only foreseeable solution to their problem was in occupying the factory, which meant the effective exercise of their right to work under Section 14 and 14 bis of the Constitution. In a capitalist society, the ‘right to work’ is based on capitalist being willing and interested in hiring workers. The right to work does not give labor the right to usurp capital’s property to employ themselves, which in the particular case of Argentina evokes the provisions of Section 17 of the

Constitution. Thus it is evident that the state exists foremost to protect capital's private property. Despite the attempts by the state to evict the workers, about 200 neighbors were sympathetic and supported the 54 workers (out of the 115 formerly employed) in their efforts to occupy Brukman and continue working (Rodríguez 2002). The occupation of Brukman and the violent opposition from the government draws attention to the uphill struggles that the workers face in order to protect their only source of income and livelihood and how the Constitutional framework evokes contradictory responses. Labor is forced under private property relations to sell its capacity to work, labor power; this is what they own where mainly the means of production exist as capitalist private property.

To “meet” the constitutional requirements as well as respond to the realities after the terrorist attacks of 9/11, the Argentine Congress, in 2007, passed Law 26.268, which changed the Penal Code and defined what constitutes acts of terrorism (CIAJ 2007). The passing of Law 26.268 (“anti-terrorist law”) constitutes part of the imposition of the political system of polyarchy globally. One of the principal promoters of the international laws on terrorism is the Financial Action Task Force or FATF (CIAJ 2007). FATF, established in 1989, is “an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing” (FATF 2012). The Collective for Legal Research and Action (*Colectivo de Investigación y Acción Jurídica* or CIAJ) argued that the anti-terrorist law allows for vague and “confusing” interpretations, which may classify peaceful social and political movements as acts of terrorism (CIAJ 2007). These laws are not exclusive to Argentina, but there is pressure to adopt and enforce similar laws in the wider region of Latin America as well as globally (CIAJ 2007). Argentina was compelled to pass the law, and it was threatened to be deemed an “unsafe country

for investors” by FATF, if it did otherwise (Tagliaferro 2007). Given that the FATF membership is composed of the most economically advanced countries that are also the biggest foreign investors in Argentina, the threat was very real and could have serious implications for the economic, political and social stability of the country.<sup>46</sup> Thus, the Argentine government was coerced to defend and privilege the interests of the TCC elite and TNC institutions potentially undermining the right to protest and peacefully occupy factories and enterprises.

Article 210 bis, which falls under Title VIII: Crimes Against Public Order of the Penal Code 11.179 (*Título VIII: Delitos Contra El Orden Público del Código Penal 11.179*) of Argentina, is related to the anti-terrorist law because it clearly states the conditions necessary to qualify for collaborating, cooperating or forming an association of conspiracy or illicit association (*asociación ilícita*), which evokes the legal provisions outlined in the anti-terrorist Law 26.268. The definition is vague and has left room for creative interpretation that can potentially be used to target social protests. The article states that:

“[...] any acts with the aim to terrorize the population or oblige national public authorities, foreign government agencies, or international organizations to do or abstain from doing something, will result in the doubling of both the minimum and maximum punishment” (Section 41 quinquies of the Penal Code 11.179).<sup>47</sup>

Furthermore, the Penal Code 11.179 states that social movements that fight for human or constitutional rights will be exempted from these provisions. The ECOSOC (2011) and UNDP (2004) reports have shown that Constitutional rights are denied to the most marginalized, so there is no guarantee that the anti-terrorist law may not be used against some civil society groups especially those that challenge the capitalist order.

For instance, in neighboring Chile, the anti-terrorist law 19.027 of 1984 has been used to target the Mapuche indigenous communities in recent years. The Minority Rights Group

International advocates for the immediate repeal of Chile's anti-terrorist law, which undermines fundamental and universal human rights: "The law treats illegal land occupations and attacks on the equipment or personnel of multinational companies as acts of terrorism and subjects those charged to both civilian and military trials" (*Minority Rights Group International* 2010). The Chilean case demonstrates that human rights are subsumed under the right to exploit because all rights under capitalism are conditioned by the primacy of private property for the ends of capital accumulation.

Clearly, the application of the Chilean anti-terrorism law targets the working class via different social movements and signals an expanded scale for defining the terms for waging class struggle against the working class in Argentina, via the ERTs, and beyond. For this reason, The Federation of Self-managed Worker Cooperatives in Argentina (*Federación Argentina de Cooperativas de Trabajo Autogestionadas* or FACTA), which consists of and represents 60 ERTs nationwide, condemns the enactment of the legislation and seeks its immediate repeal (FACTA 2011). In addition, the Center for Legal and Social Studies (*Centro de Estudios Legales y Sociales* or CELS) criticized the legislation stating that it leaves it open for interpretation to persecute any social gatherings on the basis of political or ideological affiliation (Pochak as cited in Tagliaferro 2007).

Up to this point, there have been no reports on the application of the law against ERTs, however, the ERTs could easily be deemed as illegal associations, given that they would only have to meet two of eight criteria listed in the Penal Code. Unfortunately, the law makes three of the criteria easy to satisfy: one of the criteria states that the organization must be composed of ten or more individuals (according to article 5 of Law on Cooperatives 20.337, to form a cooperative there is a need for at least ten members); another criterion is that the organization

should operate in more than one political jurisdiction of the country (the second degree cooperative organizations such as FACTA operate nationwide); and lastly if it receives any support from public functionaries (the ERTs and cooperatives receive support from the Ministry of Labor, Employment and Social Security and Ministry of Social Development). The potential for the arbitrary application of this law could signal a possible threat to all ERTs and other social movements that seek the peaceful transformation and democratization of Argentina's society. For these reasons it is necessary that the ERTs, allied social movements and groups unite to seek its immediate repeal.

The Financial Action Task Force (FATF) shows how the US works to extend its laws on an extraterritorial basis, using its own national laws and giving them international jurisdiction as part of a strategy for achieving global supremacy.<sup>48</sup> So far, foreign organizations such as FATF have been more effective at successfully lobbying the government to legislate laws that may restrict political rights, which means that the congressional representatives of Argentina are more accountable to the transnational elites rather than their national constituents. To emphasize the point, Section 31 of the Constitution, states that "treaties with foreign powers", which includes international agreements are superior and can override subordinate national and provincial laws. This speaks to the role and place of international law as the law of sovereign states however international law is foremost to the law of private property extended onto an international and now global scale. The problem is that the state of Argentina, as well as other liberal democratic states, is largely undemocratic where the government officials and private investors are not held accountable for their actions and the Constitution is used to protect the capitalist social order.

During the 1990s and early 2000s, as profits plummeted, some business owners elaborately planned for years the declaration of bankruptcies and the transfer of the companies'



liabilities on the burden of the state to be shouldered by the working population—this is part of the socialization of debt (Hille 2009: 5; Vieta 2010: 298, 317). The case of Hotel Bauen is an illustrative example. Marcelo Iurchovich constructed Hotel Bauen in 1978 with credit he borrowed from the state but never repaid (O’Donnell 2007; Bryer 2010: 51). After the abandonment of the hotel in 2001, Iurchovich tried to take the hotel’s furniture and successfully removed most of the furnishings and equipment which he used in his other four star luxurious Bauen Suite Hotel, which is located two blocks away from the original Hotel Bauen (Personal Interview: Ruarte 2010). When the workers realized that the owner was trying to empty the hotel, the workers went ahead and took control (Personal Interview: Ruarte 2010).

In 1997, the hotel was sold to Félix Solari from Chile and became bankrupt in 2001 as prices for rooms declined from US\$120 to US\$50 during the crisis (O’Donnell 2007). Through elaborate manipulations of law and corruption, Iurchovich managed to get the city lawyers to give ownership of the Hotel Bauen to *Mercoteles S.A.*, a company that has relations with the family (O’Donnell 2007; Evans 2007: 43; Lavaca 2011). Realizing that they could lose their jobs forever, about 20 of the original workers occupied the hotel and received legal permission to operate it as a cooperative in 2003 (Bryer 2010: 51; O’Donnell 2007; Lavaca 2007). The current challenge for the Bauen cooperative members is to be able to secure ownership of the hotel. In 2005, the City Council, under the leadership of Mauricio Macri, ruled that the hotel legally belongs to *Mercoteles S.A.* and the workers constantly have to fight eviction notices and orders (Evans 2007: 58-59). The only solution that the cooperative members see is to fight for a national law of expropriation that will resolve the issues for many ERTs that are still in the legal limbo as well as set a precedent for future occupations (Lavaca 2011). The workers’ struggle for

ownership of Hotel Bauen is illustrative of how the state is protecting private property rights over human security including job and ownership imperatives.

Fear of structural and protracted unemployment, the accumulation of back wages, and the process of *vaciamiento*<sup>49</sup> (or literally “emptying”) associated with the bankruptcy moved the workers to occupy the bankrupting businesses (Ruggeri 2010: 14-15; Vieta 2010: 301). The internal organization of the ERT cooperatives is more democratic and accountable because the workers have effective control over the decision-making processes and they have been relatively successful at running the businesses despite the limited support they have received and are receiving from the government. It has been an unfair struggle where the employers under the 1995 reform, were able to engage in the fraudulent filings for bankruptcy, leaving workers jobless (Echaide 2007), insecure and facing uncertainty about how to take charge about their personal and family life. In 1991-1992, there were less than 900 bankruptcies and insolvencies per year however between 1995 and 2001 over 2,000 bankruptcies were being filed each year (Magnani 2003: 37).

Section 33 of the Constitution guarantees the sovereignty of the people vested in the republican form of government, however, the effective power of the citizenry to petition for constitutional and/or legislative changes is strictly limited. In liberal democratic capitalist societies, the state is foremost the state of, by, and for capital and the sanctity of private property takes precedence over human security.<sup>50</sup> More specifically, Section 39 of the Constitution restricts popular sovereignty through excluding bill proposals submitted to the House of Deputies that pertain to “constitutional reform, international treaties, taxation, budget, and criminal legislation [Penal Code]” (Constitution of Argentina of 1994). This means that the anti-terrorist law (as part of the Penal Code), among others, cannot be changed through a popular vote or

initiative because it goes against the provisions of Section 39 of the Constitution. The only way to change the law via peaceful means within the institutional framework is through political pressure and lobbying, which is designed to protect the state from popular capture.

Theoretically, the constitution leaves room for reform that could hypothetically serve the interests of the broader masses. The working class can support political parties that will seek to undo the constitutional ambiguities. However, the working class in a globalized capitalist society does not have control over the means of production, which leaves it at the mercy of the capitalists to socially reproduce themselves. Given the power of capitalist hegemony and the active consent of the broad masses of the working class, the capitalist elites are able to exert economic and political domination and capture state apparatuses worldwide partly via the formation of the TNS apparatuses.

Considering that Argentines distrust political parties the most when compared with all other institutions or organizations operating within the context of the political process, measures ought to be taken to hold the political parties accountable, insist on transparency in their practices and demand that they demonstrate their support for the goals of the cooperative enterprises. According to Robinson's theory on global capitalism, it is clear that the constitutional order has made Argentina an actor within the TNS formation process that seeks to synchronize laws and policies of states on a transnational basis to meet the interests of the TCC elite at the expense of the workers and certain aspects of national decision-making (Robinson 2004).

## **The First Occupations and the Rupture of the National Movement of Recuperated Enterprises (MNER)**

The first worker recovery of enterprises started in an isolated form in the 1990s, specifically in 1997 and 1998 (Murúa 2006: 1-2; Magnani 43-44), and some workers flirted with the idea in the 1980s (Hirtz 2011: 158-161; Murúa as cited in Magnani 2003: 43). Alice Bryer notes that the first ERT to emerge in Buenos Aires was IMPA in 1998 and the main protagonists were the Peronist leaders, namely Murúa, the leader of the National Movement of Recuperated Enterprises (*Movimiento Nacional de Empresas Recuperadas* or MNER), and the lawyers Luis Caro and Diego Kravetz (Bryer 2010: 47). The original goal of the recoveries was not to take control of the means of production; rather they wanted to protect jobs (Hirtz 2011: 158-161). It was not until the actual collapse of the Argentine economy in 2001 that prompted the consolidation of a more defined vision and more pronounced responses to the closure of the thousands of factories as a result of the crisis. Between 1995 and 2003 there were 8,128 enterprises that filed for insolvency or bankruptcy (Magnani 2003: 37) and only a tiny fraction of those businesses were actually recovered. This point resonates with David McNally (2011) where he argues that workers do not set out to bring about large scale change but more often to push for reforms, however it is in the process of small changes that they then come about to discover the potential to achieve bigger goals (McNally 2011).<sup>51</sup>

In 2002, Eduardo Murúa, established MNER and in 2003, Luis Caro, a former member of the MNER, created the National Movement of Worker-Recuperated Factories (*Movimiento Nacional de Fábricas Recuperadas por sus Trabajadores* or MNFRT) (Hirtz 2011: 63-64). The reason for the disagreement between Eduardo Murúa and Luis Caro lies in the two different approaches to recuperation. Murúa has a more radical vision of the process of recuperation and

makes connections with the global economy and multilateral institutions such as the IMF, the WB and the US Treasury in analyzing the causes of crises in neoliberal capitalism, while Luis Caro prefers a more pragmatic approach and analyzes the recuperation on case by case basis (Ranis 2006: 64-65). There was also a broader ideological rift between the two, where Eduardo Murúa envisions a greater political change in comparison with Luis Caro, who seeks only to protect jobs (Magnani 2003: 46) from a more traditional syndicalist outlook that treats politics and economics as distinct and separate spheres.<sup>52</sup>

For instance, Murúa has demonstrated that he is not only interested in the theoretical aspects of his political project, but has sought to create ties and find allies not only in Argentina, but also abroad. In 2005, Murúa travelled to Venezuela and met with trade unionists as well as President Hugo Chávez in order to discuss the viability of the ERTs in Venezuela and planned how to expand worker participation in company management in private enterprises (Ranis 2006: 64-66). After the initial impetus and initiative from MNER, the Venezuelan government hosted the “1st Latin American Meeting of Recuperated Enterprises” in October of 2005, in Caracas, Venezuela (Ranis 2006: 65). At the conference the participants from ERTs from several South American countries shared their experiences and discussed the range of political, social, economic, technological and management challenges that they experience and the need to search for ways to overcome their difficulties (Ranis 2006: 66).

Murúa was actively lobbying for a national law of expropriation between 1997 and 2005 and since then, due to internal disagreements in the MNER, he has gone “underground” (Vieta 2007). In a 2006 interview with Marcelo Vieta, Eduardo Murúa reveals his vision for Argentina and the world, which is based on an alternative to capitalism (Murúa 2006: 9). His anti-capitalist rhetoric may have led to his alienation. For instance, for the long-term he envisions a

“multinational of the people” that would operate within and outside of Latin America as well as a people’s bank that would provide capital for production instead of for finance (Murúa 2006: 5-6), which is a highly speculative, exclusive, nontransparent and volatile form of capital. He would also like to see the boycotting of the products and services of the multinational and national monopolies, which he thinks could be achieved in the short-term (Murúa 2006: 7). Lastly, his proposition to fight for an alternative world, which is to be defined by the collective of humanity, has to emerge from working outside of capitalism:

“There is no way out from within the system of capitalism; there is no way out using the capitalist system. We’re not going to tell the world what to do, though. I think we have to all sit down and debate this. But we do have to change all of the institutions that are now invalid and out of date [...] Now what’s needed is the right degree of consciousness of society in order to create the [proper] institutions of distribution” (Murúa 2006: 9).

Eduardo Murúa recognizes that in order to bring about an effective change in the world, it is important to raise the level of consciousness of the broad masses of people. As a member of the worker cooperative IMPA aluminum plant (a recovered factory), Murúa thought of the cooperative assemblies providing an opportunity to educate the workers about the systemic workings of capitalism and for discussing the internal challenges of democratic management (Murúa 2005). According to him, this proved difficult because it was going against the competitive pressures to produce and meet the client’s requests as well as the demands of the workers to raise productivity in order to generate higher incomes (Murúa 2005). Here we see how workers under capitalism are forced to demand to have their labor power more intensely exploited by raising their productivity in the hope of earning higher wages. Of course, this method also means replacing workers with machines as the most technically advanced way to raise labor productivity and thus undermines the ability of some members of the working class to reproduce themselves socially.<sup>53</sup>

Despite Murúa's vision for an alternative system to capitalism, at least one author has expressed doubts about the intentions of Murúa and Caro with regards to the general ERT movement. Alice Bryer, "combining ethnography and a critical political economy of accounting" noted that in ERTs, the non-transparent methods and monopolization of financial management can lead to alienation and internal exploitation of workers within cooperative workplaces (Bryer 2010: 41-42). Using her ethnographic analysis and critical political economy approach, she concluded that contrary to Murúa's statements about the internal divisions in IMPA and certain opposition based on ideological grounds (Murúa 2005), Murúa and later Caro controlled *Consejo* (Board of Directors) monopolized the factory's financial accounts and ordinary shop floor workers "had no knowledge of the company's finances and had no access even to annual budget reviews" (Bryer 2010: 47-50). When workers complained about the lack of transparency and protested to the National Institute for Social Economy and Partnership of Argentina (INAES), the state functionaries sided with the views of Murúa and Caro, instead of the workers which frustrated the workers (Bryer 2010: 50). Furthermore, Murúa and Caro, who have good relationships with the state, tried to undermine the autonomy of the workers not only through controlling the financial accounts but also through favoring private enterprises in dealing with the ERTs (Bryer 2010: 48; Ruarte 2012).

"Luis Caro and Murúa have a good sponsorship from the government and the only thing they do is generate alliances with private enterprises that in the end causes the self-managed enterprises to be run by managers or bosses, which does not represent our struggles in the recovered enterprises" (Ruarte 2012, worker cooperative member and press manager of Hotel B.A.U.E.N.).<sup>54</sup>

Even though Murúa and Caro collaborated, Hirtz notes that the alliance between the two could not endure for a long time (Hirtz 2011: 161). Luis Caro and Eduardo Murúa were part of the old Peronist bloc, Murúa was from the "left", while Caro was from the "right" of Peron's

movement and their ideological differences inevitably led to a break (Hirtz 2011: 161). In an interview with Esteban Magnani, Murúa notes that the reason for the separation was not ideological rather there was a difference in personalities (Murúa interview with Magnani 2003: 46).

Eduardo Murúa and Luis Caro are experienced in the movement however their methods of work and techniques are different. Eduardo Murúa has clearly stated that he does not think that an alternative to capitalism can be constructed from working within capitalism, but rather outside of it. This is romantic dreaming on Murúa's part because it is within the system that we see the roots for the new order of society germinating. There is no revolution without measures of reform and reform can engender processes that may lead to revolutionary transformation.<sup>55</sup> We seldom begin with a grand vision for tearing down to start over rather we start with a view to improve things and then discover our potential to transform society along the way (McNally 2011). This is the real world, so I think that Murúa is being ideological even if his intentions are admirable. On the other hand, Luis Caro is less confrontational and seeks to work with the existing state institutions (within the capitalist system) to recover factories and enterprises. For example, when President Cristina Kirchner, Minister of Works, Carlos Tomada, Minister of the Industry, Débora Giorgi and the Legal and Technical Secretary, Carlos Zannini, presented the reforms to the Insolvency and Bankruptcy Law (*Ley de Concursos y Quiebras*) in June of 2011, Luis Caro was the key representative of the MNFRT movement and he was received at the *Casa Rosada* (the official executive mansion of Argentina), showing his close relationship with the government (*Casa Rosada* 2011). Another distinguishing non-confrontational aspect of the methods of Luis Caro is that he does not seek to challenge the creditors or the previous owners and is prepared to compromise with them, even if that means the eventual self-exploitation of the



workers, which includes working for very low wages until the factory or enterprise becomes productive enough to distribute higher wages to the workers (Ranis 2006: 66-67).

The ERT movement in Argentina has experienced changes since the inception of the MNER in 2002 and MNFRT in 2003. As of 2006, the MNER dissolved and Eduardo Murúa is no longer a major player in the movement, even though he had played a chief role in getting it started (*Lavaca 2007*). MNFRT is more pragmatic in its dealings with the government and is comfortable working within the capitalist system, while some of the ERTs that were not part of the MNFRT formed FACTA in 2006 (Ruggeri 2010: 76).

FACTA, tried to differentiate itself from the defunct MNER and the MNFRT by seeking to be “the most progressive wing” of the ERT movement (*Lavaca 2007*). In order to gain support, FACTA has reached out to other federal organizations and has contributed in the creation of the National Confederation of Worker Cooperatives (*Confederación Nacional de Cooperativas de Trabajo* or CNCT), which groups 25 worker cooperative federations nationally (CNCT 2012). This wing of the ERT movement is headquartered in Hotel B.A.U.E.N. Furthermore, the movement enjoys the support of the University of Buenos Aires (UBA) while the actions of Luis Caro and the MNFRT have been rejected by intellectuals and progressive thinkers (Magnani 2009: 152). To illustrate the point, the MNFRT, has sought a more pragmatic solution and instead of lobbying for a national law of expropriation that would benefit all ERTs, they have pushed for a reform of the Insolvency and Bankruptcy Law (*Ley de Concursos y Quiebras*), which is an important achievement for the future of the ERTs, however, it does not address the core issues such as the right to legally exploit the enterprises indefinitely, nor does it address ways to resolve the issue of ownership (*Lavaca 2007*). The main challenge for Hotel B.A.U.E.N., which occupies a very important place in the movement, is its delicate legal and

judicial status (*Lavaca 2007*). Currently, the B.A.U.E.N. cooperative is struggling for a national law of expropriation, which would resolve not only its legal status but also that of other ERTs now as well as in the future.

Despite the fact that the MNFRT is not part of the CNCT and acts more autonomously, when the two have interests that intersect they try to collaborate to lobby jointly in order to influence legislation in favor of the workers interests in their respective movements (*Ruggeri 2010: 27*). The movements are different in their composition which produces divergent responses when dealing with the government. The MNFRT under the leadership of Luis Caro, only groups ERTs, while the CNCT is a confederation comprising 25 federations that include “conventional cooperatives”<sup>4</sup> as well as ERTs. In the section that follows I will show that the relationship between the ERT movement and state institutions can be contradictory ranging from productive collaboration at times to counterproductive interaction in other instances. In the context of global capitalism, transnational linkages will influence and shape governmental decisions and policies that may or may not directly influence the functioning of certain ERTs based on ideological and political grounds.

### **The Movement of Worker-recovered Enterprises and its Relations with the State**

In order to assess the relationship between the state and the ERTs, it is important to review government’s actions at the peak of the crisis and explain how the collapse of the Argentine economy in 2001 forced over half of the total population below the poverty rate and left over one-fifth of the working population unemployed and as many underemployed (*La Nación*, July 26, 2002). After the sovereign debt default, the state institutions lost the economic

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<sup>4</sup> Conventional cooperatives refer to those entities that in their inception were formed as cooperative entities by their workers i.e. they were not recovered.

resources needed to respond to the unfolding socio-economic crisis that resulted in massive protests in Argentina and a toll of 39 deaths (Rebossio 2001). The government ordered the *corralito* measures on December 3, 2001, which limited the weekly withdrawal of personal deposits to ARS\$250 (equal to US\$250 at the time) (Rebossio 2001). This resulted in the freezing of US\$66 billion in personal savings of millions of Argentines (Rebossio 2001). The aim was to repay the foreign creditors, ensure the basic functioning of state institutions and stabilize the currency. This tells us that the rights of transnational capital take precedence over the rights and needs of national persons, such that sovereignty works transnationally while national citizenship operating under the rubric of state sovereignty tends to impose encumbrances such as restrictions on withdrawing savings on national persons especially at home. This has had profound material, social, political and economic consequences for millions of Argentines. Many citizens, unable to withdraw their savings, seeing the depreciation of their money, loss of wages, pensions and benefits, had to resort to violent means in order to obtain food from supermarkets (Relea 2001).

To make matters worse, transnational corporations packed their suitcases and left with approximately US\$15 billion worth of capital (Rebossio 2011), without looking back at their share of social responsibility in the unfolding crisis. The fact that most of the workers, who were recovering the enterprises had limited financial capabilities, they were forced to seek the assistance of the government after the economic crisis stabilized. The workers realized that they could no longer be dependent upon Foreign Direct Investment (FDI) for jobs. The transnational corporations (TNCs), as principle agents of foreign direct investment in Argentina and the world, are motivated by the principle of profit and private capital accumulation, which disregard the well-being of humanity and does not attempt to help those that are most in need.

The crisis of 2001 in Argentina provided the impetus for the growth of the ERT movement. The ERT movement approached the government and worked with state institutions to legitimize the factory occupations citing Section 14 and Section 14 bis of the Constitution which guarantee the right to work. The government was willing to compromise, even though some creditors, employers and former owners of bankrupt factories and enterprises evoked the provisions of Section 17 of the Constitution which protects private property from occupation without indemnification. Given the vast numbers of poor, unemployed and underemployed, the situation in the country could become more unstable if the government did not take actions to appease some workers through offering them opportunities to work, such as through allowing the temporary exploitation of bankrupt factories and enterprises.

Thousands of factories and enterprises were filing for bankruptcy and trade unions were not able to protect their members from the loss of jobs (Bryer 2010: 44; Vieta 2010: 295-296). The metalworkers union, *Unión de Obreros Metalúrgicos* (UOM), which “has been one of the most powerful Peronist unions”, opposed the worker occupations (Bryer 2010: 44-45). In a personal interview in 2010, Mr. José Orbaiceta explained to me that the reason why certain labor unions, such as UOM, opposed the occupation and the formation of cooperatives is that they considered the workers to be “*patrones*” (owners) and associated them with capitalists (Orbaiceta 2010). The fact that the trade unions considered the workers to be *patrones* meant that they had “no need to defend their jobs” (Orbaiceta 2010). In the interview, he gave an example of how the graphics union worked with the federation of graphics cooperatives, *Red Gráfica*, and they created a design school (Orbaiceta 2010). The relationship was mutually beneficial because the cooperative members were also union members and this strengthens the union economically and politically. Moreover, the graphics union members had better access to information about the

market, i.e. they were better aware of the costs of production thanks to the information that the cooperative members provided to their union counterparts (Orbaiceta 2010). The graphics union members could use this information to their advantage every time they engage in collective bargaining with their bosses. Another example where the ERTs are directly involved with the trade unions is the case with the National Association of Self-Managed Workers (*Asociación Nacional de Trabajadores Autogestionados* or ANTA) (Vieta 2010: 299). ANTA was established in 2005 and “emerged as a response to the states’ and traditional unions’ general indifference or outright hostility to the plight of the non-union-affiliated, the self-managed, the underemployed, and the unemployed” (Vieta 2010: 317). ANTA is the only association in Argentina where trade union members are also members of ERTs. The trade unions that are opposed to the formation of cooperatives because they see worker cooperatives as “associations of capitalists” are only harming the working class movement as a whole. If trade unions are seeking to establish a worker controlled society, then it is necessary to build and strengthen transitional worker controlled institutions, such as worker cooperatives that help bring about the deepening of the process of democratization of society through instilling democratic values in the economy.

Out of the social, political and economic chaos and the limited support the ERT participants received from labor union and state institutions (Vieta 2010: 299) and the absolute need to survive, some workers of the bankrupt enterprises and factories resorted to the peaceful “occupation” of their workplaces, at times there were violent confrontations with the police. The workplace occupation was seen as the last attempt to protect their source of livelihood. For the Argentine worker, the possibility of being structurally unemployed was deemed “death in life” (Vieta and Ruggeri 2009 cited in Vieta 2010: 298). It was widely believed that the recuperation

of the factories and enterprises was directly associated with the economic crisis and that the movement would stall after the crisis. However, the occupations have continued with vigor, even after the worst effects of the 2001 crisis (Bauni and Salgado 2010: 2). In fact the Ministry of Labor reported that between 2000 and 2003 there were 75 new recoveries and from 2004 to 2010 there were 80 new recoveries (Bauni and Salgado 2010: 2). Initially, the state was not certain what was the best way to tackle the issue and was concerned about the legality of the occupations (Abelli as cited in Magnani 2003: 48) and later the state decided to assist the ERTs and various ministries, more specifically the Ministry of Labor and the Ministry of Social Development, became involved.

As of 2010, the Ministry of Labor records a total of 280 ERTs, which employ over 11,000 workers (Bauni and Salgado 2010: 1). Out of the total 280 ERTs, 236 are registered with the government's Self-managed Work Program (*Programa de Trabajo Autogestionado*), and 208 have received some form of direct assistance. *Programa de Trabajo Autogestionado* is managed under the Ministry of Labor and the aim is to promote employment through providing technical, economic and financial assistance (*Ministerio de Trabajo* 2012). More specifically, as of 2003, the government has placed the responsibility on the Ministry of Social Development and Ministry of Labor to administer credit and financial assistance offered through the National Bank of Argentina (*Banco Nación*) and the Inter-American Development Bank or IDB (INAES 2003; *Ministerio de Trabajo* 2012). The IDB and the Ministry of Labor offer financial, technical, administrative and training assistance not only to the ERTs but to about 100 small self-managed enterprises (*Pequeñas Empresas Autogestionadas* or PEA) that meet the criteria of democratic participation and management of the enterprises (*Ministry of Labor* 2012). So the ERT movement becomes increasingly dependent on the state institutions in order to survive, grow and

thrive. Without the aid of the state institutions and the permission to operate and manage the recuperated enterprises, the movement could have been stifled. This is what the leaders of the cooperative movement in Argentina have recognized and some cooperative members also work for the state. The case of José Orbaiceta is an example of this phenomenon. He is an employee of the state working for the National Institute for Social Economy and Partnership of Argentina (INAES), the cooperative *Red Gráfica*<sup>5</sup> and the National Confederation of Worker Cooperatives (CNCT).

The joining of forces of the ERTs and conventional worker cooperatives has resulted in significant political and legal gains for the movement. The fact that the CNCT, with its headquarters in the Hotel B.A.U.E.N., was able to draft short- and long-term vision and goals for the cooperative movement as a whole, has produced concrete results. From the onset, their aims were to achieve the definitive expropriation of property and thus effectively and formally control the means of production, rather than simply manage them (INAES 2009). As of June 2, 2011, the ERT movement in Argentina managed to obtain the legalization of the worker take-over of factories and enterprises after the passing of the reform 26.684 of the *Ley de Concursos y Quiebras 24.522 (Página 12, June 2, 2011)*. This is an important step that gives the participants in the movement more confidence in their ability to effectively recover, manage and operate factories and enterprises. The second step is to seek the passing of laws that are specific to the essential functioning of the cooperatives and ERTs. There are already initiatives to push for a law for worker cooperatives and a law for the national expropriation of the ERTs as opposed to nominal and exclusive laws for particular ERTs. To achieve its aims, the CNCT actively seeks the support of the state as well as small and medium enterprises (CNCT 2012).

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<sup>5</sup> *Red Gráfica* is a federation of 18 recuperated and conventional cooperatives. Mr. José Orbaiceta works for *Ferrograf*, a conventional cooperative.

In a recent interview for *Radio Gráfica FM 89.3*, José Orbaiceta, an important figure in the cooperative movement of Argentina,<sup>56</sup> stated that the CNCT is not neutral when it comes to politics and it prefers to align itself with popular governments from the left. Mr. Orbaiceta recognizes the importance of the public, private and *sector solidario*<sup>6</sup> in the shaping of the national economic framework. However, he disagrees with the notion of having large multinational corporations dominate the economy; he envisions a peaceful coexistence between the three sectors where each one would dominate about a third of the economy (Orbaiceta 2012). In theory, it may be possible to achieve the balance that Orbaiceta envisions, however, within a capitalist society evidence points that the dynamic and contradictory process of capitalism always leads to centralization and concentration of capital<sup>57</sup> (see Chapter 1 for more details). In other words, the respective share in the economy of the public, private and cooperative sectors will depend on their ability to compete. For instance, neoliberalism has been characterized by the massive process of privatization of the commons. Even though state enterprises were not always inefficient, the dominant capitalist elites wielded their economic and political power to force governments to sell public enterprises in order to strengthen the private sector. In essence, the cooperative movement does not reject the capitalist principles of production and distribution, at least for the time being, rather it sees itself representing an intermediate way to give more economic control to a broader mass of people in order to encourage or facilitate movements in the direction of bringing about a more just means in the redistribution of the resources. We see capital using politics to advance economic interests beyond the so-called “free market”. There is a need for cooperatives to involve themselves more actively in politics and seek to represent the interests of not only their members, but the working class as a whole.

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<sup>6</sup> *Sector Solidario* constitutes of various forms of social enterprises to include cooperatives, ERTs and mutuals.



In light of some self-criticism, Mr. Orbaiceta states that cooperatives have to be part of the solution of the problems of capitalism and not be passive like they were in the past. He noted that there is a great potential for the cooperative movement globally and he cited that currently there are about 1 billion cooperative members across the world in over 100 countries, where the top 300 global cooperatives generate revenues equal to the annual GDP of Canada (Orbaiceta 2012). When it comes to cooperatives, it is important to bear in mind that the numbers for co-op “members” does not necessarily equate to the number of employed individuals. There are many consumer cooperatives, such as grocery store co-ops, where in order to become a “member”; one has to be a registered customer, which essentially means that an individual may be a member of more than one co-op. Thus, the statistic for about 1 billion individual co-op members does not mean that co-ops throughout the world provide jobs to about 1 billion individuals, rather the ICA notes that cooperatives around the world provide jobs for about 100 million individuals, which is “20% more than multinational enterprises” (ICA website). Moreover, in 1994, the UN stated that cooperatives “secured” the livelihood for about 3 billion people around the world, thus demonstrating that cooperatives not only have an important economic role, but a social one as well.<sup>58</sup> Throughout the thesis I have consistently referred and I will continue referring to co-op members as those for which employment has been provided unless stated otherwise.

Apart from criticizing capitalism’s flaws, the cooperatives’ complicity with the capitalist ideology, the principle of private property and individualism, Mr. Orbaiceta offered his vision for an alternative to capitalism. Even though he did not want to name this new model or system, at least he has offered some broad principles that should be respected. In his view, the new model should be organized around the principles of solidarity, social responsibility and accountability of the enterprises, social rights to property (as opposed to individual rights) and the supremacy of

the general interests of society over the interests of the individuals (Orbaiceta 2012). The methods for achieving this at the current stage is to follow the model that is currently under development in Argentina and Latin America, that of Social Economy (*Economía Social*) and to establish and strengthen connections with other cooperatives and civil society groups nationally as well as internationally. He recognizes the limitations of the cooperatives, that they are only one option in this struggle which is why they have to construct new voices and disseminate information that spreads the message of economic models that are socially responsible and inclusive (Orbaiceta 2012).

Given the diversity of ERTs, it is difficult to classify who are the political allies of the cooperative movement. Based on what José Orbaiceta noted, it is the Justicialist Party of Cristina Kirchner. Since the election of Néstor Kirchner as the President of Argentina, the government has affirmed that it will assist the development of not only the ERTs, but also assist with the education and training of the workers and help them find better jobs (*Ministerio de Trabajo* 2004). In 2004, the Minister of Labor, Carlos Tomada, stated that the role of the state should be to foment more and better jobs and that it should promote social cohesion in every part of the country through establishing connections between companies, training and educational institutions, scientific and technological organizations as well as local governments (Tomada as cited in *Ministerio de Trabajo* 2004).

The fact that the government and the state were in agreement in meeting the fundamental requests of the cooperative members resonated with the establishment of connections with educational institutions such as with the University of Buenos Aires (UBA). For instance, the School of Philosophy and Literature collaborates with the Chilavert Recovered Cultural Center (*Centro Cultural Chilavert Recuperado*), the Chilavert cooperative, the Relations Secretary for

Self-Managed Communities (*Secretariado de Enlace de Comunidades Autogestionarias* or SEDECA) and the Centre for Documentation and Research of the Cultures of the Left in Argentina (*Centro de Documentación e Investigación de la Cultura de Izquierdas en Argentina* or CEDNICI). In addition, the School of Social Sciences of the UBA works with two research programs—The Research Program for Social Change (*Programa de Investigación sobre Cambio Social* or PICaSo) and the Research Institute-Gino Germani (Source: *Facultad de Filosofía y Letras* and *Facultad de Ciencias Sociales*).

The university's coordinating body is the Open University Program (*Programa Facultad Abierta*). Through this program, the university actively supports the ERTs via the promotion of debates, facilitation of workshops, publication of academic research, and assistance in the training and education of the worker members in order to increase the productivity of the ERTs. The collaboration with UBA was established after the MNER approached the university in April of 2003 with the proposal. After the establishment of the formal collaboration between the ERT movement and the university there were three exhaustive landmark research studies completed in 2002, 2004 and 2009/2010. These three studies assessed the overall situation of the movement while analyzing the external and internal challenges the movement faces as time progresses. Furthermore, UBA established the Documentation Center for the Recovered Enterprises (*Centro de Documentación de Empresas Recuperadas* or CDER) housed in the Chilavert cooperative. It also facilitated the organization of three “International Meetings: the Economy of the Workers” (*Encuentros Internacionales: La Economía de los Trabajadores*) in 2007, 2009 and 2011.<sup>59</sup> The CDER does not only maintain data for ERTs in Argentina, but also in other South American countries such as Brazil, Paraguay, Uruguay and Venezuela, which facilitates the exchange of knowledge and experiences and strengthens the movement. The regional collaborations not only

reinforce the movement but it also gives it a broader legitimacy and demonstrates that this phenomenon is unfolding in South America, not only in an isolated form in Argentina.

Clearly, a number of positive relationships and developments with the state have taken shape, however it is important not to overstate their importance. The state institutions basically serve the neoliberal capitalist imperatives of exploitation and the laws that have been passed reflect this burdensome reality for the ERTs. As was mentioned earlier, capitalism is foregrounded in certain contradictions and the rupture that was caused in 2001 has definitely produced severe societal fissures and polarizations. On one hand, the Kirchner administration may appear to be protecting the rights of the workers however on the other it allows the passing of laws, such as the anti-terrorist law that was discussed and that places the ERTs under the radar of the state institutions and could potentially consider them as threat to public order and national security.

Most of the recoveries took place in the City of Buenos Aires however in 2009 and 2010, the city government under the leadership of the Chief of Government of the City of Buenos Aires, Mauricio Macri, attempted to evict cooperative and recovered enterprises without making his efforts very public. In the process Macri illegally used a parapolice force, Ucep, to violently evict destitute *cartoneros*, waste-pickers in Belgrano, the cooperative members in *Huerta Orgázmika de Caballito* as well as the dining hall of the Almagro Assembly (Sáenz 2010). In addition, the city government of Buenos Aires vetoed *Ley 4008* a day before Christmas (Rodríguez 2011). The law would have allowed 29 recovered enterprises, employing about two thousand workers, to continue operating (Rodríguez 2011). The contradiction here is that formally and nominally, the Kirchner administration, which controls the federal government, works to support the ERTs. Meanwhile, Macri, who controls the city government of Buenos

Aires, is member of the opposition right-wing party, *Propuesta Republicana* (PRO), and works against the ERT movement. Macri's veto is an important legal setback because most of the ERTs (50% as of 2010) are located in the city of Buenos Aires (Magnani 2010) and, given the lack of willingness of the city government to expropriate the ERTs in its jurisdiction, places additional psychological pressure on the workers who have to dedicate more time and energy to repeal the veto, instead of focus on production.

Some of the silent steps that the city government is taking are legal and bureaucratic measures such as the one outlined above, which limit the access to capital and right to ownership. A member of the *Gráfica Chilavert* cooperative, Peñarrieta, stated that private enterprises are at an advantage over the ERTs because they have access to capital and the ERTs face more difficulties due to their legal situation. Since, many ERTs do not legally own the property they have occupied via recuperation, they cannot mortgage those properties in order to obtain credits to expand or otherwise improve production (Sáenz 2010).

In August of 2009, the Kirchner administration announced the implementation of the Plan Argentina Works (*Plan Argentina Trabaja*) sponsored by the Ministry of Social Development (*Ministerio de Desarrollo Social* 2012). The program targets poor and vulnerable individuals and gives them the opportunity to earn "social wages" through performing infrastructural maintenance and sanitation works (*Ministerio de Desarrollo Social*). As of February 2012, there are about 150,000 "cooperative members" participating in the program who receive ARS\$1,285 (about US\$300 at exchange rates of March 2012) (*Ministerio de Desarrollo Social* 2012). This income is about 55% of the minimum wage in Argentina, which currently stands at ARS\$2,300 and about 42% of the average salary, which was estimated to be ARS\$3,091 for 2012 (Massa 2012). It is contradictory that the government is paying its

“cooperative members” incorporated under the *Argentina Trabaja* program half the minimum wage it mandates, especially considering that each “cooperative member” is required to work 40 hours per week, i.e. full time (*Ministerio de Desarrollo Social*).

For many, this program will prove materially beneficial and contribute to the social inclusion of the most marginalized individuals, especially in low income neighborhoods (De Sena and Chahbenderian 2012). However, it is important to consider that the initiative can be used as a political tool to benefit the current government (Lo Voulo 2010; De Sena and Chahbenderian 2012) and could be exploited as a political and ideological weapon in presidential and parliamentary elections in order to garner popular support and legitimize the government’s policies that undeniably serve to strengthen the mechanisms of capitalism.

In February 2010, FACTA stated on its website that it is a great step forward that the state is taking active measures in order to reduce the level of unemployment (FACTA 2010). However critics have noted that the methodology for the implementation of the *Argentina Trabaja* reflects a move away from the cooperative ideals because the state establishes a relationship of labor dependency with the workers and does not allow the autonomous development of each individual (FACTA; Lo Voulo 2010; De Sena and Chahbenderian 2012). In some cases there are instances of irregularities and manipulations of the implementation of the plan where some workers try to use other person’s documents in order to receive money from the government (De Sena and Chahbenderian 2012). Moreover, state functionaries and institutions directly intervene in the internal management of the “cooperatives” such as setting the wages, hours of work, composition of the Board of Directors and the type of projects to be implemented (FACTA). Despite the ministry’s claim that “[*Argentina Trabaja*] is not a public works project [...] [r]ather its objective is to generate and recover the dignity of work in order to promote

families” (*Ministerio de Desarrollo Social*) critics have pointed out that it uses the cooperative language and ideals to co-opt the most socially and economically vulnerable into the capitalist system (Lo Voulo 2010).

The national government’s policy may dilute the cooperative movement and undermine its core principles. The International Co-operative Alliance-Americas reported that in Argentina the cooperative sector contributes 10% of the national GDP, it generates 289,460 jobs (about half of which come from *Argentina Trabaja*) (*ACI Americas* 2011). Within the broader cooperative movement, the “cooperative members” of the *Argentina Trabaja* form the majority, roughly 50% of all employed, whereas the members of ERTs (about 11,000) form a only a small portion, less than 5% of the total cooperative workforce. The government’s approach for implementing the plan is largely “political” and seeks to reinforce the “political and administrative system” that corresponds to the capitalist form of accumulation (De Sena and Chahbenderian 2012).

It seems that the state tries to incorporate the “excluded” groups of society within the “formal” economy through requiring them to “work” 40 hours a week, as if they were “officially” working, but offering them “sub-formal” compensation. By incorporating those persons into the “formal” political and economic system, the plan seems to be effective at instilling sense of conformity among some of its participants: “[...] it’s not like they don’t look for work but they are satisfied with it, it’s sad but they are satisfied with the basic plan and that’s it [...]” (Personal translation: Woman, 24 years as cited in De Sena and Chahbenderian 2012).<sup>60</sup> Even though some people are better off through participating in the program, they remain poor and there is still the issue of *clientelismo* (clientelism) that results in the formal institutionalization of the status of poor and does not contribute to real long-term development of the individual participants (De Sena and Chahbenderian 2012). The institutionalization of the

poor resonates with the polyarchic political system, because the effective economic and political control does not rest with the poor and marginalized, nor with the majority of individuals in Argentina, but rather with the capitalist class elite and other groups that are allied and share real economic and political power. The plan demonstrates that the capitalist elite through the state institutions and the marketplace can force individuals to actively consent to the dominant hegemonic order even if it goes against their interests. Some of the participants that were interviewed have even felt that the program does not contribute to the intellectual development of each individual, because they are instructed what to do and this makes them feel like “soldiers” that “get paid for not doing anything” (De Sena and Chahbenderian 2012).

In order to prevent future setback like that of the City Government of Buenos Aires, it is imperative that the ERTs strengthen their ties with state institutions (examples include the universities, Ministry of Labor, Ministry of Social Development), cooperative enterprises and other sectors of civil society. The connections that the cooperatives have made distinguish them from the liberal democratic cooperatives that Melnyk (1985) described, because the ERTs that surged after the crisis were multifunctional. The ERTs tried to insert themselves in societal relations and do not seek to limit themselves solely to seeking the benefit of their members and their immediate families, rather they seek to transform some aspects of the prevailing social relations and move away from individualism, competition and greed. In order for the movement to continue growing with vigor it must overcome its ideological differences and seek to encompass all individuals and groups of civil society that are marginalized and systematically excluded. Change occurs slowly and gradually. It is essential to remember not to be despondent because it is through constant struggle that the realm of the possible expands and opens room for



social transformation, which is achieved through incremental reforms rather than waiting for the “perfect” moment and conditions to carry out a radical “revolution”.

## **CHAPTER 5: Challenges of Worker-recovered Enterprises in Meeting Human Security Imperatives**

In order for the ERT movement to truly grow, it requires the transformation of each individual from a wage-earner to a cooperative member that is conscious about the social, economic, political and environmental consequences of his or her actions. As was mentioned in the previous chapter, the lifestyle adopted during the reign of neoliberal institutions and ideology is deeply engrained in some individuals. In this chapter, I will try to analyze how individuals within the ERTs are trying to construct a new set of social relations between themselves as well as with state institutions and society at large of which they are a part.

Each ERT displays unique challenges in the transition from a capitalist to a democratic workplace organization. This unique transition manifests itself on the individual and collective scale. In the analysis of the internal management and challenges that each enterprise faces, I will focus on the set of common experiences. In the previous chapter, I analyzed the legal and political difficulties that arise as a consequence of the establishment of neoliberal institutions. Other problems that the ERTs face are related to production and distribution of the goods and services. These problems arise as a consequence of the limited access to capital, low income (workers sacrifice to distribute revenues in order to capitalize the enterprise), lack of trust from previous suppliers and clients and limited access to credit and markets (Rebón 2005: 34-35; Rebón 2007: 145). The focus of this chapter will be on how the internal management struggles with respect to access to scarce finances, underproduction and pending legal status, along with the national and global socio-economic and political climate that produces a complex and contradictory culture within the ERTs. The new social relations or “social innovations” as

Marcelo Vieta refers to them (2010: 297)<sup>61</sup> are giving rise to a new form of work-culture, *autogestión* (translated as self-management).<sup>62</sup>

Antonio Gramsci also discusses how the individual form of consciousness exists within the context of the social relations as a whole. This is related to the way the workers have responded in “innovating” into a “new” form of work culture, that of *autogestión*. To this effect, Antonio Gramsci notes:

“That aspect of the modern crisis which is bemoaned as a ‘wave of materialism’ is related to what is called the ‘crisis of authority’. If the ruling class has lost its consensus, i.e. is no longer ‘leading’ but only ‘dominant’, exercising coercive power alone, this means precisely that the great masses have become detached from what their traditional ideologies, and no longer believe what they used to believe previously, etc. The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear” (Gramsci 1972: 275).<sup>63</sup>

Extracting Gramsci’s observations from the previous quote, it can be noted that the workers in Argentina are realizing their potential to successfully run and manage businesses and enterprises, contrary to the mainstream ideological conceptions. However, the workers face a contradiction because they are incapable of advancing a social transformation due to the unequal arrangement of power in society. Even though some workers may no longer believe in the dominant ideological conceptions (the *superstructure*) the material reality and the neoliberal economic institutions (the *structures*) condition the workers to act in ways that reproduce the capitalist form of social relations.

In the internal management of the ERTs, the struggle for practicing *autogestión* is met with resistance from the workers themselves. The lifestyle and attitudes that were shaped and influenced under the neoliberal institutions and ideology produce internal contradictions where the neoliberal ideology with its principles of individualism, competition and fetishism of private property clash with the cooperative principles of “self-help, self-responsibility, democracy,

equality, equity and solidarity” as well as the ethical values of: “honesty, openness, social responsibility and caring for others” (ICA 2007).

Vishwas Satgar, adopting the neo-Gramscian theoretical framework of hegemony, called the perception that global capitalism is “simply driven by private relations of production and transnational corporations” a myth (Satgar 2007: 62). To illustrate his argument, he pointed out that there are cooperatives across the world that significantly contribute to the global economy, and these cooperatives are not guided by private, but rather deeper social relations that defy the logic of neoliberalism (Satgar 2007: 59-62). This is an important parting point to make, because the globalization of capitalism cannot be totalized. In other words, the workers in the ERTs do have the space to create and transform social relations and attempt to practice and further develop their *autogestión*.

In order to realize their goals the members of cooperatives have to work to limit the attack of neoliberalism against cooperatives (Satgar 2007: 67-70) and “ensure a proper institutional basis for “counter hegemony” – a transformative project led by the working class” (Satgar 2007: 70). Moreover, Satgar notes that the struggle has to be done at the national and global scales (2007: 70-73). I will argue that the struggle at the individual scale will prove essential to the success of the ERT movement. The individual becomes such as a member of society which is a social institution so that the individual depends on the social, which is larger.<sup>64</sup> The analysis of the struggle on individual scale will contribute to the efforts to construct a counter-hegemonic project that will seek to raise the awareness of the working class of their situation of structural inferiority within a global capitalist society.

The most difficult challenge for enhancing the cooperative movement is to raise worker’s awareness. The process of transformation from a wage-earner to a cooperative member at the

individual and the collective level is an everyday struggle. It requires a higher level of consciousness and understanding of the processes of production and democratic management. No longer can workers expect to be told what to do. The workers need to assume responsibility and take initiative in order to convince themselves and their *compañeros* (“workmates”, Evans 2007: 54) of the need to construct a new culture and project their influence. Each worker needs to redefine his or her relationship with their *compañeros* and move away from the notion that only “I” matter. Rather workers need to develop a social and collective awareness that helps them to see themselves as part of a larger complex, because of the work that many other *compañeros* are doing in the organization and the wider world. This struggle was concisely summed by one of the movement’s participants: *“It is a huge amount of work to recover a company. But the real work is to recover a worker that is the task that we have just begun.”* (The Lavaca Collective 2004: 12, emphasis added). This recovery of a worker is a collective social struggle.

As a consequence of the slow process of individual transformation, the neoliberal institutional policies of exclusion and divisions are replicated on the organizational level in the ERTs. The struggle of the individual is dual. It is expected of the workers to be united and participate in lobbying politicians and state functionaries in order to gain permission to work while at the same time they have to fight against internal inequalities and injustices. The most common form of tension and exclusion within the ERTs is between the “old”, those workers who recovered the workplaces, and the “new”, those who came after the recovery (Evans 2007: 41). The older workers feel a stronger sense of commitment and thus a sense of entitlement to more rights to the cooperative because of their long struggles such as the fact that they have suffered

through working long hours, gaining little to no income, staying in the factory to ward off police evictions and loss of equipment due to theft (Murúa 2006: 2; Evans 2007: 47).

William Todd Evans (2007) observed the operations within Hotel B.A.U.E.N. for about three weeks and interviewed some of its members. He noted that it took a long time before the “new” members were incorporated as full members, before the “new” members had any stake in the decision-making processes (Evans 2007: 56-57). The fear for the “old” members, who quickly became a minority, was that the “new” workers would move away from the cooperative principles and undermine all the sacrifices that the “old” workers have made (Evans 2007: 58). This internal struggle for egalitarianism is fomented and strengthened by the sense of solidarity that is formed between the “new” and “old” workers as a result of the struggle for a definitive expropriation (Evans 2007: 58-65). The external factors around the legal battle with the Iurchovich family and the state institutions, helps create a sense of solidarity among the workers as well as strengthen their links with wider segments of civil society that are overwhelmingly supportive of B.A.U.E.N. (Evans 2007: 58-65; Bryer 2010: 51-52).

Another challenge of *autogestión* is the need to raise levels of accountability, transparency and knowledge across the entire spectrum that affects all members. As was noted in the previous chapter, Eduardo Murúa and Luis Caro have monopolized the financial accounts of IMPA to advance their interests (Bryer 2010: 47-50). Alice Bryer argues that certain groups of individuals can utilize their enhanced understanding of financial and administrative matters along with their connections with state institutions and private sector actors in order to exert their dominant rule in the cooperative and exploit the “benefits gained through ‘alternative power’[...] to impose a more calculative capitalist discipline” (Bryer 2010: 50).

This is why *autogestión* requires higher level of consciousness, self-responsibility and self-discipline. Rebón described the problem as “lack of cooperative consciousness” (Rebón 2007: 146). The workers can no longer expect that “management” or “human resources” department can resolve their internal issues. Since all the workers are “owners” of the cooperatives, they are required to make the effort to assume greater responsibility and demand higher level of accountability and transparency of the elected cooperative Board of Directors. The challenge is for the workers to make the full transition from thinking like salaried workers to seeing things from the angle of cooperative members (Rebón 2007: 146). One worker has noted: “From Monday to Thursday, everyone acts like a boss. On Friday, when they need to get their paychecks, all of them act like salaried workers” (Personal translation from Rebón 2007: 146).

The transformation of cooperative consciousness does not entail solely the democratization of decision-making. There is a need for knowledge and skills to be shared among all members. For instance, even if the cooperative members choose to place all responsibility for making decisions on the shoulders of the general assemblies (*asambleas*), there is still the problem of *asambleismo*. According to Julian Rebón, the problem of *asambleismo* lies in the fact that in order to produce for a capitalist market there is need for greater efficiency in decision-making and production processes as well as a certain level of commercial secrecy (Rebón 2005: 9-10). Having to call for *asambleas* frequently can hamper production, which could mean even lower incomes and exacerbate internal tensions (Rebón 2005: 9-10). Too few assemblies can alienate workers from the decision-making processes at the cooperative. Another major problem of the *asambleas* is that there is no sense of individual responsibility once a majority decision has been reached (Rebón 2005: 9-10; Magnani 2003: 76-77).

Within the capitalist context, cooperatives are compelled to be efficient by capitalist norms and constantly raise their productivity in order to remain competitive. Capitalism pretends to be very rational; however, it is important to remember that efficiency within capitalism is only an ideological construction that seeks to mask its darkest contradictions. Capitalism is very efficient at meeting the private interests and amasses vast amounts of wealth for few individuals at the expense of exploiting labor. Moreover, capitalism is effective at keeping most workers from earning decent wages, polluting the environment, creating financial crises that generate poverty, relying on war and accumulation by dispossession, reproduce racial, gender and ethnic inequalities and forms of oppression.<sup>65</sup> Contrary to the capitalist notion of efficiency, it is imperative that cooperatives focus on the construction of economically, socially and environmentally sustainable societies that are efficient at meeting the needs and interests of humanity as a whole rather than an economic and/or political elites.

The ERTs are dependent on the capitalist market for their social reproduction, which subjects them to the capitalist imperatives of conditions of market competition and profit maximization (Satgar 2007: 58). The market-mediated drive for higher productivity toward higher income tends to drive cooperative members to engage in self-exploitation, where they have to insist on rising intensity of labor and some are forced to work long hours in order to meet their basic material needs (Bryer 2010: 47, 55). The assemblies can be potentially dangerous as the social necessity to produce more in order to generate income and compete can lead to and even justify internal structural inequalities among the members, as it used to be the case in Hotel B.A.U.E.N., where “new” members were excluded from the decision-making processes (Evans 2007: 56-57). Moreover, lack of understanding of accounting and financial principles and the



impact of the division of labor and bureaucratization can alienate workers from becoming aware of their potential power to reshape the conditions and environment of work.

Since each cooperative member has the right to a voice and a vote, they have the means to vote into office Directors that could employ “authoritarian kinds of accounting” that places cooperative profitability above social imperatives and ultimately produces “downward pressure on workers’ earnings, legitimizing strategies of ‘rationalization’ and, most importantly reinforcing individualistic ‘worker-owner’ mentalities.” (Bryer 2010: 53). Alice Bryer notes that the conventional cooperatives, under the pressure to cut “costs”, lobbied for the passing of a law that increased informalization of labor within cooperatives through loosening regulation on hiring non-members, thus reinforcing the capitalist principles of labor dependency (Bryer 2010: 46-47). This forces members to compete among themselves as well as with non-members for work, in effect contributing to the “race to the bottom” which also translates to the deepening of the subsumption of labor under capital with the cooperatives becoming increasingly subject to the norms of the fundamental capitalist process.<sup>66</sup> Critics of cooperatives have pointed out that within capitalist societies due to the contradictory conditions that capitalism produces, cooperatives have the tendency to become “associations of capitalists” (Sydney and Webb as cited in Evans 2007: 37). However, Evans argues that the potential for developing a truly democratic workplace exists and it is possible, as the case of Hotel B.A.U.E.N. demonstrates, to foster achievements as well as meet the challenges they face on a daily basis (Evans 2007: 38).

In the current moment, the cooperatives are constantly subject to battling the neoliberal contradictions, even when it comes to the internal organizational structure of cooperatives. The accounting methods that cooperatives have to use are those mandated by the INAES (Bryer 2010: 55), which may not reflect the organizational realities within B.A.U.E.N. or other

cooperatives. For this reason, a cooperative member of the hotel, Roberto, noted that “whether or not workers could democratize their accounting depended on the balance of power within both the organization and the wider political institutional environment” (Bryer 2010: 54). For this reason it is important that each individual member of the cooperative becomes aware of the organizational structure, how it operates and how it affects each worker. Important in this regard is the way bureaucracy tends to condition and works to engender conformity with rules and procedures that lend a sense of rationality that can hamper chances of breaking with conventional authority structures.<sup>67</sup> Bryer argues that “[...] accounting has been at the centre of dynamics of knowledge and power in the ERTs” (Bryer 2010: 53). As Bryer noted, the monopolization of knowledge and skills can lead to further worker alienation and manipulation. One of the ways that B.A.U.E.N. seeks to address this issue is through requiring that each third-party organization that enters has to train the *compañeros* within the cooperative:

“[...] in the contract [...] we are going to put that you [third party provider] are going to train a person so that they can do the things [you do]. So, there will be one more person that you will have to assign them [to] a task and this person will learn along with you [...] Here, each private provider that comes, be it software-related, or whatever it is, they have to provide training [for our *compañeros*], they have to leave something for the cooperative” (Ruarte cited by Ivanovski 2010: 25).

The sharing of knowledge and skills among the workers in the cooperatives is crucial. Rebón notes that the greatest deficit that ERTs have in internal management is the lack of administration and sales skills (Rebón 2007: 148). One of the positive developments within some ERTs is that knowledge is socialized and they are required to attain a range of competence in order to produce (Rebón 2007: 153). The socialization of knowledge and skills serves to undermine the capitalist principle of competition between individual workers and thus reinforce the cooperative principles of solidarity and self-help. This serves to combat bureaucratization of

tasks and rules and weakens separation and alienation which is to the advantage of the cooperatives.

Taking into account that cooperatives are organizations that are based on membership, they have the possibility to prioritize their personal well-being over the well-being of capital. Under a capitalist enterprise, the interests of the capitalist take precedence over the interests of the workers. The capitalists are concerned with maximizing profits and will invest in technology, lay off staff and decrease costs of production to meet profitability imperatives. In the case of Hotel B.A.U.E.N., Diego Ruarte pointed out that the aim of the cooperative is to use technology in order to create more jobs instead of slash them:

“[Suppose that] at this moment, the capitalist has purchased a state of the art machine, but the capitalist buys it not only to improve his factory but also to lay off some workers [...] Let’s say that before, the old machine was managed by three workers, but now with the new technology, only one worker is necessary. But, what happens to the other two workers that were here before? [...] In our case it is different. We buy a machine and we place it into a new area and we put our fellow [*compañeros*] to work there. We generate new job positions” (Ruarte as cited in Ivanovski 2010: 24).

In the particular case of Hotel B.A.U.E.N., the use of technology has opened doors to individuals who otherwise would not be able to get a job. The cooperative members decided to purchase a sewing machine and hire an elderly lady in order to make the hotel’s curtains (Personal Interview: Ruarte 2010). This is only one example of how cooperatives can use technology to meet material and social needs of individuals while at the same time increasing productivity in order to compete in the marketplace. Since the hotel re-opened its doors as a cooperative, it grew from about 20 worker-members in 2003 to 152 in 2010 (Personal Interview: Ruarte 2010).

Despite the numerous external and internal challenges for occupying, recovering and producing in ERTs, 86% of individuals surveyed in 2005 expressed their strong preference to

continue working in an ERT over a capitalist enterprise (Rebón 2005: 8). This shows a strong commitment to the cooperative principles and suggests that there is a gradual change in the social consciousness of individual cooperative members. For each individual, the change in subjectivity is going to be at both the individual and social scale because individuals become such by internalizing the values and norms of the institutions and organizations in and around which their lives are shaped in society. The process is not linear and this is why the transformation of the individual's consciousness is a daily struggle.

### **Conclusion: Worker-recovered enterprises: a model to follow or an isolated case?**

Capitalism has been incredibly dynamic and flexible in accommodating the changing social, economic and political realities during the course of its history. As it was argued in the previous chapters, the global and national institutional frameworks and the dominance of financial capital in the contemporary moment can serve to justify state actions of particular types for certain ends. Through the mechanisms of neoliberal institutions the state mediates relations between the working and capitalist class strata, favoring the latter over the former, given the very basis of capitalism. Financial capital, which is the dominant form of global capital, with the aid of multilateral organizations such as the IMF, the WB, the IDB and the WTO, has played a crucial role in furthering the implementation of neoliberal capitalist policies. In the case of Argentina, Paul Blustein reveals how Wall Street financial giants played a crucial role in fueling the economic crisis of 2001 in Argentina (Blustein 2003).

For the ERTs, this means that it is necessary to form broader national and international alliances in order to seek the full democratization of the means of production. The ERT movement is a nascent movement that seeks to constitute its collective identity and language across Argentina and South America. The process of the development of this new identity and the culture of *autogestión* form a contradictory process conditioned by the larger socio-economic and political contexts. The process requires the transformation of each worker of the ERTs from a wage-earner to a cooperative member. As it was pointed out in Chapter 5 this process has to take into account the circumstances from which each individual comes. It is also important to consider that individuals internalize the values and institutions of society on the way to become real agents and actors in history.<sup>68</sup> In fact, the unique circumstances of each ERT are only such in

a limited sense because sooner or later ERTs have to become conscious of their rootedness in the larger societal context. In other words, the seemingly unique features of each are particular expressions of the larger whole whether national, regional or even global.

The potential power of the ERTs lies in that they have demonstrated that workers can and are able to control the means of production. The point of departure is that capital can only reproduce itself through exploitation of labor in any given form—living or dead labor—however labor comes to understand that its own reproduction does not have to depend on capitalism, which is only one historical form rather than a natural phenomenon.<sup>69</sup> They have shown that it is possible to resist the current structures of power and begin to redefine social relations within their organization as well as the level of the larger community as a social organization and institution. Even though there are only about 11,000 workers within the ERT movement who form a tiny portion of the total Argentine urban workforce of over 16 million (EAHU/INDEC 2012), there is real potential to be discovered in the symbolic power of these few brave workers. They have attracted a disproportionate amount of attention for their relatively marginal economic participation. This is something that the ERTs need to exploit to their advantage. They need to tell their story to more people and help other marginalized groups spread theirs. The ERTs have already started doing this through participating at the South American regional *Encuentros Internacionales* in 2007, 2009 and 2011.<sup>70</sup> In order to gain more influence they need to actively strengthen their social, economic, political and cultural ties with cooperative organizations across the world, such as the Mondragon Cooperative Corporation in Spain, trade unions and other worker movements in the world. They need to encourage individuals within Argentina and the world to purchase goods and services that are produced by socially oriented enterprises that reinforce the principles of solidarity and environmental sustainability.

With the easy and quick access to information these days, it is important for the cooperatives and other socially minded progressive movements to pool their resources, skills and experiences in order to create a global agenda. This thesis has shown that cooperative enterprises have demonstrated their resilience within the capitalist economy and have shown that they are not motivated by maximizing income for the benefit of members alone, but rather redefining social relations with aspects of our universal humanity as one important theme. It was also noted that all cooperative enterprises are not equally committed to creating an alternative world, but in the particular case of Argentina, FACTA has declared that they will fight for a world that moves away from the logic of capitalist accumulation and production (FACTA website).

In order for cooperatives to become major players in social, economic and political affairs it is necessary to attract non-members and educate them about the existence of creative alternatives that are not exploitative of man by man or nature. The capitalist principle of infinite growth and accumulation for its sake is unsustainable and “anti-natural” given the world’s finite amount of resources. There is a need to redefine social relations and the ERTs are living examples that it is possible to create a different world, even though their aims reflected a reaction and response to a basic need to recover their jobs in a system in which they are at the mercy of forces that seem always to be beyond their control. This reflects a shift in the development of social consciousness, away from existential liberal individualism, alienation and the cynicism of the neoliberal ideology, which conveniently asserts that there is no alternative.

Currently, the hegemonic form of capital is financial capital and it is necessary to put it under public control (Albo, Gindin and Panitch 2010) as well as eliminate tax havens across the world and redistribute globally what has been taken away from the human economy.<sup>71</sup> The ERTs have a symbolic power in that they were able to occupy and run businesses, something that most

people believed the workers would not be able to do. To create a counter hegemonic discourse that will represent the interests of the working classes nationally, within Argentina, as well as regionally and globally, it is crucial that the cooperative movement in Argentina seeks the full democratization, transparency and accountability of all financial institutions as well as multilateral organizations such as the UN, the IMF, the WB, the WTO, the IDB and the ILO. These are some of the major intergovernmental international institutions that condition the implementation of socio-economic and political policies globally. This, in part, should be implemented through raising awareness and the level of consciousness of the systemic operations of capitalism and gaining political and economic control to transform social relations.

The challenges for creating a counter hegemonic discourse are huge. The ERT movement constitutes only a minute portion of the national economy and workforce. In order to mobilize a larger number of individuals, the ERTs need to create social and political alliances with civil society groups nationally, regionally and globally. It is also essential to raise the consciousness of the working class in Argentina of the need for unity in order to respond to structural capitalist exploitation and domination. Additionally, there is a need for the ERT movement as well as other marginalized groups to consolidate their economic, social, political and cultural resources in order to create educational and mass media institutions that will systematically and comprehensively expose the forms of structural and institutional abuse and violence and disseminate the message publicly. This might help shift the public debate in favor of the ERTs and against all forms of exploitation and domination that take place not only nationally, but also regionally and globally. In terms of media, the ERTs should support initiatives such as Wikileaks that seek to expose and challenge the corrupt dominance and rule of the TCC elites. The creation of a global think tank and mass media agency that will lobby and pressure national governments



and international institutions with accurate, trustworthy and indisputable reports highlighting labor and human rights abuses across the world will prove critical to raising the struggle of labor and cooperatives to the public level.

Currently, the cooperative movement in Argentina has taken active steps to spread the message of the cooperatives. Some of the mass media resources that are owned and managed cooperatively are the radio stations *Cooperativa Radio AM770*, *Radio Gran Buenos Aires Emisora Cooperativa 96.5Mhz* and *Radio Gráfica 89.3 FM*<sup>72</sup> and the cooperative TV station *COLSECOR tv cooperativa*. *Radio Gráfica 89.3 FM* operates within an ERT, *Cooperativa Gráfica Patricios*, which shows that the ERTs are aware of the need to contribute to the national discourse. As of May 2007, the Legislature of the City of Buenos Aires declared *Radio Gráfica* of social and cultural interest because it promotes various cultural, political and economic organizations that represent the interests of marginalized and excluded sectors of society.<sup>73</sup>

In order to be able to compete with the mainstream mass media on national and global scales, cooperatives need to be able to invest in its development and for that they need more resources. The latest report from the University of Buenos Aires showed that most ERTs produce at the level of 21-60% of their capacity (Ruggeri 2010: 29-31). With limited financial resources and unresolved legal and political status, the ERTs will have to dedicate a larger portion of their resources and time to increase production rates and efficiency beyond the levels of self-exploitation. This is why alliances with the wider civil society will prove essential for the ERTs as it will give the workers more time to focus on increasing production and contribute to the financial support of civil society organizations that are sympathetic and protective of the interests of socially oriented groups and individuals.

The ERTs, as one of the social forces that have surged and managed to capture spaces and effectively (but in many cases not legally) control the means of production, should create a political party that will speak on behalf of all marginalized and discriminated groups and communities in Argentina. The struggle between the working and the capitalist classes is not only economic but is also political. In order to continue with their focus on nonviolent protest and peaceful political participation, the ERTs need to gain control in Congress and seek to reform the constitutional provisions as well as national laws that are contradictory and ambiguous.

There is also a need to create non-governmental institutions and organizations that will protect and fight for their legal rights. The organization should challenge national and provincial laws that go against the nominal constitutional guarantees that claim to protect workers' rights mainly in a juridical sense. Section 43 of the Constitution provides the legal space that the ERTs can utilize in order to challenge every single bill placed before Congress. The UNDP (2004) and ECOSOC (2011) reports note that there are national and provincial laws that seriously undermine or potentially undercut human rights guaranteed in the Constitution of Argentina or one of the international declarations or covenants that have constitutional hierarchy. The aim of this political struggle will be to eliminate the ambiguous language in international, national and local treaties and laws that could be potentially used against the interests of the working class.

Despite the challenges for the ERT movement and the broader working class to end domination of the capitalist class through both coercive and institutional means, the legal ambiguities and arbitrariness can potentially be applied against government officials, institutions and international organizations. The ERT movement should reaffirm its commitment to nonviolent, democratic and inclusive efforts to protest global capitalist domination at the local,

national and international levels. No social protest movement should engage in the use of force as it would illicit violent physical repression from the state security forces, unless force is solely and exclusively used for self-defense purposes. The use of violence, exploitation and domination will eventually lead to the undermining of the legitimacy of those actors that engage in it. The findings in the Transparency International report of 2010 note the decline in the trust of state institutions across the world. This is why it is crucial that the ERTs and other social movements and organizations that are aligned to its cause, should lead by example.

Furthermore, the ERTs should strengthen efforts to promote cooperative education on national, regional and international levels. In order for this to take place, there is a need for ERTs to create and support educational institutions that seek to promote the effective democratization of the social, political and economic spheres of social relations. Without education in cooperative principles, it will be difficult for cooperative and non-cooperative members to understand the importance of working together and see beyond the exclusionary neoliberal ideology of individualism and rational self-interestedness. It is essential to educate the public about the importance of social inclusion and the effects of policy on the development of human security. To address issues of human security and provide more comprehensive policies, the public needs to be educated about the limitations of the capitalist ideology of individualism, competition and market hegemony as basis for social relations that leads to the exacerbation of commodification and marketization that give primacy to private over public interests (Mecle 2001: 45). These notions need to be replaced with the cooperative principles of “self-help, self-responsibility, democracy, equality, equity and solidarity” as well as the ethical values of “*honesty*, openness, social responsibility and caring for others” (ICA 2007). The International Labor Organization (ILO) specifically stated that there is a need for governments to “[...] ensure that cooperatives

are included in school curricula at every level to enable young people to look to the cooperative option for entrepreneurial activities” (Birchall and Ketilson 2009: 33).

### **The Struggle for an Alternative**

In order to be able to fight for an alternative human order, the ERTs need to identify the way the current economic system operates and be able to survive in it. ERTs are conditioned to survive within a capitalist economy in order to be the agents of change to construct an economically, socially, politically and environmentally sustainable alternative to capitalism. The credibility of cooperatives around the world is going to have an impact on the reception of the ERT model of worker cooperatives. The fact that about 90% of the ERTs have retained their cooperative principles and continue with production operations, despite numerous legal, political and economic challenges is an important sign of success (Magnani 2010) that could encourage more individuals to consider joining or supporting the movement.

The potential for success is there. The Mondragon cooperatives in Spain and the experience of *El Hogar Obrero* in Argentina, are telling examples of the potential for growth of the cooperative enterprises within a capitalist economy. The challenge is to gain political power in order to avoid the demise of *El Hogar Obrero*. Through political control it will be possible to gain greater access to resources and defend the interests of the working class and other marginalized and excluded groups within a global capitalist society. However, historical evidence points that the capitalist class will not tolerate the shift of power from the capitalist to the working class and military action and force will be used in order to reassert the domination of the capitalist class strata.

Without economic and political power, the cooperatives will not have the resources to support projects that educate the public about the advantages of the cooperative movement and

thus draw more individuals into the struggle against capitalist exploitation. In the competition with capitalist enterprises, the cooperatives must be careful to avoid the capitalist temptation of exploitation of labor. They have to produce a surplus above normal needs but the issue centers on the form of the surplus and how it is appropriated and by whom and for what ends. They also need to convince and encourage other cooperatives to abandon the capitalist tendencies of production. The challenge will be to balance socially progressive and democratic form of production while at the same time competing with capitalist enterprises and in the process eliminate exploitation and promote class justice (Kristjanson-Gural 2011: 355-358).

The problem with capitalism is not that it only exploits workers and their labor power, but it also overexploits natural resources. If human consciousness does not rise soon enough to challenge the capitalist exploitation then certainly an ecological disaster will eventually be the cause of the final crisis of capitalism and humanity out of which it might not be possible to reemerge. As Bertell Ollman remarked in 2005: “[...] *capitalism is not only responsible for our worst social and ecological problems but contains the means for their solution as well as the seeds of the new world that would follow*” (2005, emphasis added). The seeds of the new world lie in the dynamic nature of capitalism, which is capable of co-opting resistance movements. Capitalism’s internal contradictions force it to and constantly adapt to changing realities. This dynamic cannot be indefinitely sustained and capitalism is bound to hit its structural limits. As capitalism revolutionizes production and technology, access to information becomes easier and more readily accessible for an increasing number of individuals. In recent years, we have seen the rise of social movements that protest the institutionalized forms of domination and exploitation. The orchestration of the Arab Spring movement would not have been made possible without the development of high-tech communication technology that has taken place under

capitalism. Even though at this point it is too early to speculate the successes of the Arab Spring movement, it shows that the people are capable of challenging the power of long-standing dictators. It was also demonstrated that any change towards the transformation of a capitalist society requires a collective vision of a large mass of individuals who are committed and dedicated to change. Had it not been for the workers' movements such as the The Eight-Hours' Day and Ten Hours Movement, the workers would be required to work even longer hours than they work today. This is not to say that there are no workers in today's globalized world that are extremely exploited, however certain forms of exploitation are less acceptable today than two or three centuries ago, such as institutionalized slavery. Thanks to diverse social movements, the workers have the legal means to restrict the tools available at the disposal of the capitalist class to exploit labor. The movements that coalesce against capitalism's exploitative imperatives, such as cooperatives, are capable of envisioning and in practice demonstrate that another world, where workers are the owners of the means of production is possible.

The ERTs are only a part of the struggle and cannot alone bring about a transformation of a capitalist society. The modern cooperatives have existed for about two centuries and they have not brought about the end of capitalism. The strength of the ERTs lies in demonstrating that the potential for establishing workplace democracies exists and that the workers are capable of successfully running enterprises. It also shows that it is possible to take over the means of production through the current institutional framework even though there are considerable limitations and challenges. It will be important for the ERTs to keep forming ties locally, nationally and internationally to ensure that they do not disappear in the process of their struggle. The Argentine movement has sought to foster international ties and assist the ERTs in other South American countries (Freteco 2009). The struggle to create a socially, economically,

politically and environmentally sustainable alternative to capitalism is not going to be easy. It requires a vision that provides a comprehensive understanding of the current system, a vision that is open-ended and the desire to see the present structures as part of the solution and as part of the building blocks of the new system (Ollman 2005). Capitalism is not human destiny, another world, free of violence, greed, corruption, oppression, pollution and exploitation is possible.

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<sup>1</sup> “ICA is an independent, non-governmental association which unites, represents and serves co-operatives worldwide. Founded in 1895, ICA has 258 member organisations from 96 countries active in all sectors of the economy. Together these co-operatives represent nearly one billion individuals worldwide.” (Source: [www.ica.coop](http://www.ica.coop))

<sup>2</sup> “The International Organisation of Industrial, Artisanal and Service Producers’ Co-operatives, or CICOPA, is a sectoral organisation of the International Co-operative Alliance. Its full members are representative organisations of producers’ co-operatives from different sectors: construction, industrial production, general services, transport, intellectual skills, artisanal activities, health, social care, etc. Its associated members are support organisations promoting cooperatives in those sectors.” Source: “What is CICOPA?” <http://www.cicopa.coop/What-is-CICOPA.html> (accessed: January 24, 2012).

<sup>3</sup> United Nations. “About the International Year of Cooperatives 2012.” <http://social.un.org/coopsyear/about-iyv.html> (accessed: 25 Sept. 2011).

<sup>4</sup> Courtesy translation of the definition of a worker cooperative from Spanish: *Cooperativas de Trabajo: La forman trabajadores, que ponen en común su fuerza laboral para llevar adelante una empresa de producción tanto de bienes como de servicios. “¿Qué es una cooperativa? - Definición, valores, principios, tipos.”* INAES (Instituto Nacional de Asociativismo y Economía Social). <http://www.inaes.gob.ar/es/articulo.asp?id=39>. (accessed: August 24, 2010).

<sup>5</sup> Original title of research paper in Argentina: “Las empresas recuperadas gestionadas como cooperativas de trabajo: un modelo para proveer y sostener puestos de trabajo dignos”

<sup>6</sup> *Empresas recuperadas* – refers to both factories and enterprises that were taken over by the workers and are managed and operated as worker-cooperatives, unless stated otherwise.

<sup>7</sup> The Argentine slogan *ocupar, resistir, producir* was in turn inspired by the slogan of the Brazilian landless peasant movements *ocupar, resistir, producir* (Vieta 2010: 301).

<sup>8</sup> “The Role of the IMF in Argentina, 1991-2002.” *Independent Evaluation Office (IEO) of the IMF*, July 2003. <http://www.imf.org/external/np/ieo/2003/arg/> (accessed: December 12, 2011).

<sup>9</sup> Rebón, Julian. Official Website of Julian Rebón. 2008. <http://www.rebon.com.ar/julian/index.php> (accessed: November 16, 2011).

<sup>10</sup> International Secretariat for Human Development. “Marcelo Vieta.” York University. <http://www.yorku.ca/ishd/?p=311> (accessed: November 16, 2011).

<sup>11</sup> According to Robinson, the four epochs of capitalism are: 1) mercantilism and primitive accumulation, which dates from 1492-1789; 2) competitive or classical capitalism, dating from 1789 until late 19<sup>th</sup> century; 3) world capitalism, from late 19<sup>th</sup> century to 1970s; and 4) global capitalism (Robinson 2004: 4-5).

<sup>12</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>13</sup> The UN report included all the most significant components of household wealth, including financial assets and debts, land, buildings and other tangible property. Together these total \$125 trillion globally. Source: Randerson,

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<sup>14</sup> "European Debt Crisis." *New York Times*, December 14, 2011. [http://topics.nytimes.com/top/reference/timestopics/subjects/e/european\\_sovereign\\_debt\\_crisis/index.html](http://topics.nytimes.com/top/reference/timestopics/subjects/e/european_sovereign_debt_crisis/index.html) (accessed: December 15, 2011).

<sup>15</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>16</sup> *United Nations*. "About the International Year of Cooperatives 2012." <http://social.un.org/coopsyyear/about-iyc.html> (accessed: 25 Sept. 2011).

<sup>17</sup> Ibid.

<sup>18</sup> I thank Professor Hilbourne A. Watson for bringing my attention to Wood (1997) and Teschke and Heine (2002) analysis of global capitalism.

<sup>19</sup> I thank Professor David Kristjanson-Gural, the Honors Council representative, for his insight into the more nuanced and contradictory nature of class relations within a capitalist society.

<sup>20</sup> I thank Professor Hilbourne A. Watson for bringing my attention to Wood (1997) and Teschke and Heine (2002) analysis of global capitalism.

<sup>21</sup> "Utopia: Familistère development programme." *Familiestere.com*, 2011. [http://www.familiestere.com/site/english/utopia/prog\\_utopia.php](http://www.familiestere.com/site/english/utopia/prog_utopia.php) (accessed: December 13, 2011).

<sup>22</sup> Some of the influential figures included in the founding of *The Rochdale Equitable Pioneers Society* were: George Ashworth, John Bent, John Collier, William Cooper, James Daly, William Mallalieu, James Smithies, Joseph Smith, William Taylor, Charles Howarth, and James Tweedale. "The Home of Co-operation." *Rochdale Pioneers Museum*, 2010. [http://www.co-op.ac.uk/wp-content/uploads/2010/06/toadLaneBrochure\\_English.pdf](http://www.co-op.ac.uk/wp-content/uploads/2010/06/toadLaneBrochure_English.pdf) (accessed: January 25, 2012).

<sup>23</sup> The Seven Principles of Cooperation: "1. Voluntary and Open Membership; 2. Democratic Member Control; 3. Member Economic Participation; 4. Autonomy and Independence; 5. Education, Training and Information; 6. Co-operation among co-operatives; and 7. Concern for Community" (ICA 2007)

<sup>24</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>25</sup> About half of MCC's 256 entities are cooperatives. Outside of Spain, the MCC's plants are located in the following list of countries: Brazil, China, Czech Republic, France, Germany, India, Italy, Mexico, Morocco, Poland, Portugal, Romania, Slovakia, Taiwan, Thailand, Turkey, United Kingdom and the United States.

Mondragon Corporation. "Corporation." <http://www.mondragon-corporation.com/language/en-US/ENG/Frequently-asked-questions/Corporation.aspx> (accessed: February 16, 2012).

<sup>26</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>27</sup> Ibid.

<sup>28</sup> Dirección de Industria Alimentaria. "Marcas propias y marcas privadas: perfiles de un desafío." *Revista Alimentos Argentinos* N° 8, 2000. <http://www.alimentos.org.ar/> (accessed: December 14, 2011).

<sup>29</sup> I thank Professor Hilbourne A. Watson for bringing to light analysis of Neil Smith (2005).

<sup>30</sup> The SOA was established in 1946 in Panama and in 1984 it was relocated to Fort Benning, Georgia. Currently the SOA is called the Western Hemisphere Institute for Security Cooperation (WHINSEC). Source: SOA Watch. "What is the SOA?". <http://www.soaw.org/about-the-soawhinsec/what-is-the-soawhinsec> (accessed: February 28, 2012).

<sup>31</sup> SOA Watch – "is an independent organization that seeks to close the US Army School of the Americas, under whatever name it is called, through vigils and fasts, demonstrations and nonviolent protest, as well as media and legislative work." Source: <http://soaw.org/> (accessed: February 2012).

<sup>32</sup> Systematic abuse of human rights during the military dictatorship denominated National Reorganization Process (1973-1982) that was characterized by the "disappearance" of individuals who had leftist ideological leanings.

<sup>33</sup> According to Miguel Teubal, the Brady Plan agreement reached in December 1992 individualized responsibility of private debt of foreign banks. For instance, when Argentina declared default on its foreign debt in early 2002, the main creditors that were affected were the retirees from Europe and Japan that were lured by their banks to purchase Argentine government bonds because they were deemed highly profitable. At the time, Argentina was paying 18% interest rate on its government bonds, which was 13% higher than the US Treasury Bonds (Teubal 2004: 182, 185).

<sup>34</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>35</sup> I would like to thank Professor Alejandra Roncallo for her insight into the presidency of Raúl Alfonsín and his efforts to resist the transnationalization of capital.

<sup>36</sup> "The Role of the IMF in Argentina, 1991-2002." Op. cit.

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<sup>37</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>38</sup> Section 75, article 22 of the 1994 Constitution of Argentina, lists 12 treaties and declarations that have constitutional hierarchy (*jerarquía constitucional*): 1) American Declaration of the Rights and Duties of Man; 2) The Universal Declaration of Human Rights; 3) American Convention on Human Rights; 4) International Covenant on Economic, Social and Cultural Rights; 5) International Covenant on Civil and Political Rights and its Optional Protocol; 6) The Convention on the Prevention and Punishment of the Crime of Genocide; 7) Convention on the Elimination of All Forms of Racial Discrimination; 8) Convention on the Elimination of All Forms of Discrimination Against Women; 9) Convention Against Torture, and Other Cruel, Inhuman or Degrading Treatment or Punishment; 10) Convention on the Rights of the Child; and after the passing of constitutional reform of 1994, two more treaties achieved constitutional hierarchy: 11) Inter-American Convention on Forced Disappearance of Persons; and 12) Convention on the Non-Applicability of Statutory Limitations to War Crimes and Crimes Against Humanity.

<sup>39</sup> “The Role of the IMF in Argentina, 1991-2002.” Op. cit.

<sup>40</sup> For 2011, INDEC reports annual inflation rates below 10%, while private consulting firms cite annual inflation of 22.8% (*La Nación*: January 3, 2012).

<sup>41</sup> I would like to thank Professor Alejandra Roncallo, Honors Council 2<sup>nd</sup> reader, for bringing to my attention the discordant relationship of *structures* and *superstructures* as analyzed by Antonio Gramsci in his *Prison Notebooks* (1971).

<sup>42</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>43</sup> For example, the constitution guarantees and grants its citizens certain “inalienable” rights such as equality among all its citizens, regardless the province they inhabit (Section 8), right to work, to form unions, to strike, to receive social security and access to decent housing (Section 14 and Section 14 bis), abolition of slavery (Section 15), equality before the law and abolition of privileges granted on the basis of origin or nobility (Section 16), right to paid legal defense and privacy (Section 18), equal rights for foreigners as well as citizens (Section 20), and right to a safe and healthy environment (Section 41) are some of the liberal rights guaranteed by the constitution.

<sup>44</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>45</sup> Ibid.

<sup>46</sup> The FATF is comprised of 36 members which include: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, European Commission, Finland, France, Germany, Greece, Gulf Co-operation Council, Hong Kong- China, Iceland, India, Ireland, Italy, Japan, Kingdom of the Netherlands, Luxembourg, Mexico, New Zealand, Norway, Portugal, Republic of Korea, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States.

The IMF, the WB, and IDB are among some of the IFI’s and international institutions that have FATF Observer status. Source: FATF website, <http://www.fatf-gafi.org/>.

As was previously discussed, the IMF and the WB through the SAP’s implemented by the Menem administration have led to the deterioration of the material and social human conditions for millions of Argentines (for more information see UNDP 2004 and ECOSOC 2011 reports). A threat coming from the FATF was to be taken seriously by the Argentine government.

<sup>47</sup> Personal translation: “*ARTICULO 41 quinquies — Cuando alguno de los delitos previstos en este Código hubiere sido cometido con la finalidad de aterrorizar a la población u obligar a las autoridades públicas nacionales o gobiernos extranjeros o agentes de una organización internacional a realizar un acto o abstenerse de hacerlo, la escala se incrementará en el doble del mínimo y el máximo.*” (Artículo 41 quinquies del Código Penal 11.179)

<sup>48</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>49</sup> *Vaciamiento* literally means “emptying”. It refers to the illegal process of asset-stripping conducted by the previous owners, “often in collusion with corrupt local officials and local trustees” in order to recuperate some of the value of their insolvent or bankrupt enterprise. Usually, the factory and enterprises bankruptcies were planned for years in order to avoid paying for worker’s salaries and benefits (Hille 2009: 5 and Vieta 2010: 301).

<sup>50</sup> I thank Professor Hilbourne A. Watson for contributing to this insight.

<sup>51</sup> I thank Professor Hilbourne A. Watson for bring to my attention David McNally (2011).

<sup>52</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>53</sup> The last two statements are insights form Professor Hilbourne A. Watson.

<sup>54</sup> Translation from Spanish: “*Luis Caro y Murúa tienen buen apadrinamiento del gobierno también lo único que ellos generan alianzas con empresas privadas que al final la cooperativa autogestionada termina con un gerente o*

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*un jefe eso no nos representa para nada en la lucha de las empresa recuperadas*” (Personal interview with Ruarte 2012, worker cooperative member and press manager of B.A.U.E.N.)

<sup>55</sup> I thank Professor Hilbourne A. Watson for contributing to this insight.

<sup>56</sup> President of the *Federación de Cooperativas de Trabajo* (the Federation of Worker Cooperatives or FECTOORA), trustee of *Red Gráfica Cooperativa* and Urban cooperative representative (*representativo por el cooperativismo Urbano*) in the Board of Executive Directors (*directorio*) in the INAES and member and treasurer of the *Confederación Cooperativa de la República Argentina* (Cooperative Confederation of the Republic of Argentina or COOPERAR).

<sup>57</sup> I thank Professor Hilbourne A. Watson for contributing to this insight.

<sup>58</sup> According to the ICA estimates, cooperatives worldwide provide employment for about 100 million people and “secure” the livelihood of about 3 billion people ([www.ica.coop](http://www.ica.coop)).

<sup>59</sup> Facultad de Filosofía y Letras. “Programa Facultad Abierta”. <http://www.recuperadasdoc.com.ar/programa.html> (accessed: February 24, 2012).

<sup>60</sup> “[...] tampoco es que no se levantan a buscar un trabajo pero se conforman con esto, es lamentable pero se conforman con el plan básico y ya está.” - Mujer, 24 años De Sena and Chahbenderian 2012).

<sup>61</sup> According to Marcelo Vieta, the *four social innovations* that the ERTs have created are: “(1) ERT protagonists’ *creative responses to intensive market competition and financial and production challenges*; (2) their *commitment to democratize and cooperativize labor processes and divisions of labor*; (3) their *reclamation of social production* within solidarity economies that recuperate workers’ surpluses and potentially contest notions of surplus value and surplus labor; and (4) their *rediscovery of notions* of social wealth, opening up workplaces to the community and strengthening the social value of these worker self-managed workspaces.” (Vieta 2010: 297).

<sup>62</sup> In the context of the thesis, I will use Marcelo Vieta’s definition of *autogestión*: “*Autogestión* has a Greek and Latin etymology (Farmer 1979). *Auto* comes from the Greek *autos* (self, same) (p. 59). *Gestión* comes from the Latin *gestio* (managing), which in turn comes from *gerere* (to bear, carry, manage) (p. 59). More evocatively, one can conceptualize *autogestión* as “self-gestation” – self-creation, self-control, self-provisioning, and, ultimately, self-production. Tellingly, the English words *gestate* and *gestation* evolved from the word *gestión*. Indeed, *autogestión* alludes to an organic and processual movement of self-conception having sociopolitical relevance in its implicit notion of becoming and potentiality. Together, the words *auto* and *gestión* yield the perhaps inadequate English term *self-management*. With a praxical genealogy rooted in utopian socialism, classical anarchism, Western Marxisms, and more utopian strands of critical theory, to practice economic *autogestión* means to be cooperatively self-reliant in constituting one’s productive capacities.” (Vieta 2010: 317).

<sup>63</sup> I would like to thank Professor Alejandra Roncallo for bringing to attention this particular quote from Antonio Gramsci.

<sup>64</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>65</sup> I would like to thank Professor Hilbourne A. Watson’s contribution for the ideological notions of efficiency and rationality of capitalist form of production and how they are masked in social relations by dialectic capitalist contradictions.

<sup>66</sup> The insight is a contribution from exchange with Professor Hilbourne A. Watson, my major adviser.

<sup>67</sup> Ibid.

<sup>68</sup> Ibid.

<sup>69</sup> Ibid.

<sup>70</sup> Facultad de Filosofía y Letras. “Programa Facultad Abierta”. <http://www.recuperadasdoc.com.ar/programa.html> (accessed: February 24, 2012).

<sup>71</sup> I would like to thank Professor Alejandra Roncallo for this insight.

<sup>72</sup> Radio station founded and supported by *Cooperativa Gráfica Patricios* and the *Federación Gráfica Bonaerense* .

<sup>73</sup> Radio Gráfica. “La Radio.” <http://www.radiografica.org.ar/#/acerca-de/> (accessed: February 24, 2012).