



Business As Usual Is History: Corporations Won't Save Us, But Co-ops May

By Sena Christian, AlterNet

Posted on January 5, 2010, Printed on January 7, 2010

<http://www.alternet.org/story/144969/>

During Andrew McLeod's 10-day visit to the Basque Country of northern Spain, he met a 34-year-old man named Aitor Garro, who makes aluminum car components. For the last 13 years, this man has worked at Fagor Ederlan, a division of the Mondragon Cooperative Corporation, which is the world's largest system of worker-owned businesses. Mondragon's 100 global businesses employ 120,000 people and produce sales exceeding \$20 billion annually. Garro grew up knowing only this system, as both his parents also worked in co-ops. "It was interesting to watch his perception of co-ops," McLeod said. "He took them for granted. It was like water to a

fish."

McLeod, a California-based cooperative development specialist, spent the past year and a half traveling around the world and throughout the United States to learn about the valuable role cooperative systems can play during economic hard times. His travels took him to the Trentino region of northern Italy, the Pacific Northwest, the U.S. Rust Belt and Spain.

Worldwide, roughly 750,000 cooperatives serve 730 million members, according to the National Cooperative Business Association. Here in this country, some 72,000 co-op establishments operate, providing more than 2 million jobs and serving 120 million members--that's four in 10 Americans. These establishments exist in energy, childcare, food distribution, health care, insurance, agriculture, telecommunications and other industries. But co-op advocates want growth, and they say the time is now, as wealth concentration has reached dangerous levels, large investment banks have crumbled and unemployment affects 10 percent of the American population.

"A lot of cities are seeing that traditional economic- and job-development strategies have hit a dead end," said Ted Howard, executive director of the Democracy Collaborative.

Cooperatives offer a potential solution: Through shared ownership and democratic control, co-ops distribute wealth, create jobs and keep control in the local community by allowing people to make the decisions that impact them, instead of leaving those choices to parasite investors who can sell a stock and walk away. Co-ops--whether they be of the worker, consumer, producer or purchasing variety--create a more equitable formation for society that brings decision-making and resource-sharing down to everyone, and investment earnings are not limited to a small group of people.

"Our firm belief is that cooperatives are the best business model for economic and social progress," said Adam Schwartz, vice president of NCBA. "Because of the structure--owned by workers--it's a fair model and treats people in a way that allows them to thrive while balancing the needs of their community."

In the fall of 2008, McLeod visited Trentino, Italy, which has at least 545 co-ops serving the region. Here, McLeod learned that 90 percent of the towns in the province have a food co-op as their only grocery store, and credit unions comprise the majority of the financial industry. This system--started by a Catholic priest in 1890--impressed him.

But his visit to Basque Country left a deeper impact. This mountainous region runs between Spain and France along the Atlantic coast, and houses a couple of large cities and many small towns tucked within the valleys. Mondragon formed in 1956 and has since become a transnational-cooperative system that includes Spain's second-largest retail chain, with 2,400 stores, one of the country's largest banks, and medical and educational institutions.

"In contrast to this country, where small rural communities face the loss of industrial jobs, they're seeing growth," McLeod said. "It's night and day." Workers earn an average income nearly 40 percent higher than the rest of Europe, McLeod said, and the system survived Spain's economic recession in the 1980s without laying off members. Profits

are pulled together in this integrated system and made available to help support new, or struggling, cooperatives. Top executives can only earn six times the starting base wage of workers, and the chief-executive officer can only earn nine times the wage.

"Mondragon is the mother ship of what a thriving cooperative can be," said NCBA's Schwartz.

For all Mondragon's successes, the cooperative has experienced criticism for how, in some cases, its co-ops have crowded out local businesses, and for its expansion into other countries with non-cooperative subsidiaries.

"They're grappling with that," McLeod said. "First and foremost, they're business people. Their goal is to survive and be profitable for members." In parts of Spain where co-ops thrive, McLeod observed no visible signs of extravagant wealth or harsh poverty: no big cars, no mansions, no homeless people begging for money.

Mondragon's brilliance, say its advocates, lies in its ability to reproduce. And this reproduction is now occurring in the United

States.

On an October day, McLeod flew from Bilbao, Spain to Cincinnati, where he spent three weeks traveling the Rust Belt, weaving from Pittsburgh to Cleveland and Akron, Ohio, then to Ann Arbor, Mich. and Detroit. Incidentally, McLeod's first day in Pittsburgh coincided with the United Steelworkers' announcement that it will create a worker-cooperative partnership with Mondragon.

Next, in Cleveland, McLeod learned about the Evergreen Cooperative Laundry, a 100 percent worker-owned cooperative established by the Greater University Circle Institute at the Cleveland Foundation. The nine employees (owners) wash hospital linen at a facility equipped to handle 12 million pounds of industrial laundry. When the co-op becomes fully operational, it will employ 50 people. The foundation also launched Ohio Cooperative Solar, a solar and weatherization company, which will eventually produce between 50 and 100 jobs. Both businesses dedicate 10 percent of their pre-tax profit to a fund to build a broader co-op network.

About five years ago, the Cleveland Foundation began an initiative with large anchor institutions--the Cleveland Clinic, University Hospitals, Case Western Reserve University--in University Circle, an economically devastated neighborhood in one of America's poorest cities. The 43,000 people who live there earn a median income of \$18,500. Yet, the area's three anchor institutions spend \$3 billion annually on food, janitorial, laundry and other services. The goal of the initiative: channel the purchasing power of these institutions back into the community.

"Lots of jobs have left Cleveland and companies have gone offshore," said Howard of the Democracy Collaborative, who assisted with the initiative. "[The anchor institutions] aren't going anywhere. They are very large economic engines, purchasing billions of dollars worth of services and employing tens of thousands of people."

Initially, the Evergreen project was an attempt to break down barriers between anchor institutions and the neighborhoods in which they reside, and create jobs locally.

But there was a problem: People were so poor, jobs alone weren't enough, so planners began to think about worker-cooperatives as a way for employees to earn a salary, gain medical benefits and develop equity in the company.

"It's not only about jobs for local residents. It's about wealth building," Howard said. "One of the strengths of the cooperative structure is that ownership of the company is broadly held; when 50 people own their business in their own neighborhood where they live, they're not going to send those jobs somewhere else."

In 2010, the project will launch Green City Growers Cooperative, a 5.3-acre greenhouse located in the heart of the city, which will employ 50 people. The food produced will supply anchor institutions, markets, grocery stores and wholesale distributors.

After learning about Evergreen Cooperatives, McLeod left Cleveland and arrived in Detroit, a once-bustling city whose formal economy has grounded to a halt.

"It's kind of post-apocalyptic," McLeod said.

Not to mention, the city is a vast food desert. In 2007, the last two major grocery stores in Detroit shut their doors. Now, residents buy food from nearby convenience stores or drive several miles outside city limits for the closest supermarkets. The Detroit Community Grocery Store Coalition recently formed to create cooperative grocery stores within the city. This collaboration between 80 churches, consumers and workers will reinvest a portion of store profits into the creation of more grocery stores, and eventually meet Detroit's food needs. For Detroit, the development of co-ops is about survival.

"Cooperatives are a fairer way of going about providing goods and services in good times and tough economic times," Schwartz said, adding that they address the triple bottom line of profits, and the impact on the environment and local community. "With a cooperative, you can make money and serve your community. You can be proud of what you do."

© 2010 Independent Media Institute. All rights reserved.

View this story online at: <http://www.alternet.org/story/144969/>