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# The Quest for Alternatives beyond (Neoliberal) Capitalism

**Melisa R. Serrano and Edlira Xhafa**

GLOBAL LABOUR UNIVERSITY

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**Contact Address**
Hochschule für Wirtschaft und Recht Berlin
IMB - Prof. Hansjörg Herr
Badensche Str. 50-51
D-10825 Berlin
E-mail: glu.workingpapers@global-labour-university.org
www.global-labour-university.org

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# ABSTRACT

Capitalism is not the only form of economy. Alternative economies—people's economies—exist in which human needs and relationships are more important than competition and profit.

Forms of solidarity economy built on the principles and values of cooperation, equality, self-determination and democracy, exist and are taking shape in many parts of the world. These forms include household economies, barter economies, collective economies including cooperatives, worker-controlled economies, subsistence market economies, community budgeting, participatory budgeting, community-based local currency exchange systems, and ethical trading, among others. Labor organizations have also provided spaces for building capacities in the struggle to defy capitalism.

The paper aims to contribute to the discourse on alternatives to capitalism. We go about by first examining recent works dealing with the issue of alternatives to capitalism (and neoliberalism). We define `alternative' as an on-going multi-dimensional, non-deterministic process of people's economic and political struggle beyond the capitalist logic, whether macro, meso or micro, to change their circumstances and simultaneously transform themselves in the process. Full development of human potential based on equality, solidarity and sustainability through democratic participatory processes is at the core of an alternative. Then, we look at how various forms of peoples' solidarity economies and state-initiated democratic participatory schemes become spaces or provide spaces for the development of counter-consciousness (outside the capitalist `common sense') and concomitantly build capacities for the development of projects, initiatives and economies beyond the capitalist logic. By addressing changes in the mode of production and the labor process within their spaces, we argue that many of these organizations, projects and initiatives, are the 'materialization' or actual manifestation of non-capitalist alternatives.

The first chapter provides an overview of recent discourses on possible alternatives to neoliberal globalization and capitalism. The second chapter looks at consciousness and counter-consciousness and how these processes relate to building capacities that enable the construction of `alternatives.' The third chapter analyses 13 selected cases (of peoples' solidarity economies, workers'/producers' cooperatives, alternative production systems and state-initiated citizen democratic participation schemes) in terms of how they provide spaces for the development of counter-consciousness (outside the capitalist `common sense') and concomitantly capacities for the development of projects, initiatives and economies beyond capitalism. We also outline in this chapter the overall lessons and insights drawn from the case studies. Finally, in chapter four, we tie the main points underscored by literature we reviewed in chapter one, with the cases we analyzed in chapter three. We argue that the material practice of peoples' struggles fills the need for coherence on the alternatives to capitalism discourse. By bringing together and establishing a `dialogue' between theoretical debates and existing meso and micro social experiments and initiatives, we attempt to address the gap between macro level theoretical discourses and micro level practices. We argue that there are emancipatory and transformative elements that can be learned from people's practices and struggles, which allows for a more grounded framing of an alternative narrative beyond the capitalist logic. The chapter also recommends areas for further research.

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The responsibility for opinions and ideas expressed in this paper nonetheless rests solely with the authors, and publication does not constitute an endorsement by the GLU and its partners of the opinions and ideas expressed herein.

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# 1. INTRODUCTION

"*We won't pay for your crisis!*" "*Jail the bankers and corrupt politicians!*" "*Real democracy now!*" These are just few of familiar battle cries reverberating in numerous protests across Europe and North America. In Spain, young people have begun to occupy public squares in various cities (as of this writing at least) holding protest action and indignation rallies. This call for genuine democracy supposedly took place simultaneously in over 100 cities in Europe. They are taking place amidst regimes of austerity in many developed countries after states bailed out banks, financial institutions and private corporations en masse in the wake of the 2007-2008 financial crisis. Worker layoffs, salary cuts, labor rights curtailment, freezing pensions and extended retirement age, health and education budget cuts, privatization of state programs, and tax incentives for businesses are but some of the common features that have come to characterize these regimes of austerity.

Big banks and other financial institutions, meanwhile, are back to raking pre-crisis record high profits, thanks to the massive state bailouts. Indeed, as Harvey (2010) points out, "financial crises serve to rationalize the irrationalities of capitalism" as "they typically lead to reconfigurations, new models of development, new spheres of investment and new forms of class power" (11). No, the crisis did not signal the end of neoliberalism, as earlier thought. Instead, it provided an `opportunity' for capital to reinvigorate itself. The ensuing regimes of austerity, in fact, are reminiscent of Thatcherite neoliberal assault in the 1980s as the burden of the crisis of capitalism is once again brought to the working people and the poor.

As expected, the roots of the crisis were never addressed in several G8 and G20 summits following the crisis. Even the Global Unions Pittsburg Declaration in 2009 calling on leaders to introduce a coordinated and jobs-orientated international recovery was ignored by the G20 leaders. As Bello (2009b) argues, neoliberalism continues to punctuate the lexicon of policymakers with their emphasis on free trade, the central role of private enterprises, and a minimalist role for the state. The protest-rocked and violence-marred G8/G20 Summit held on June 26-27, 2010 in Toronto, Canada, opted for more market-oriented policies aimed to cut deficits by half by 2013 and to stabilize or reduce government debt-to-GDP ratios by 2016 (i.e., adopting austerity measures). This means regulating financial markets (instead of taxing financial transactions), further trade liberalization, and dismantling barriers to investment or trade in goods and services.

That people are taking to the streets their discontent of the intensifying regime of austerity indicates an overall sense of frustration with political leadership. Political elites--whether from the right, center or left—are seemingly unable to offer a path out of the crisis other than austerity.

But even before the outbreak of the recent financial mess, the United Nations (UN) reports that already by the end of 2006, more than one billion people in the world live on less than a dollar a day, while about 2.7 billion are trying to survive on less than two dollars a day. The UN further states that poverty in the developing world also means "having to walk more than one mile everyday simply to collect water and firewood; it means suffering diseases that were eradicated from rich countries decades ago…Around the world, a total of 114 million children do not get even a basic education and 584 million women are illiterate" (UN Millennium Project 2006, 1).

Clearly, there is something fundamentally and morally wrong about the existing system.

Against this backdrop, there is a growing momentum in recent years to revisit, rethink and renew old discourses on alternatives to neoliberalism and capitalism. To date however, the Left has not come up with a fully worked-out, convincing project for an alternative (Harnecker 2007). Yet, political and economic struggles are sweeping Latin America and other countries, providing impetus to imagine and construct possible alternatives in spite of the dominant there-is-no-alternative (TINA) dictum. Theoretical work to systematize and put these diverse experiences into context for possible replication (not necessarily duplication) is, thus, lacking.

Existing literature purporting to offer alternatives to capitalism talk of vision, frameworks and guidelines often too abstract or too broad, and susceptible to multiple interpretations. Moreover, studies that provide programmatic proposals often suffer from lack of coherence. The few studies that provide concrete alternatives, on the other hand, often deal with micro initiatives that are context-specific (i.e., worker-run factories, producers' cooperatives, informal self-employed women's unions, participatory budgeting, etc.).

This paper aims to contribute to the debate on alternatives to capitalism, first, by reviewing recent literature on the alternatives to capitalism (and neoliberalism) thesis. It will then look into how various forms of peoples' solidarity economies and state-initiated democratic participatory schemes become spaces or provide spaces for the development of counter-consciousness (outside the capitalist common sense) and concomitantly build capacities for the development of projects, initiatives and economies beyond the capitalist logic. Finally, it establishes a `dialogue' between theoretical debates on the subject and existing meso and micro social experiments and initiatives. Through this `dialogue,' we aim to address the apparent disconnect between macro level theoretical discourses and micro level practices and struggles. We argue that although the meso and micro initiatives occur and are rooted in distinct places, they share common elements which link them across space and time.

This paper is divided into four chapters. The first chapter provides an overview of recent discourses on possible alternatives to neoliberal globalization and capitalism. The second chapter deals with questions of consciousness and counter-consciousness and how these processes relate to building capacities to enable the construction of alternatives. The third chapter, the main part of the paper, analyzes how the 13 selected case studies (of peoples' solidarity economies, workers'/producers' cooperatives, alternative production systems and state-initiated citizen democratic participation schemes) have become or have the potential to become spaces or provide spaces for the development of counter-consciousness (outside the capitalist `common sense') and, concomitantly, capacities for the development of projects, initiatives and economies beyond the capitalist logic. This chapter also outlines lessons and insights drawn from the case studies. Finally, chapter four ties up the main points underscored by the various discourses and proposals on alternatives to capitalism we reviewed in chapter one with the case studies analyzed in chapter three. We argue that there is need for coherence on discourses of alternatives to capitalism and it must come from the material practice of people's struggle.

# 2. CHAPTER I. VISUALIZING AND CONSTRUCTING ALTERNATIVES TO NEOLIBERALISM AND CAPITALISM

## A. Understanding the crisis of capitalism

Existing literature as well as those culled from conferences, fora, and symposia abound, trying to explain the roots of the current financial crisis and its aftermath. The seeming failure of the present economic paradigm has brought a wave of detractors from all sides, even from among the staunch supporters of neoliberalism. This paper does not intend to look into the roots of the crisis. However an outline of Leftist discourse on the cause of the current crisis, as well as similar crises in the past, may shed light into `alternative' ways to rethink the propositions expounded by the Left and other progressive groups.

Four theories are offered to explain the roots of the current crisis: (1) the myth of the self-regulating market; (2) neoliberalism's unbridled greed of accumulation; (3) crisis of overproduction theory; and (4) Marxist long-wave theory on the tendency of the rate of profit to fall. The last theory attempts to integrate the first three by contending that the falling rate of profit since the 1980s is due to the increase in the organic composition of capital, not wage increases (Jeong and Shin 1999). All four highlight the fact that contradictions are inherent in the capitalist system and these contradictions make crises a distinct feature of capitalism. For Harvey (2010, 71), "Crisis is the only way in which balance can be restored; crises are "the irrational rationalisers of an always unstable capitalism."

### *1. The myth of the self-regulating market*

In his classic 1944 book *The Great Transformation*, Polanyi discusses the myth of a self-regulating (free) market economy, arguing that self-regulating markets never work. For Polanyi, a self-regulating market system is a utopian endeavor.

> A self-regulating market demands nothing less than the institutional separation of society into an economic and a political sphere…It might be argued that the separateness of the two spheres obtains in every type of society at all times. Such an inference, however, would be based on a fallacy . . . normally the economic order is merely a function of the social order. Neither under tribal nor under feudal nor under mercantile conditions was there, as we saw, a separate economic system in society. Nineteenth-century society, in which economic activity was isolated and imputed to a distinctive economic motive, was a singular departure. (Polanyi 2001, 74)

Polanyi's concept of `embeddedness' expresses the idea that the economy is not autonomous but subordinated to politics, religion and social relations. He points to the historically normal pattern of subordinating the economy to society before the 19th century. Market liberalism (the first `great transformation') was conceived

by English thinkers (e.g., Malthus, Ricardo) in the early 19th century as a response to disruptions in early industrialization, and inevitably became the organizing principle of the then emerging world economy (via British imperialism). However, efforts to protect society from the market brought the collapse of peace and eventually led to World War I; as well as the collapse of the economy, which in turn led to the Great Depression and the rise of fascism (the second `great transformation').

Polanyi (2001) repeatedly stresses that the goal of a disembedded, fully self-regulating market economy is a utopian project. "Our thesis is that the idea of a self-regulating market implied a stark utopia. Such institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness" (3).

Why would disembedding the economy from society be not successful? Polanyi explains that creating a self-regulating market economy requires human beings and the natural environment to be turned into pure commodities. But "land, labor and money are fictitious commodities because they are not originally produced to be sold on a market. Labor is simply the activity of human beings, land is subdivided nature, and the supply of money and credit in modern societies is necessarily shaped by government policies" (Block 2001, xxv). These fictitious commodities will not behave the same way as real commodities. These fictitious commodities explain why it is impossible to disembed the economy.

## *2. From accumulation to crisis of overproduction*

Building on Marx's system of expanded reproduction, Luxemburg argues in *The Accumulation of Capital* that capitalist accumulation can only be realized through the consumption of commodities by people from non-capitalist areas of the world. "Capital cannot accumulate without the aid of non-capitalist organizations, nor, on the other hand, can it tolerate their continued existence side by side. Only the continuous and progressive disintegration of non-capitalist organizations makes accumulation of capital possible" (Luxemburg 2003, 397). Thus the capitalist system is locked in an inescapable contradiction within itself and that crises are inherent in the system.

Building on Luxemburg's thesis on accumulation, Bello (2009a, par 2, lines 3-6) compares the most recent financial crisis to the global recession of the early 1980s, describing it as "the intensification of one of the central crises or `contradictions' of global capitalism: the crisis of overproduction, also known as overaccumulation or overcapacity. This is the tendency for capitalism to build up, in the context of heightened inter-capitalist competition, tremendous productive capacity that outruns the population's capacity to consume owing to income inequalities that limit popular purchasing power. The result is an erosion of profitability, leading to an economic downspin." Bello (2009a) argues that capitalism came up with three escape routes out of the conundrum of overproduction: neoliberal restructuring (Reaganism and Thatcherism in the

North, and Structural Adjustment in the South), globalization (or "extensive accumulation" or the rapid integration of semi-capitalist, non-capitalist, or pre-capitalist areas into the global market economy), and financialization (massive investment and reinvestment in the financial sector resulting to an increased bifurcation between a hyperactive financial economy and a stagnant real economy).

Bello (2009a, par 19-22) explains the contradictions of financial globalization:

> The problem with investing in financial sector operations is that it is tantamount to squeezing value out of already created value. It may create profit, yes, but it does not create new value — only industry, agricultural, trade, and services create new value. Because profit is not based on value that is created, investment operations become very volatile and prices of stocks, bonds, and other forms of investment can depart very radically from their real value — for instance, the stock of Internet startups may keep rising to heights unknown, driven mainly by upwardly spiraling financial valuations.
>
> Profits then depend on taking advantage of upward price departures from the value of commodities, then selling before reality enforces a "correction," that is a crash back to real values. The radical rise of prices of an asset far beyond real values is what is called the formation of a bubble.
>
> Profitability being dependent on speculative coups, it is not surprising that the finance sector lurches from one bubble to another, or from one speculative mania to another.
>
> Because it is driven by speculative mania, finance driven capitalism has experienced about 100 financial crises since capital markets were deregulated and liberalized in the 1980s, the most serious before the current crisis being the Asian Financial Crisis of 1997.

Bello underlines the fact that the recent financial crisis is not a crisis of the neoliberal variant of capitalism but a crisis of capitalism itself.

## *3. The long-wave theory on the tendency of the rate of profit to fall*

Though pointing to the 1997 Asian financial crisis, Jeong and Shin (1999) argues that the underlying cause of the crisis can be attributed to the tendency of the rate of profit to fall; hence, overproduction is not a cause but a result of the crisis.

> From the standpoint of Marxian long-wave theory, the roots of the foreign exchange crisis that exploded in late 1997 can be traced back—before the cyclical crisis emerged in full dress in 1996—to the long-term recession that began in the late 1980s and early 1990s. It follows from this that the current crisis is not just the overproduction crisis of a ten-year cycle, as the overproduction theory has it, but an overdetermined explosion of a long-term recession piled upon and exacerbated by cyclical crisis. Both the overproduction theory and the compromise position are insufficient for understanding the complex nature of the crisis; the former fails to recognize the long-term recession and structural crisis, which are distinct from the cyclical crisis, while the latter underscores only a structural and a chronic crisis while denying a cyclical crisis. ( 94)

> Overinvestment and overproduction based on excessive lending are exacerbated by increasing competition among capitals under the pressure of the falling rate of profit. This appears as competition for additional capital investments to make up for the falling rate of profit with an increasing quantity of profits. In turn, overinvestment and overproduction spur an increase in the organic composition of capital, accelerate the falling rate of profit, and finally result in an absolute decrease in the amount of profits. Overproduction is therefore a phenomenon resulting from a crisis originating from the tendency of the rate of profit to fall. In other words, overproduction is not a cause but a result of crisis. (95)

Studies undertaken in recent years by various academics and institutions provide empirical evidence suggesting that neoliberal global capitalism (also known as globalization) or simply capitalism has failed to deliver what it has been preaching for the last two decades. The World Commission on the Social Dimension of Globalization (WCSDG 2004) report, although recognizing the potential benefits of globalization, stresses that globalization in its present form falls short of realizing this potential. Without doubt, world trade has expanded rapidly over the past two decades, but this trade expansion did not occur uniformly across all countries, as industrialized countries and a group of 12 developing countries account for the lion's share.[1] The report cites, among others, the following impact of globalization (WCSDG 2004, 35-42):

- Since 1990, global GDP growth has been slower than in previous decades, the period in which globalization has been most pronounced.
- Growth has also been unevenly distributed across countries, among both industrialized and developing countries. In terms of per capita income growth, only 16 developing countries grew more than three percent per annum between 1985 and 2000. In contrast, 55 developing countries grew at less than two percent per annum, and of these 23 suffered negative growth.
- The industrialized countries, with their strong economic base, abundance of capital and skill, and technological leadership, were well placed to gain substantial benefits from the increasing globalization of the world economy.
- Expanding global markets, the emergence of global production systems and liberalized investment rules generated new opportunities for the multinational enterprises (MNEs) of industrial countries, increasing their global reach and market power.
- The other clear group that reaped significant benefits was the minority of developing countries that have been highly successful in increasing their exports and in attracting large inflows of FDI. Foremost among this group have been the original NIEs of East Asia that have now converged on industrialized country income levels and economic structures.

[1] The 12 developing countries with their corresponding share in world trade are: China, 13.2%; South Korea, 11.7%, Taiwan, 11.2%, Singapore, 9.4%; Mexico, 7%; Malaysia, 5%; Thailand, 4%; China, Hong Kong SAR, 3%; Brazil, 2.8%; India, 2.5%; Indonesia, 2.4%; and Turkey, 1.8%. The combined share of these 12 countries and territories account for 74.76%. The remaining 176 developing countries and territories account for 25.3% (WCSDG 2004, 25).

- ILO estimates that open unemployment worldwide has increased over the last decade to about 188 million in 2003. Within the developing world, unemployment rates have increased since 1990 in Latin America and the Caribbean and Southeast Asia, and since 1995 in East Asia. One factor behind rising unemployment in these countries had been the financial crisis at the end of the 1990s.
- In industrialized countries, employment performance has also been mixed. Over the last decade, there has been a steady increase in unemployment in Japan, but a sharp decline in unemployment in some small open European economies, as well as in the United Kingdom. The United States also experienced declining unemployment until the recent economic downturn.

With the recent financial crisis, many (if not all) of those industrialized and developing countries that reaped the lion's share of trade expansion in the past two decades, as reported by the WCSDG, apparently experienced a reversal, or at the very least, a change of fortune.

Earlier studies by Easterly (2001a, 2001b) and Weisbrot et al. (2001) already established that the period 1980 to 2000–the heyday of neoliberal globalization–which Easterly refers to as the `lost decades,' was a period of stagnation and diminished progress in many parts of the world particularly the developing and least developed countries.

Along with the expanded reproduction of capital (overaccumulation and overproduction) came what Harvey (2004, 74) refers to as `accumulation by dispossession' which he says characterizes the `new' imperialism. Accumulation by dispossession is achieved through various means:

> Stock promotions, ponzi schemes, structured asset destruction through inflation, asset stripping through mergers and acquisitions, the promotion of levels of debt encumbrancy that reduce whole populations, even in advanced capitalist countries, to debt peonage, to say nothing of corporate fraud, dispossession of assets (the raiding of pension funds and their decimation by stock and corporate collapses) by credit and stock manipulations – all of these are central features of what contemporary capitalism is about…But above all we have to look at the speculative raiding carried out by hedge funds and other major institutions of finance capital as the cutting edge of accumulation by dispossession in recent times. By creating a liquidity crisis throughout Southeast Asia, the hedge funds forced profitable businesses into bankruptcy. (74-75)

Harvey likewise points to new mechanisms of `accumulation by dispossession': the intellectual property rights in the WTO (TRIPS agreement); the wholesale commodification of nature in all its forms; the commodification of cultural forms, histories and intellectual creativity; and the corporatization and privatization of public assets. If Harvey was writing his essay today, he will find the dizzying massive bailouts provided by states to financial banks, private corporations and other private institutions in the wake of the recent financial crisis as quintessentially accumulation by dispossession under contemporary capitalism.

Arguing neoliberalism's ideological crisis today, Albo (2009, 121) sums up the antitheses of neoliberalism's core theses.

> It has become impossible to contend that smaller states and liberalized markets will lead to prosperity for all (the trickle-down thesis); that public services could be protected and improved by increased reliance on markets (the theses of self-regulation and marketization); that new financial instruments were spreading risk and increasing economic stability (the theses of transparency and shareholder value as central to efficient capital allocation); that flexible labor markets and de-unionized workplaces improved job security and pay (the thesis of all employment and unemployment as voluntary individual decisions); and that increased market dependence meant a parallel increase in freedom and equality (the thesis that all collective action is coercive and anti-democratic). These theoretical claims by neoliberal ideologues have not proven to be unmitigated failures as policy frameworks, and a social disaster for whole societies and workers where they have been adopted.

Crises one after another, uneven development, widespread inequality and poverty, social injustice, democratic deficits, and the breakdown of social cohesion and moral fiber of societies in many parts of the world will continue to be the defining features of today's capitalism.

## B. Imagining, rethinking and constructing `alternatives': A general overview

In recent years, old, new, as well as `recycled' discourses on `alternatives' to neoliberalism and capitalism have captured the interest of the Left and other progressive groups. These so-called alternatives range from visions and principles, to frameworks and straightforward strategic prescriptions. The rest are nothing more than varieties of `reformed' capitalism albeit with some egalitarian and democratic dimensions. Literature on alternatives to neoliberal capitalism (and globalization) remains scant, however, but is expected to grow in the next few years with the burgeoning interest in this area.

In *Rebuilding The Left*, Marta Harnecker (2007, 39) attributes the Left's programmatic crisis (the lack of an alternative program or model) to its crisis of theory, which in turn pertains to the Left's "historical incapacity to construct its own system of thought – one that would start out with an analysis of the real situation [in each Latin American country], identifying a tradition of struggle and the potential for change." Harnecker argues that the Left has failed to carry out a rigorous study of various socialist experiences and their successes and failures. But more importantly, there is a crisis of theory because there has never been any critical, rigorous, and comprehensive study of late twentieth century capitalism since Marx during the industrial revolution.

The Left, to date, has not come up with any viable alternative to capitalism. Despite many interesting social experiments sweeping Venezuela, Chile, Brazil, Argentina, Uruguay and Bolivia, a theoretical work to systematize and put together all these diverse experiences for possible replication (not necessarily duplication) in other contexts remains lacking. Whereas in the late 1960s and

early 1970s there were spaces to embark on such work in universities, today these spaces have shrunk substantially (Harnecker 2007).

What follows is an overview of some literature on alternative proposals to neoliberalism and capitalism.

## *1. Varieties of capitalism outside the US model*

Literature on alternatives to capitalism points to several varieties of context-adapted or `reformed' capitalism either at the level of the nation state, at the global level, or both. What differentiates these so-called alternative varieties of capitalism is their emphasis on egalitarian and democratic dimensions and social values.

### *a. The developmental state growth model*

Despite the blow that the 1997 Asian financial crisis had on the East Asian region, the developmental state growth model adopted by South Korea, Taiwan, Singapore and Malaysia still poses an alternative to neoliberal capitalism. In fact, the recovery of these East Asian countries after the 1997 financial crisis was unexpectedly faster than earlier predicted, proving the resiliency of the region's growth model.

According to Wade and Veneroso (1998), the East Asian developmental state growth model is anchored on five major elements, namely: high household savings (mostly in bank deposits), high corporate debt-to-equity ratio (compares total liabilities with shareholders equity), bank-firm-state collaboration, national industrial strategy, and investment incentives to enhance international competitiveness. The last three elements are the stabilizing conditions of this growth model. A high debt-to-equity ratio (D/E) means that firms have been aggressive in financing their growth through debt. The economies of South Korea and Japan have high corporate D/E. Firms wanting to become players in the world market can do so only through borrowing. This growth model is also known as the Asian high debt model because it is characterised by high D/E.

Wade and Veneroso emphasize that in these East Asian countries, the state assumed an active role in jump-starting industrialization. In the case of South Korea prior to the 1997 Asian financial crisis, it did not accept the prescriptions of the Washington Consensus. Investments were poured into priority industries and away from speculative real estate and consumer durables. Investments were also allocated to the advancement of technology and technical know-how. There was massive administrative support for businesses and entrepreneurs in the form of detailed business information.

While allowing competition to weed out inefficient enterprises, excessive competition was also put on check. Mergers and acquisitions between smaller and medium size enterprises in the chemical, automobile, fertilizer and steel industries were undertaken to attain economies of scale.

To build production capacity, capital formation and technology acquisition were likewise promoted by the state. The banking system was nationalized to target credit for priority sectors. Foreign investments were strictly regulated and allowed only when there was real transfer of technology. A prudent fiscal policy and a stable but not overly strong real exchange rate were adopted by the government. Tariffs were imposed to protect the domestic market. Also, a ban on foreign technology in sectors producing the same was also put in place.

To check on inflation, wage and price controls were imposed. To provide needed human resources for South Korea's industrial policy, the state invested massively in education.

Industrialization was pushed along these policies. Distributional equity was gradually promoted by the state through farm subsidies. Tariff barriers and productivity gains, on the other hand, were translated into real wage increases.

Based on South Korea's state-led industrialization experience, the hallmarks of the East Asian growth model can be summed up in the following (Wade and Veneroso 1998; Jomo 2001):

- Making society function better through macroeconomic and political stability, equitable distribution of income, and cooperative behavior within the private sector;
- Adaptability of government policies with lesser government as economies become complex;
- Creating a relationship between the government and markets, where the former creates market institutions, i.e., long-term development banks, capital markets to trade bonds and equities;
- Promoting accumulation of physical and human capital: higher domestic savings through postal savings institutions and provident funds; promoting education and training.
- Altering the allocation of resources: identifying industries where R&D would have high payoffs; establishing research and science centers and quality control standards; emphasizing industries with strong backward and forward links; and encouraging firms to export with a performance-based criterion for credit allocation;
- Adopting government policies supporting investment: contest for scarce credit; and intervention in international economic relations, i.e., bargaining for foreign technology, and transfer of technology as part of foreign investment.

All these policies and programs, of course, came with the high price of labor control and suppression of workers' rights. By way of legal and customary devices, unions were only allowed if supported by companies. Political activities by unions were prohibited. Arbitration of disputes in public interest industries were binding. Unions were also required to be affiliated with one of the 17 government-

sponsored industrial unions and with the general coordinating body known as the Federation of Korean Trade Unions (FKTU).

The repressive anti-labor measures under President Chun and the lack of serious attempts to develop peaceful and cooperative labor relations made labor disputes spiral out of control in the aftermath of democratization in South Korea in 1987. In the 1980s, large companies, often supported by the police and intelligence agencies of the government, exerted pressure on unions to prevent strikes, to undermine the development of white-collar unions, to retain control of union leaders, and to prevent those with college education working as industrial laborers from organizing workers (Kong 2000). This repressive regime, however, did not stop the wave of workers' protests and mobilizations organized in the years that followed.

Indeed, it could well be argued that the democratization of South Korea was a result of its economic development. As Kong (2000) points out, the economic development of South Korea led to urbanization and created a middle class of educated white-collar workers, a development favorable to opposition forces.

Going back to Korea's sound industrialization model, why then did the country collapse in the aftermath of the 1997 Asian financial crisis? Korea's financial mess in 1997 may be explained by a combination of flawed fundamentals and the relaxation of capital control. The flawed fundamentals view argues that Korea's heavy reliance on unhedged short-term foreign loans, its higher D/E ratio composed mostly of foreign debt, and the massive calling in of loans and slashing of credit lines with the fall in currency, landed Korea right in the middle of the crisis (Wade and Veneroso 1998). But the underlying reason, according to the capital control argument, was the premature liberalization of financial markets, which the IMF, OECD and Western governments, banks and firms encouraged, but made Korea very vulnerable to the financial crisis (Wade and Veneroso 1998).

Wade and Veneroso (1998) argue that Korea's bid to enter OECD to get access to foreign markets came with a steep price- accelerated deregulation of capital flows. Korea removed or loosened controls on firms' foreign borrowings and investments so that prior to 1997 it owed $150B in external debt. Worse, it failed to strengthen bank supervision.

As part of its deregulation policies, it stopped checking on "excess competition" in large industries. As a result, there was excess capacity in the automobiles, shipbuilding, steel, petrochemicals and semiconductors industries. This led to a fall in export prices and a run-up of nonperforming loans.

All these put Korea at the centre stage of the crisis.

In short, when the South Korean state abandoned its coordinative role (the core of its developmental state model) and responded to international pressure from the centers of international capital to adopt deregulation and liberalisation policies (the Washington Consensus prescriptions which before it did not follow), it exposed its economy to the manipulations of international financial capital.

### *b. Revitalizing social democracy?*

Global social democracy

Without doubt the global economic havoc wreaked by the recent financial crisis has thoroughly discredited neoliberalism, the contemporary form of capitalism. That states and global institutions of capital will make a definitive break with neoliberalism is wishful thinking. Already, we have witnessed how quickly governments in capitalist countries bailed out banks and other financial institutions. Massive stimulus spending and nationalization of banks have been resorted too as well. But even before the outbreak of the crisis, there has been an ongoing debate among the circles of capital on what Bello (2009a) calls "Global Social Democracy" or GSD as an alternative to neoliberal globalization. GSD, Bello argues, may be the most likely successor to neoliberal globalization.

Former British Prime Minister Gordon Brown, economist Jeffrey Sachs, George Soros, former UN Secretary General Kofi Annan, sociologist David Held, Nobel laureate Joseph Stiglitz, and Bill Gates are just few of today's prominent public figures promoting the GSD discourse (Bello 2009a). Although they differ in their notions of GSD, they all share a common goal: "to bring about a reformed social order and a reinvigorated ideological consensus for global capitalism" (par 39, line 4).

Bello (2009a, par 40, lines 2-17) lists the key propositions advanced by the GSD partisans:

- Globalization is essentially beneficial for the world; the neoliberals have simply botched the job of managing it and selling it to the public;
- It is urgent to save globalization from the neoliberals because globalization is reversible and may, in fact, already be in the process of being reversed;
- Growth must not be accompanied by increasing inequality;
- Trade must be promoted but subjected to social and environmental conditions;
- Unilateralism must be avoided while preserving and fundamentally reforming multilateral institutions and agreements;
- Global social integration, or reducing inequalities both within and across countries, must accompany global market integration;
- The global debt of developing countries must be cancelled or radically reduced, so the resulting savings can be used to stimulate the local economy, thus contributing to global reflation;
- Poverty and environmental degradation are so severe that a massive aid program or "Marshall Plan" from the North to the South must be mounted within the framework of the "Millennium Development Goals";
- A "Second Green Revolution" must be put into motion, especially in Africa, through the widespread adoption of genetically engineered seeds; and

- Huge investments must be devoted to push the global economy along more environmentally sustainable paths, with government taking a leading role ("Green Keynesianism" or "Green Capitalism").

Himself an advocate of GSD and aware of the failure of the Washington Consensus, Held takes stand on revitalising social democracy not just at the level of the nation-state, but at the regional and global levels. For Held (2005, 103), the nature and form of a free and fair global economy can be articulated through the lens of social democratic values – "the rule of law, political equality, democratic politics, social justice, social solidarity and economic efficiency…the key challenge today is to elaborate their meaning, and to reexamine the conditions of their entrenchment."

Like the WCSDG, Held believes globalization has helped create vast new opportunities as well as risks. He defends the social democratic agenda (Table 1) along with his proposed 9-point Human Security Doctrine, saying it is not overambitious. He posits the emergence of a coalition to push the social democratic agenda further. This coalition will be comprised of: "European countries with strong liberal and social democratic traditions; liberal groups in the US polity which support multilateralism and the rule of law in international affairs; developing countries struggling for freer and fairer trade rules in the world economic order; non-government organizations, from Amnesty International to Oxfam, campaigning for a more just, democratic and equitable world order; transnational social movements contesting the nature and form of contemporary globalization" (Held 2005,111). In this so-called coalition, Europe being the home of social democracy will have a special role to play.

**Table 1 The social democratic agenda**

Domestic

- Sound macroeconomic policy
- Nurturing of political/legal reform
- Creation of robust public sector
- State-led economic and investment strategy, enjoying sufficient development space to experiment with different policies
- Sequencing of global market integration
- Priority investment in human and social capital
- Public capital expenditure on infrastructure
- Poverty reduction and social safety nets
- Strengthening civil society

Global

- Salvaging Doha
- Cancellation of unsustainable debt
- Reform of TRIPS
- Creation of fair regime for transnational migration
- Expand negotiating capacity of developing countries at IFIs
- Increase developing country participation in the running of IFIs
- Establish new financial flows and facilities for investment in human capital and internal country integration
- Reform of UN system to enhance accountability and effectiveness of poverty reduction, welfare and environmental programmes

Source: David Held, At the Global Crossroads: The End of the Washington Consensus and the Rise of Global Social Democracy?, Globalizations 2, 1 (2005): 107.

While Held's social democratic agenda sounds appealing, particularly to social democratic regimes, its generality subjects it to a lot of interpretations and contradictions which may dilute the overarching objectives of the agenda. For example, salvaging Doha may have an adverse impact on a number of domestic agenda such as sound macroeconomic policy, the creation of a robust public sector, and state-led economic and investment strategy, among others.

Moreover, Held's proposal of a social democratic coalition to push this agenda is rather naive. Each of the nation-states and parties in his coalition, which is comprised of a mix of social classes in society, is not one homogenous group within itself. Fractions exist within and between these parties and classes. The state serves as the "specific material condensation of a relationship of forces among classes and class fractions" so that the state is "through and through constituted-divided by class contradictions (Poulantzas 2000, 129-132). Poulantzas (2000, 128) emphasizes class fractions within and between the bourgeois class and the working class particularly in the era of neoliberal globalization:

> (a) The bourgeoisie still appears as constitutively divided into class fractions: monopoly and non-monopoly capital (for monopoly capital is not an integral entity, but designates a contradictory and uneven process of `fusion' operating among various fractions of capital). These fractional divisions would be doubled, if we were to take into account present-day coordinates of the internationalization of capital.

(b) In their totality, albeit to an increasingly uneven degree, these bourgeois fractions are situated on the terrain of political domination and still form part of the existing power bloc.

As the state is a "condensed expression of the ongoing class struggle" (Poulantzas 2000,130), contradictions are inscribed in its structures and policies. "Contradictions among the dominant classes and fractions … are precisely what makes it necessary for the unity of the power bloc to be organized by the State" (133). The state's organizational role is thus situated within the "unstable equilibrium of compromises" among the dominant classes and fractions within the power bloc (134).

The state does not only concentrate on the relationship of forces between fractions of the power bloc. According to Poulantzas (2000), the state also focuses on the relationship between the power bloc and the dominated classes; it disorganizes and divides the dominated classes to maintain the hegemony of the power bloc.

> The state apparatuses organize-unify the power bloc by permanently disorganizing-dividing the dominated classes, polarizing them towards the power bloc, and short-circuiting their own political organizations. The State's relative autonomy of a given fraction of the power bloc is also necessary for the organization of that bloc's long-term, global hegemony over the dominated classes: this often involves the State in imposing the material compromises indispensable for such hegemony on the various fractions of the power bloc. (140)

Poulantzas clearly elaborates on Gramsci's concept of hegemony. Held's social democratic agenda certainly needs a more nuanced and theoretically-grounded understanding of the state and the power struggles within it.

Apart from the nation-state-global problematique of the GSD discourse, there are other limits and problems posed by the GSD agenda. First, putting more regulation at the global level does not effectively address the excesses of "an inherently socially and ecologically destructive and disruptive process" that is globalization (Bello 2009a, par 43, line 4). Second, GSD still sees the market as "the principal mechanism for production, distribution, and consumption, differentiating itself mainly by advocating state action to address market failures" (par 44, line 1-2). Third, Bello argues that the "GSD is a technocratic project, with experts hatching and pushing reforms on society from above, instead of being a participatory project where initiatives percolate from the ground up" (par 45). Finally, "GSD, while critical of neoliberalism, accepts the framework of monopoly capitalism, which rests fundamentally on the concentrated private control of the means of production…" (par 46, lines 1-2). Thus what substantially differentiates GSD from neoliberal globalization is the former's emphasis on regulation.

## *2. Socialist-oriented and mixed economy alternatives and models*

### *a. Market socialism and mixed economy*

`Deglobalization' and socialist globalization

Citing the limits and contradictions of GSD, Bello instead proposes "deglobalization" as an alternative to capitalism. For Bello, the aim of the deglobalization paradigm is to "move beyond the economics of narrow efficiency, in which the key criterion is the reduction of unit cost, never mind the social and ecological destabilisation this process brings about. It is to move beyond a system of economic calculation…An effective economics, rather, strengthens social solidarity by subordinating the operations of the market to the values of equity, justice, and community by enlarging the sphere of democratic decision making" (Bello 2009b, par 8, lines, 1-4, 6-8). Echoing Polanyi, deglobalization is about "re-embedding" the economy in society, instead of having society driven by the economy.

Bello (2009b, par 7) outlines 11 pillars of his `deglobalized' paradigm:

1. Production for the domestic market must again become the centre of gravity of the economy rather than production for export markets.
2. The principle of subsidiarity should be enshrined in economic life by encouraging production of goods at the level of the community and at the national level if this can be done at reasonable cost in order to preserve community.
3. Trade policy — that is, quotas and tariffs — should be used to protect the local economy from destruction by corporate-subsidized commodities with artificially low prices.
4. Industrial policy — including subsidies, tariffs, and trade — should be used to revitalize and strengthen the manufacturing sector.
5. Long-postponed measures of equitable income redistribution and land redistribution (including urban land reform) can create a vibrant internal market that would serve as the anchor of the economy and produce local financial resources for investment.
6. Deemphasizing growth, upgrading the quality of life, and maximizing equity will reduce environmental disequilibrium.
7. The development and diffusion of environmentally congenial technology in both agriculture and industry should be encouraged.
8. Strategic economic decisions cannot be left to the market or to technocrats. Instead, the scope of democratic decision-making in the economy should be expanded so that all vital questions — such as which industries to develop or phase out, what proportion of the government budget to devote to agriculture, etc. — become subject to democratic discussion and choice.

9. Civil society must constantly monitor and supervise the private sector and the state, a process that should be institutionalized.
10. The property complex should be transformed into a "mixed economy" that includes community cooperatives, private enterprises, and state enterprises, and excludes transnational corporations.
11. Centralized global institutions like the IMF and the World Bank should be replaced with regional institutions built not on free trade and capital mobility but on principles of cooperation that, to use the words of Hugo Chavez in describing the Bolivarian Alternative for the Americas (ALBA), "transcend the logic of capitalism."

Bello's deglobalization paradigm is akin to Sklair's concept of socialist globalization. According to Sklair (2002, 302), socialist globalization is a "system of transnational practices in the economic, political, and culture-ideology spheres," in which producer-consumer cooperatives (P-CCs) of various types are the characteristic institutional form for economic transnational practices. Sklair points to examples of "tiny seeds of socialist globalization struggling to flower in capitalist countries": popular budgeting initiated by the Brazilian Workers' Party (PT) in Porto Alegre, Brazil (among the case studies analyzed in this paper); the Women's Support Network of Self-Employed Women's Association (SEWA) in India; and the rural women's cooperatives and the International Committee for the Promotion of Chinese Industrial Cooperatives in China. Through these examples, Sklair highlights the relationship between participatory democracy, civic engagement, and well-being. Sklair envisages self-governing communities of P-CCs entering into larger political and/or economic units on the basis of genuine democratic decision-making. In the culture-ideology sphere, socialist globalization would "provide spaces for a wide variety of cultural and ideological practices and values that positively encourage universal human rights and ecological sustainability" (2002, 305). The globalization of human rights is at the core of Sklair's concept of socialist globalization.

Table 2 compares the priorities of capitalist globalization and socialist globalization.

**Table 2 Reallocating resources from the priorities of capitalist globalization to the priorities of socialist globalization**

| From Capitalist Globalization | To Socialist Globalization |
|---|---|
| Export orientation | Revival of local economy |
| Foreign borrowing to service debt | Renegotiate foreign debt |
| Austerity measures to pay the debt | Local economic expansion |
| Shrinking state | Community control of the local economy |
| Export zones processing imported components | Exports linked to local economy |
| Race to the bottom for wages and conditions to attract investment | Increased wages to stimulate local economy |
| TNC and finance-driven economy | Economy driven by producers and consumers cooperatives |
| TNC-driven competing states system | Democratic unions of producer and consumer cooperatives |
| Culture-ideology of consumerism | Culture-ideology of human rights on a global scale |

Source: Leslie Sklair, Globalization, Capitalism and its Alternatives (Oxford: Oxford University Press, 2002), 311, Table 11.1.

Market socialism

Sklair's concept of socialist globalization reflects the basic tenets of market socialism. According to Miller (1989), there are two main pillars of market socialism – the market economy and the state. The market economy produces most goods and services, but within a distributive framework established and enforced by the state. As far as possible, firms should be constituted as worker cooperatives. The second pillar, the state, is comprised of government agencies directly involved in the provision, or at least in the supply of public goods such as transport system and environmental protection, and in guaranteeing rights to welfare. Also, the state ensures participatory politics where each citizen is allowed an opportunity to add his voice to the dialogue.

Miller (1989, 295-298) points to five functions of a socialist state: (a) *protective;* safeguarding persons and the resources and benefits that accrue to them from encroachment by others; (b) *distributive;* allocating and reallocating resources to meet the standards of distributive justice; (c) *economic management;* regulating the economy so that it satisfies the criteria of efficiency, controlling aggregate demand so that both labor and capital stocks are fully employed, ensuring that particular industries are competitive, directing investment so that new capital is put to most productive use, disseminating information to make consumers make the right choices, supplying economic forecasts to allow enterprises to plan their future activities, and providing training programs for people; (d) *provision of public goods*; and (e) *self-reproduction;* ensuring that a strong sense of citizenship is maintained/supported, ensuring formal mechanisms for political

participation are working, and ascertaining the education system supports this value.

According to Miller, the criticisms hurled against market socialism are irrelevant, unwanted and incoherent. Table 3 summarizes Miller's defense of market socialism.

**Table 3 Defending market socialism (MS)**

| Critique | What market socialism can do |
|---|---|
| MS implies that workers want to run their own firms, but there is no real evidence that they do. | Large majority of workers see work in instrumental terms (material success, means of increasing standard of living) - people's predominant attitude to work. But all that matters is that there is *some* interest in self-management, "so that the machinery of industrial democracy does not atrophy" (Miller 1989, 326). Here the evidence is encouraging, "there are a small minority of workers who value industrial democracy strongly enough to risk opting for it even in a predominantly capitalist environment, a small minority who barely value it at all, and a large group in the middle who would like to have more control over their work but for whom this value is outweighed in present circumstances by economic necessity. Market socialism, as a political program for transforming the economy, would tap this latent demand not fully revealed in current behavior." (327) |
| MS requires belief in greater equality, but again there is no evidence that people find equality an appealing idea. | There are two egalitarian elements of MS in the realm of resource distribution:<br>(a) There are attempts to reduce income differentials to some fraction of those that currently exist under capitalism. The MS "strategy of allowing primary incomes to be determined chiefly by the market, but framing the market in such a way that incomes bear a closer relation to effort and ability – and hence fall within a narrower range – chimes well with existing attitudes" (Miller 1989, 328). Ability and effort are unequally distributed, thus, equal allocation of income is not appealing. People's income ought to reflect their ability and effort; and<br>(b) MS provides income supplements, in cash or in kind to those in need. There is politically engineered distribution according to need like in welfare states. Welfare rights are a matter of distributive justice. MS assumes that most people will earn their primary income through the labor market and places strong emphasis on regulating investment so that enterprise creation matches the demand for work.<br>*There is a practical condition for the shift to socialist view*: strengthening of communal ties. By this, he means "the growth of ethos of common citizenship in which welfare rights are seen as expressing the obligations we owe to one another as members of the same political community" so that the "quest for equality becomes linked to the quest for citizenship" (Miller 1989, 330). |
| MS requires that people participate actively in political decision-making but the vast majority prefer to leave this task to professional politicians | There is evidence on the following:<br>(a) rising number of people with higher education desiring higher degree of political interest and activity;<br>(b) decline in authoritarian values; people are more inclined to question established institutions;<br>(c) increase in leisure time that create spaces where participatory institutions could emerge; and<br>(d) correlation between democracy at work and enhanced sense of political efficacy. |
| MS exposes workers more directly to the play of market forces. In so doing it will erode support for redistributive policies. | Self-management alone does not create egalitarian values. "The solidarity and equality enjoyed inside the cooperatives does not necessarily extend to a vision of society in which these relationships are universalized" (Miller 1989, 332). The crucial factor is the general political setting in which the coops exist. It is important that "alongside their role as enterprise members, workers should have an active role as citizens, a vantage point from which they have to confront such issues as poverty and welfare provision directly" (Miller 1989,333). Self-management and citizenship are complementary, not substitutes to each other. |

| Critique | What market socialism can do |
|---|---|
| MS attempts to combine economic markets, political regulation and radical democracy; but in practice workers will simply use their new-found power to subvert the market. | There are three factors which make MS potentially less vulnerable to political degeneration than contemporary capitalism (Miller 1989334-335):<br>Industrial structure. Under MS, large conglomerates likely to be broken down into smaller units; less tendency to monopoly or oligopoly; tend to discourage cartels<br>If outcomes of socialist market economy will be widely perceived as fair and legitimate, this will dampen down attempts to alter them politically<br>The political institutions of MS are explicitly designed to encourage citizenship and to discourage the political pursuit of private or sectional interests<br>In MS, the creation of legislative institutions which dialogue on matters of common concern rather than interest-aggregation is the normal mode of politics<br>There is a constitutional structure which hives off specific decisions, e.g.. capital investment, to semi-autonomous bodies |

Source: David Miller. *Market, State and Community: Theoretical Foundations of Market Socialism* (Oxford: Oxford University Press, 1989).

Miller stresses that an economic case for market socialism alone is doubtful as a sufficient propellant and that other demands acquire increasing importance: demand for self-direction at work; demand for increasing say in government; and demand to live in a fairer society. "There is a need to think of ways in which these incremental demands can be met incrementally;" that "we should not envisage the transition to socialism as a sudden, once-and-for-all affair" (336). As initial steps, Miller proposes the following: (a) think of ways of sponsoring a coop sector within the capitalist economy; (b) provide for those who are already committed to self-management; (c) act as beacon to others who are held back by the belief that workers are incompetent to control their own firms; and (d) look for political reforms that draw ordinary people into decision-making.

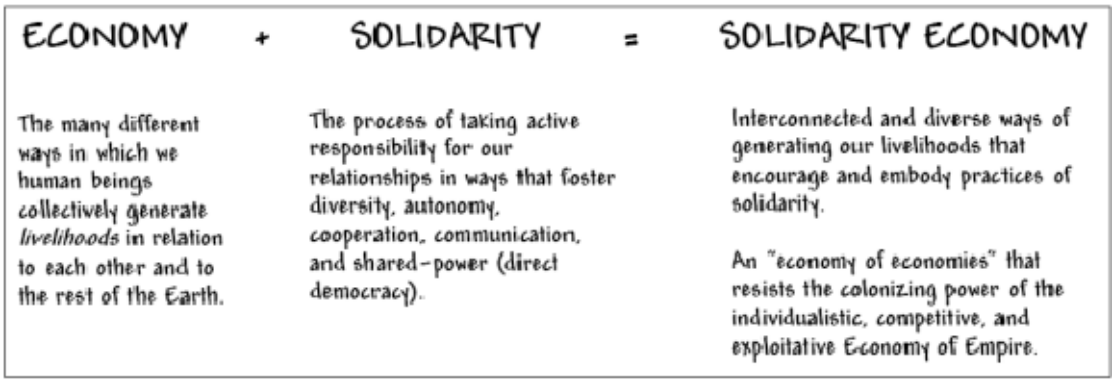
Solidarity economy

Market socialism finds expression in what Ethan Miller (2009) advocates as solidarity economy. Solidarity economy is comprised and expressed in diverse, locally-rooted, grassroots economic projects and initiatives such as household economies, worker and consumer cooperatives, barter economies, community currencies, fair trade organizations, mutual aid collectives or self-help organizations, etc. Miller (2009, 16) stresses that although `these islands of alternatives in a capitalist sea' are "small in scale, low in resources, and sparsely networked" these projects and initiatives "are building the foundation for what many people are calling `new cultures and economies of solidarity.'"

"Solidarity economics" which emerged in Latin America in the mid-1980s and blossomed in the mid to late 1990s, is the "process of identifying, connecting, strengthening and creating grassroots, life-centred alternatives to capitalist globalization, or the Economics of Empire" (Miller 2005, 6). Solidarity, which is at the core of solidarity economy, is taken to mean "the dynamic, collective process of taking active responsibility for our inter-relationships on both a local and global level." Other shared values of solidarity economy include: unity-in-diversity, shared power (as opposed to power-over), autonomy (always both individual and

collective), communication (horizontal, not top-down), cooperation and mutual-aid (shared struggle), local rootedness, and global interconnection.

**Figure 1 Solidarity Economy**




Source: Ethan Miller, Solidarity Economics: Strategies for Building New Economies from the Bottom-Up and the Inside-Out (http://www.geonewsletter.org/files/SolidarityEconomicsEthanMiller.pdf), 2005, 6.

Miller's (2009) outline of the main tenets of solidarity economics may be summed up as follows:

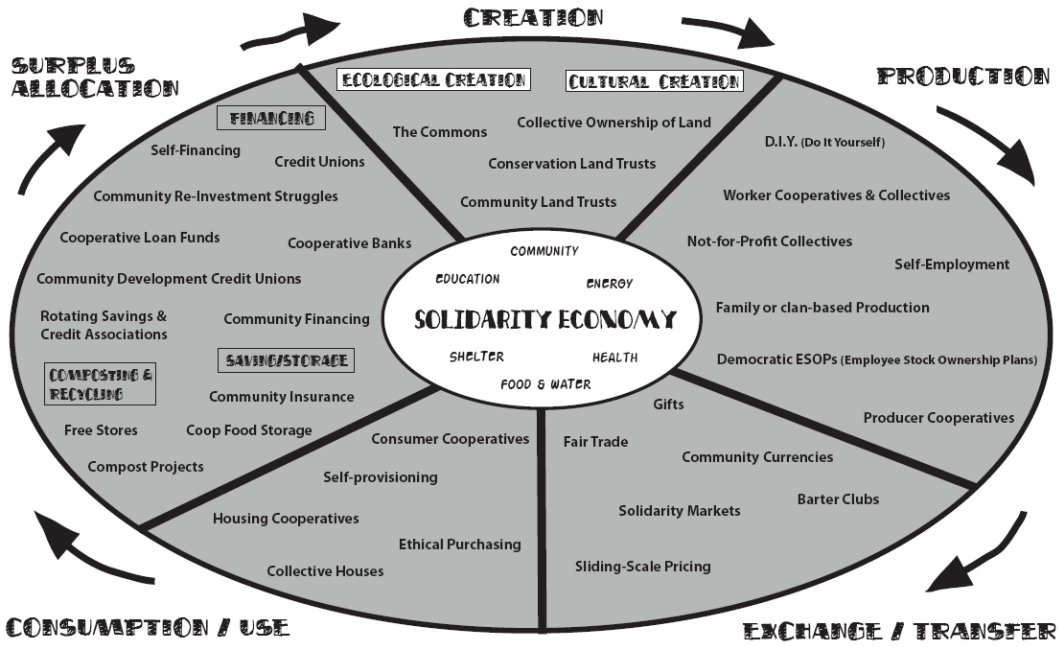
(1) It redefines economic space itself by embracing "a plural and cultural view of the economy as a complex space of social relationship in which individuals, communities, and organizations generate livelihoods through many different means and with many different motivations and aspirations-not just the maximization of individual gain" (18). Other economies are possible and capitalism is not *the* economy.

(2) It "rejects one-size-fits-all solutions and singular economic blueprints, embracing instead a view that economic and social development should occur from the bottom up, diversely and creatively crafted by those who are most affected" (19).

(3) The "process of networking diverse structures that share common values in ways that strengthen each" is perhaps the heart of solidarity economics. "Mapping out the economic terrain in terms of "chains of solidarity production," organizers can build relationships of mutual aid and exchange between initiatives that increase their collective viability. At the same time, building relationships between solidarity-based enterprises and larger social movements builds increased support for the solidarity economy while allowing the movements to meet some of the basic needs of their participants, demonstrate viable alternatives, and thus increase the power and scope of their transformative work" (20).

Miller emphasizes that solidarity economics more than a structural economic model is a strategic organizing process that affects all facets of economic life. Figure 2 provides a map of the solidarity economy landscape.

**Figure 2 Map of Solidarity Economy**




Source: http://www.popularеconomics.org/ussen/webfm_send/11

Miller (2009) admits that despite the tremendous potential for building concrete local, national, and even global networks of solidarity-based support and exchange, this potential is barely realized. And while strong solidarity-economy networks linked with growing social movements are increasingly being created in some countries, notably Brazil, Argentina, Colombia, Spain, and Venezuela, such networks have barely begun in many other countries. Nonetheless, Miller is encouraged by the growing interest of researchers, activists and social movements questioning capitalist economic dogma and exploring alternatives and the new wave of grassroots economic organizing taking place among the working class.

Diverse economy

Solidarity economics' emphasis on the existence of other economies resonates the diverse economy discourse of two feminist economic geographers whose joint authorial personality is J.K. Gibson-Graham in *The End of Capitalism (As We Knew It)* and *A Postcapitalist Politics*. For Gibson-Graham (2007, 20), a rereading of the economic landscape calls for the destabilization of capitalocentrism, "the hegemonic representation of all economic activities in terms of their relationship to capitalism—as the same as, the opposite of, a complement to, or contained within capitalism." This they do through a number of theoretical strategies: (a) deconstruction of familiar economic representations, (b) production of different representations of economic identity, and (c) development of different narratives of economic development.

Figure 3 represents Gibson-Graham's conceptualization of a diverse economy.

**Figure 3 A diverse economy**

**A Diverse Economy**

| *Transactions* | *Labor* | *Organizational Form* |
|---|---|---|
| **MARKET** | **WAGE** | **CAPITALIST** |
| ***ALTERNATIVE MARKET***<br>*Local trading systems*<br>*Alternative currencies*<br>*Underground market**<br>*Co-op exchange*<br>*Barter* | ***ALTERNATIVE PAID***<br>*Cooperative*<br>*Self-employed*<br>*Indentured**<br>*In kind* | ***ALTERNATIVE CAPITALIST***<br>*Environmental ethic*<br>*Social ethic*<br>*State enterprise*<br>*Non-profit* |
| ***NON-MARKET***<br>*Household flows*<br>*Gifts*<br>*Indigenous exchange*<br>*Theft** | ***UNPAID***<br>*Volunteer*<br>*Housework*<br>*Family care* | ***NON-CAPITALIST***<br>*Communal*<br>*Independent*<br>*Feudal**<br>*Slave** |

**The shaded area represents activities (excluding those marked with *) that we might place in the 'community economy' (see below).**

**Note also that the table is designed to be read as columns rather than rows—non-capitalist enterprises participate in markets, for example, and volunteers may work in the capitalist sector.**

Source: J. K. Gibson-Graham. "A Diverse Economy: Rethinking Economy and Economic Representation."(http://www.cscs.res.in/dataarchive/textfiles/textfile.2007-11-30.8168238051/file), 2007, 5.

Gibson-Graham and their colleagues at the Community Economies Collective (2001, 97) argue that locating non-capitalist activities and seeing them as prevalent and sustaining may provide more possibilities of participation in their creation. Representation is powerful and that visibility (or social recognition) as a project has transformative force: "Part of fostering a different economy involves cultivating *a language of economic difference*, within which alternative economic projects can be conceived, and through which alternative economic subjects can be validated and come to self-recognition." Thus an alternative discourse of economy (discourse of diverse economy) requires the transformative and energizing force of language and recognition: "*language is the principal ingredient and major product of our conversational adventures*. Without a language in which to identify and name different economic practices, we are at a loss when describing or performing non-capitalist activity, trying to carve out a discursive space for it (Community Economics Collective 2001, 128). A "politics of representation" is a requisite for a different society and economy."

*b. Towards a `new' socialist alternative?*

Nearly three decades of crises coming one after another has ignited circumspection and debate within the Left to rekindle the socialist project, build post-neoliberal scenarios, and develop policy frameworks toward an alternative development model beyond the capitalist canon.

In recent literature, there is growing emphasis on transformation at the level of the state.

States, to begin with, are the authors and mediators of neoliberal globalization. Contrary to globalization theorists, Panitch (1994) does not believe globalization has diminished the role of the state. States have become "authors of a regime which defines and guarantees, through international treaties with constitutional effect, the global and domestic rights of capital" (Panitch 1994, 64). Echoing Poulantzas (1974) thesis on the role of the state in the international reproduction of capital, Panitch stresses that "The concentration of power by transnational capital did not take power away from the state;" (1994, 66) rather, "the state intervenes precisely in this very concentration" (Poulantzas 1974, 70-88; cited in Panitch 1994, 66-67). He argues further that "the role of the states remains one not only of internalizing but also of mediating adherence to the untrammeled logic of international capitalist competition within its own domain, even if only to ensure that it can effectively meet its commitments to act globally by policing the new world order on the local terrain" (Panitch 1994, 71-72).

While not denying that international economic and trade agreements such as the NAFTA, Maastricht and the WTO agreements "have restricted the capacity of nation-states (or regions) to follow their own national (or local) development models," Albo (2004, 132) argues that these "limits on state policy are to a significant extent self-imposed."

In light of these discussions, Panitch (2004, 86-87) stresses the centrality of the state as "the political source of capitalist power, globally and locally: the state's guarantee of control of the major means of production, distribution, communication and exchange by private, inherently undemocratic banks and corporations," in posing an alternative to neoliberal globalization. Because the "international constitutionalization of neoliberalism has taken place through the agency of states…there is no prospect whatsoever of getting to a *somewhere else*, inspired by a vision of egalitarian, democratic and cooperative world order beyond global competitiveness, that does not entail a fundamental struggle with domestic as well as global capitalists over the transformation of the state" (87).

In this regard, Panitch (2004, 87) points to the necessity of a reorientation of strategic discussions on the Left "towards the transformation of the state rather than towards transcending the state or trying to fashion a progressive competitive state."

> The first requirement of strategic clarification on the Left must be the recognition that it must seek the transformation of the material and ideological capacities of states so that they can serve to realize popular, egalitarian and democratic goals and purposes. This does *not* mean attempting to take the state as it is precisely organized and structured and trying to impose controls over capital with these inappropriate instruments. Nor does it mean trying to coordinate such controls internationally while resting on the same state structures. The point must be to restructure the hierarchy of state apparatuses and reorganise their *modus operandi* so as to develop radically different material and ideological capacities. ( 88)

Clearly, understanding and analyzing the state agency becomes imperative for initiating and sustaining social transformation. According to Poulantzas (2000, 140), the capitalist "state apparatuses organize-unify the power bloc by permanently disorganizing-dividing the dominated classes, polarizing them towards the power bloc" in order to maintain the power bloc's long-term hegemony over the dominated classes. These state apparatuses comprise the executive and parliament, the army, the judiciary, various ministries, regional, municipal and central apparatuses, and the ideological apparatuses (i.e., the church, schools, etc). In this regard, the problematique on the accession of power by the masses and their political organizations "within a perspective of transition to socialism does not stop at the taking of state power: it must extend to the transformation of the state apparatuses. But such transformation always presupposes that state power has actually been taken" (138).

> …The formation of a Left government does not necessarily or automatically entail that the Left exercises real control over all, or even certain, state apparatuses. This is all the more so in that the state institutional structure allows the bourgeoisie to meet a popular accession to power by permutating the sites of real and formal power.
>
> …Even when a Left government really controls state branches and apparatuses, it does not necessarily control the one or ones which play the dominant role in the State and which therefore constitute the central pivot of real power…the organization of the bourgeois State allows it to function by successive dislocation and displacement through which the bourgeoisie's power may be removed from one apparatus to another: the State is not a monolithic bloc, but a strategic field.
>
> …For each apparatus, including the state administration, the army or the police, is organized around a centre whose effective power is not located at the summit of the hierarchy as it appears on the arena of public office. What are involved here are…nodes and focuses of real power located at strategic points of the various state branches and apparatuses. (138-139)

It is in this context that Panitch (1994, 88) insists on "relocating power to the benefit of progressive social forces." Corollary, it is equally critical to disempower the spaces which the dominant power bloc or the bourgeoisie controls.

Relocating in the state the central terrain of struggle for a socialist project, thus, highlights the writings of the socialist Left on alternative development visions, policies and strategies.

Motivating vision of a socialist project

For Panitch and Gindin (2000), the `motivating vision' of a socialist project should incorporate utopian sensibility with capacity-building. This vision must encompass at least the following ten dimensions (Panitch and Gindin 2000, 22-24):

1. *Overcoming alienation.* This is not a matter of escaping work in order to fulfill our lives but rather transforming the nature of work as well as giving people outside of the world of work 'the possibility of developing interests and autonomous activities, including productive activities' so that they are no longer 'passive consumers of amusements.'
2. *Attenuating the division of labor*. The principle at the heart of the socialist project – the potential of each of us to become full human beings – cannot be achieved in the context of hierarchical structures 'that obstruct participation or deny equitable access of all workers to equal opportunities for fulfillment and influence.' Because this won't be easy socialists are obliged to begin this process in their own parties, unions, movements, NGO's, offices, plants, universities, etc.
3. *Transforming consumption*. Socialists must recognize that any 'transformation of the relations of production and the organization of work would be conditional to a number of other, equally dramatic, changes of lifestyle and mode of consuming.' This is not only a matter of ecological sanity but of connecting consumers to the decisions about what is produced, the development of capacities for diverse enjoyments rather than the consumption of homogenized commodities, and the expansion of accessible and generally more egalitarian spheres of public and collective consumption.
4. *Alternative ways of living*. The household as a space where glimpses of socialist capacities are afforded suggests that experiments with more communal forms of living that have the potential of extending 'intense, affectional bonds' to a broader supportive community beyond the nuclear family and other forms of household relations can provide 'a compelling point of entry for a prefigurative politics which proposes new kinds of sharing relationships and new kinds of public places.'
5. *Socializing markets*. Bringing decisions about capital allocation into the democratic public sphere, alongside transformations in modes of consumption and ways of living, allows us 'to envision ways of reclaiming and transforming markets and money, so that they become means of facilitating mutually beneficial exchange based on a mutually beneficial division of labor in an economy with an egalitarian distribution of economic power.' Only these kinds of markets and social relations will allows us to escape the steel bonds of competition that entrap so much of what passes for utopian thinking today.
6. *Planning ecologically.* The socialist project means developing the capacities within each state for the democratic allocation of time and resources and the quantitative and qualitative balance between production and consumption. The goal is to 'maximize the capacity of different national collectivities democratically to choose alternate development paths...that do not impose externalities (such

as environmental damage) on other countries, by re-embedding financial capital and production relations from global to national and local economic spaces.'

7. *Internationalizing equality.* Envisioning this type of planning at the national level means developing international alliances and, eventually, an international system that facilitates rather than undermines these efforts. In turn, developing the consciousness and capacities that allows for the building of egalitarian social relations within states must include a growing commitment to a solidaristic transfer of resources from rich to poor countries and facilitating the latter's economic development via common struggles to transcend the geopolitical barriers to the development of socialist capacities. This not only means recognizing the existence of contemporary imperialism but coming to terms with the 'geographical conditions and diversities' of working class existence and learning how to 'arbitrate and translate' between these diversities and spatial scales in reviving socialist politics.
8. *Communicating democratically.* Socialists need to give priority to developing a vision and strategy for a diverse, pluralist communications media in place of the commodified market-driven media today, so as to allow for the capacities for intelligent collective dialogue to grow as well as to nurture the capacities for rich cultural development. 'For a renewed collective debate about the fundamental principles of social organization to be possible, and for a new socialist project to be articulated and get a hearing, a new media order is needed.'
9. *Realizing democracy.* The whole point of a socialist project conceived in terms of developing individual and collective capacities is make the deepening and extension of democracy viable. This entails a serious commitment to conceiving and trying to establish the types of representation and administration that contribute to breaking down the organizationally reinforced distinctions between managers and workers, politicians and citizens, leaders and led, and to overcoming the barriers that separate what we are from what we might become.
10. *Omnia sint communia.* Progressive intellectuals in our time have devoted enormous energy to trying to get around what was obvious to many pre-Marxist utopians, that is, that you simply cannot have private property in the means of production, finance, exchange and communication and at the same time have an unalienated, socially just and democratic social order; and that you cannot begin to approach a utopia on the basis of acquisitive and competitive drive. There is no way of rekindling socialist imagination so long as this basic principle is obscured, not least because doing so avoids all the difficult questions about making democratic collectivist capacities into real potentialities.

For Panitch and Gindin (2000), building capacities and finding the organizational means to accumulate the capacities to develop an alternative to capitalism are key to realizing `concrete utopias.' These capacities are developed in the concrete popular struggles of people around the world to assert their humanity.

A socialist economic policy

Albo (2004, 132) meanwhile specifically proposes a socialist economic policy, which he defined as "the development of democratic capacities for control of the transformation of economic structures towards egalitarian ecologically-sustainable reproduction." This socialist economic policy is oriented towards market disengagement and market control and democratic planning and coordination. It recognizes alternative development models, "that there are variable ways of organizing economic and ecological relations, and of managing the external relations between diverse models," and redefines full employment "in relation to the maximization of voluntary participation of the adult population in a socially-useful paid work at full-time hours for solidaristic wages" (134-135). At the core of this policy is full employment.

Albo (2004, 135-143) outlines the following 10 key principles of socialist economic policy which he says should be seen as transitional and as "a strategy to move in the direction of full employment and alternate development models."

(1) Inward-oriented economic strategies will be necessary to allow a diversity of development paths and employment stability.

(2) Financial capital must be subjected to democratic controls on debt payment and capital mobility.

(3) Macroeconomic balance requires not only aggregate demand management but also new forms of investment planning and collective bargaining norms.

(4) Reducing unemployment will entail both less work and a redistribution of work.

(5) A `politics of time' should extend beyond setting standard hours to consider reallocation of work-time and free-time.

(6) Productivity gains in the labor process should be negotiated against the requalification of work. [Here Albo focuses on training for long-term, broad skills; theoretical as well as practical knowledge; and skills that extend worker autonomy over the labor process. Lifetime education should be the goal.]

(7) The requalification of work should be linked to quality production within a quality-intensive growth model. [This model encourages workers' skills and capacities, incorporates resource-saving and durable production techniques, and produces free time, collective services and quality products.]

(8) Decline in work-time should allow for the administration of workplace democracy.

(9) Local planning capacities will be central to sustaining diverse development of full employment. [Albo points to decentralized popular planning in self-managed community services.]

(10) Socialist economic policy should encompass new forms of democratic administration. [For example, a national employment policy allowing decentralization of decision-making at local boards and providing local communities more active role in establishing production, employment and training priorities.]

Participatory economics

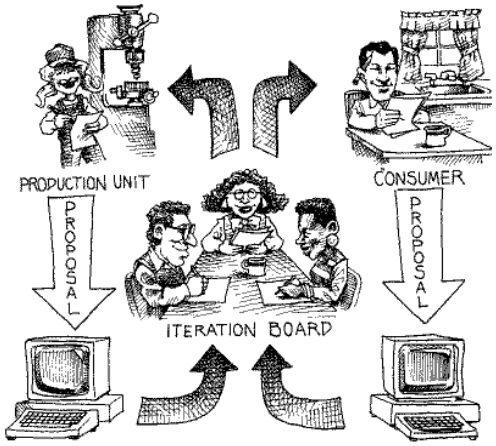
The collapse of the Soviet and Eastern European states in 1989 literally buried socialism's reputation as an ideological alternative to capitalism. Even to this day, it is hard to `sell' socialism as an acceptable and viable alternative to capitalism. Yet, it can be argued that socialist values such as egalitarianism and participatory democracy never even characterized any of the former socialist states. Albert and Hahnel (1991) note that the original socialist vision has never been tried, not because it is impossible but owing to the absence of a coherent theoretical model of how such a system could work. Recognizing the weakness of the original socialist vision, they developed a new economic model they called participatory economics (ParEcon).

According to Albert (2009, 5-7), ParEcon is built on four institutional commitments.

> First, in ParEcon people participate in economic life via nested workers and consumers councils that repeatedly arise whenever people seek to control their own economies, as most recently in Argentina. The added feature of ParEcon's councils is a commitment to self managed decision making…
>
> Second, remuneration in a ParEcon is for effort and sacrifice, not for output or bargaining power.
>
> Third, participatory economics needs a new division of labor. If a new economy were to remove private profit, utilize self managing councils, and remunerate effort and sacrifice, but were to simultaneously retain the current corporate division of labor, its commitments would be inconsistent.
>
> Finally, what if we have lots of workplaces and communities that are all committed to having workers and consumers councils, to using self managed decision making procedures, to having balanced job complexes, and to remunerating for effort and sacrifice, but, in addition to these features, we opt for central planning or for markets for allocation? Would this constitute a new and worthy vision?

ParEcon rules out markets and central planning and instead focuses on participatory planning through worker and consumer councils. Private property is, thus, removed, along with private ownership of the means of production. Albert (2009) illustrates in Figure 4 how the process of participatory planning is carried out in a participatory economy.

**Figure 4 Participatory planning in ParEcon**




Source: Michael Albert, "Life After Capitalism – And Now Too," In *Post-Capitalist Alternatives: New Perspectives on Economic Democracy*, ed. Ethan Miller and Michael Albert (London: Ontario: Socialist Renewal Publishing Project, 2009), 9.

According to Figure 4, "Worker and consumer councils propose their work activities and consumption preferences in light of best available and constantly updated knowledge of true valuations of the full social benefits and costs of their choices. Councils engage in a back and forth cooperative communication of mutually informed preferences" (Albert 2009, 8).

ParEcon advocates a classless division of labor and proposes a new institutional feature called "balanced job complexes." This means "jobs would be systematically redesigned throughout the economy...what we do is we redesign jobs so that they are balanced between skill and design work on the one hand, and the doing of the physical work, the less desirable or less empowering work." In ParEcon, says Wetzel (2003), there is systematic change in the education system to democratize access to expertise and information and training—a system that is integrated within the production system itself.

Participatory Economics also proposes an alternative consumption principle, for those who are able to work based on the principle "*to each according to his work effort or sacrifice*." The idea behind the principle is that one's effort or sacrifice is really the only thing that is under the voluntary control of each person, and thus, the only equitable way to determine consumption shares. Once jobs are "balanced," as proposed by Participatory Economics, the level of sacrifice or effort required by jobs will tend to be similar, so size of consumption shares, based on work, would tend to be equalized, and consumption differences would be mainly determined by how much each person chose to work, and perhaps modified by considerations of need as determined by a particular community.

Worker-controlled factories such as Inveval in Carrizal, Miranda state, in Venezuela are starting to flourish. Formerly known as Constructora Nacional de Válvulas (CNV) upon its expropriation in 2005, the valve factory is slowly moving toward a

socialist factory model that incorporates many features of participatory economics. Inveval is among the case studies analyzed in chapter 3.

Socialism for the 21st century

Venezuela under Hugo Chavez arguably typifies the so-called humanist participatory socialism of the 21st century. Lebowitz calls contemporary Venezuela under Chavez a living alternative to neoliberalism, imperialism and capitalism. In *Build It Now: Socialism for the 21st Century*, Lebowitz argues that Chavez embarked on transforming Venezuela into a socialist society through his Bolivarian Revolution. Chavez, he says, envisions a democratic, participatory socialism for contemporary Venezuela with strong emphasis on workers' self-management and local democracy. For Lebowitz, socialism in the 21st century puts primacy on human needs and human development; the goal is the full development of human potential (Lebowitz 2000).

Although Venezuela is still a capitalist country, Lebowitz argues that since his first election to the Presidency in 1998, Hugo Chavez has been slowly moving to implement a humanist socialist vision of a social economy based on solidarity. Some of the basic tenets of the Bolivarian Revolution are in fact embodied in the 1999 Constitution. It stresses that the goal of society must be the full development of every human being and that participation and protagonism is "the necessary way of achieving involvement to ensure their complete development, both individual and collective" (cited in Lebowitz 2010, par 3, lines 3-5). The Constitution also requires the state to protect and promote cooperatives.

Azzellini (2009) points out that initially the overall goal of the Chavez administration was a "humanistic and solidaristic economy," but since the end of 2005, it has been seen within the frame of socialist transformation as Venezuela moves on a declared path toward a so-called socialism of the twenty-first century. Azzelini is quick to emphasize that this so-called socialism of the 21st century "is not a defined concept, but a discussion of a project in development. Values such as democracy, participation and freedom are—in contrast to the implosion of state socialism and the failures of representative democracy—considered as central. Therefore, of central importance has been the democratization of the economy and the transfer of power to the base through the community councils (*Consejos Comunales*)" (171).

In 2007, President Chavez reinforced this vision of humanist participatory socialism by introducing what he called "the elementary triangle of socialism": social ownership of the means of production, social production organized by workers, and production for social needs and purposes, make up this triangle.

**Figure 5 The elementary triangle of socialism**


Source: Michael A. Lebowitz, "Socialism: the Goal, the Paths and the Compass," The Bullet E-Bulletin No. 315, February 20, 2010. (http://www.socialistproject.ca/bullet/315.php#continue)

Lebowitz (2010, par 4) describes the dynamics of the elementary triangle of socialism as follows:

> Firstly, social ownership of the means of production is the way to ensure that our communal, social productivity is directed to the free development of all rather than used to satisfy the private goals of capitalists, groups of producers, or state bureaucrats. Secondly, social production organized by workers permits workers to develop their capacities by combining thinking and doing in the workplace and, thus, to produce not only things but also themselves as self-conscious collective producers. Thirdly, satisfaction of social needs and purposes is the necessary goal of productive activity in the new society because it substitutes for the focus upon self-interest and selfishness an orientation to the needs of others and relations based upon solidarity.

Since 2001, the Chavez government passed several reforms: "to expropriate idle land and distribute it to peasants, to support cooperatives, to provide for microfinance, and to obtain greater revenues for the state from oil" (Lebowitz 2000; cited in Lindenfeld n.d., par 3, lines 4-5). It should be noted that petroleum comprises about 90% of Venezuela's total export income and funds many of Venezuela's social programs.

Although the 1999 Constitution explicitly promotes cooperatives as a mode of production and social relations, most of the new coops to date are small and scattered. According to Lebowitz, more than five percent of the labor force now works in cooperatives (Lindenfeld n.d., par 7, lines 1-2). Lindenfeld explains that although the government's expropriation policy of closed industrial plants aims to turn these plants over to their workers, the setting up of cooperatives has occurred in only several large plants. It remains uncertain whether even with government support the cooperative sector can expand to become the dominant form of production and exchange relation in Venezuela.

What fascinates Lebowitz about contemporary Venezuelan model of socialism (in the making) are: the attempt of the government to create a democratic and participatory economy through the creation of communal councils in urban and rural areas with some decision-making powers at the local level; and the development of co-management in state firms. Participatory economy in Venezuela is among the case studies included in Chapter 3. Lebowitz finds these two developments towards socialism encouraging and stresses the transformative power of these two processes. "Since people develop through their activity, protagonistic democracy in the community and workplace will change them, and over time, they become people who understand this particular partnership between workers and society that can build the new society" (Lebowitz 2000; cited in Lindenfeld, n.d., par 8, lines 4-5).

Lebowitz clarifies that "co-management in Venezuela is closer to the Yugoslav model of self- management than to the German co-management system which became a form of worker cooptation. Co-management here refers to democratic participation with an emphasis on balancing the self interests of workers with those of society as a whole" (cited in Lindenfeld n.d., par 9, lines 1-3).

Co-management in Venezuela differs from the Yugoslav model of self-management in that it avoids the latter's mistakes. The Yugoslav model, according to Lebowitz (2005, par 12, lines 6-8), was missing "a sense of solidarity with society as a whole, a sense of responsibility to and responsibility for society. Instead, the emphasis was upon self-orientation, selfishness."

> Co-management implies a particular kind of *partnership* -- a partnership between the workers of an enterprise and society. Thus, it stresses that enterprises do not belong to the workers alone -- they are meant to be operated in the interest of the *whole* society. In other words, co-management is not intended only to remove the self-interested capitalist, leaving in place self-interested workers; rather, it is *also* meant to change the purpose of productive activity. It means the effort to find ways *both* to allow for the development of the full potential of workers and also for every member of society, *all* working people, to be the beneficiaries of co-management. (par 13, lines 2-11)

Lebowitz (2005) recognizes the inevitability of difficulties and contradictions in introducing co-management in Venezuela. "The main danger in introducing any change in productive relations is that the old ideas and familiar patterns will penetrate into the new relations and make them simply new forms of the old. This is how new relations are deformed and discredited" (Lebowitz 2005, par 22). He therefore stresses that democratic discussion, persuasion, education, and the desire for unity will be important elements in the process of legitimizing co-management in Venezuela.

> We need to recognize that co-management is a *process*. It is a process of learning, and it is a process of development. The very idea that people develop through their activity (a central concept of Marx) should help us to understand that co-management will change people and that, over time, it will produce the people who understand this particular partnership between workers and society that can build the new society. That recognition will help us to be tolerant of the initial errors of others and self-critical of our own mistakes; and, that process of mutual respect is a condition for the success of co-management. (par 35)

This paper will not assess the ongoing process of transformation towards 21st century socialism in Venezuela. A paper by Azzellini (2001) already discusses the dilemma of cooperatives and co-management that have emerged in the country. While a number of entrepreneurs and managerial staff of state-owned enterprises consider co-management (congestion) within the logic of social partnership (mere democratization of capitalist social relations), unions, employees and parts of the state apparatus look at it as an interim step in the transformation process toward full worker control of companies in the future, and as part of building 21st century socialism. Azzellini (2001, 189) points out that:

> To date, no overall political approach regarding the recovered companies exists, or at least it is not visible in the form of concrete politics. Moreover, while from above—mainly by the president—a certain policy is set, in the various institutions, programs, and states, no uniform policy still exists. Frequently—as in the case of the EPS [Empresa de Producción Social, social production company]—there are even no generalized or homogenous criteria. Many institutions and their employees also seem to be more concerned with the production of quantitative statistics than experimenting with alternative economic and labor models of organization.
>
> At the same time, there are many successful initiatives that exist solely because of the scope of the measures in relation to the relatively short period of time they have been applied. There has also been a significant growth of independent initiatives from below that can be readily observed. The transformation process in Venezuela is still very open and flexible. As Chávez recognized publicly on January 28, 2007, and discussed during the months before by organized workers takeovers, it had been a mistake to turn the employees into partial owners of the factories by distributing shares through a cooperative. Given the experience with mixed ownership models, the state has started to promote the new model of Empresas Socialistas (Socialist companies), where the property is not distributed to the employees and the aim is not any longer a model with mixed ownership.

In December 2010, a critical reflection of the Bolivarian Revolution by some leaders of PSUV (United Socialist Party of Venezuela of which Chavez is also president) came out. The document, *A Proposal for the Present Emergency of the Bolivarian Revolution,* notes among other problems "the lack of collective leadership and the absence of debate and collective construction of proposals" (Lander 2011, par 6, lines 2-3). Instead of "opening up spaces of participation, places of debate, and plurality of initiatives by Venezuelan society," Lander observes "more hierarchical decision-making and a further concentration of power." In January 2011, a document entitled *Strategic Lines of Political Action of*

*the PSUV for 2011-2012* was presented by Chavez to the National Assembly of Socialists in Vargas state, where around 1,440 party leaders were present. The Assembly acknowledged internal party problems such as bureaucratization, opportunism and sectarianism (Pearson 2011). In outlining the party's strategic lines, some limitations or setbacks were recognized. For example, the reproduction in the party of the "capitalist culture" of political parties (i.e., becoming a member of a party by financially investing in it) has alienated the people supporting the Bolivarian revolution. To address this, the document emphasizes direct contact with the people.

Also, the *Strategic Lines* document recognizes that elections are an "end in themselves rather than a task within the struggle for radically democratizing society" and that "the aspirations of the militancy to achieve internal democracy, in some senses, have been frustrated by some members with leadership or government positions" (Pearson 2011, par 16, lines 5-6). In response, the Assembly called for the following: (1) conversion of the PSUV machinery into a party-movement at the service of the struggles of the people focusing on the importance of electoral mobilization, of ideological formation and coherency and synchronization of popular actions; (2) revision of the methods for selecting authorities and candidates; and (3) the establishment of a wide range of alliances with various forms of popular organizations.

## *3. Conclusion*

Contemporary discourses on alternatives to neoliberalism and capitalism provide an array of prescriptions such as adopting a developmental state model of capitalism, revitalizing social democracy under capitalism (Keynesian approaches, more market regulation), nurturing coexistence between capitalist and non-capitalist systems (mixed economy, solidarity economy, diverse economy, market socialism), assuming a gradualist approach to a socialist agenda, and breaking away completely from capitalism.

These responses to contemporary neoliberal capitalism may be classified into two types. The first type espouses an `egalitarian'-oriented and ecologically-sound model of capitalism. The other advocates either a gradual shift to a `new' socialist project or a dramatic break from capitalism.

There are points of convergence and divergence between these two major groups. In general, there is agreement on the following: (1) the destructive effects of neoliberalism (self-regulating markets), thus, the need for market control and regulation; (2) the enhanced regulatory role of the state; (3) (full) employment promotion; and (4) except for the participatory economy alternative, a recognition of the role of markets; for socialist-oriented advocates this entails a shift in the role of the market from a mechanism of capital accumulation to one of equitable redistribution.

These two major groups differ in that: (1) the first group's belief on the irreversibility of globalization runs counter to the second group's espousal of re-embedding `financial capital and production relations from global to national and local economic spaces'; (2) the first group focuses on export-orientation while the other group emphasizes inward- or domestic-oriented production and social relations; (3) one maintains the capitalist mode of production and division of labor, while the other advocates social ownership of the modes of production and egalitarian social relations; and (4) the first group's espousal of the capitalist doctrine of production for capital accumulation is anathema to the second group's emphasis on production for social needs and the total development of human potentials.

Within the socialist-oriented group there are also areas of convergence and divergence. The points of convergence include: (1) focus on principles and values of cooperation, solidarity, democracy, egalitarianism, mutuality, diversity, and respect; (2) inward-looking or domestic-oriented and ecologically-sustainable production; (2) emphasis on development of human potentials; (3) social or collective control of means of production (with workers' cooperatives or councils as the preferred institutional mode); (4) democratic and inclusive participation in political and economic decision-making in various if not all levels; (5) protection and social ownership of the commons; (5) redistributive role of the state; and (6) internationalizing equality through global-interconnectedness.

Within this group, there are disagreements on the following: (1) the role of the market as a redistributive mechanism vis-à-vis the total abolition of markets; (2) adoption of a mixed economy or diverse economy vis-à-vis the abolition of private property (full collective or social ownership of production); and (3) co-management of enterprises vis-à-vis self-management. Whether these alternatives will advocate a gradualist and pragmatic approach to an alternative to capitalism or a radical break from capitalism depends on the Left's proposition. But as De Sousa Santos and Rodriguez-Garavito (2006, lv) point out, "the success or failure of economic alternatives and transnational labor solidarity should be judged using gradualist and inclusive criteria." In other words, "projects should not be dismissed because they do not immediately present a radical break from capitalism" (Novelli 2008, 172).

In the succeeding chapters, we will discuss the transformative power of `alternative' struggles, projects and initiatives in the development of counter-consciousness and alternative/counter discourses, as well as in building capacities for envisioning and constructing alternatives to capitalism.

# 3. CHAPTER II. CONSCIOUSNESS, COUNTER-CONSCIOUSNESS AND CAPACITIES: ENABLING CONSTRUCTIONS OF ALTERNATIVES

## A. Introduction

"The economy haunts and constrains us as social beings – we find our life paths and visions of social possibility hemmed and hampered by its singular capitalist identity" (Gibson-Graham 2003, 58). In spite of this, people have continued to embark on initiatives which represent alternative forms of organizing production and social relations, and to imagine a world beyond capitalism. The process through which an individual becomes part of collective initiatives and struggles which challenge the logic of the capitalist system remains, however, rather unexplored. How do people on such initiatives? What transformative processes do they go through? How do these transformative processes relate to the way various initiatives develop?

These questions, we argue, are important to understand better processes of social change. We agree with Little (1991, 196) who along with a number of Marxists theorists believe that "macro-explanations need *micro-foundations*." Little (1991, 200) argues that "social explanations of macro-phenomena must be such that it is possible to indicate, at least schematically, the mechanisms at the level of local individual behavior through which the aggregate phenomena emerge." He says "if we take the micro-foundation approach seriously, it is important to identify individual-level motivational structures and forms of consciousness" (198). Following Little's approach on micro-foundations, as well as the Marxist principle that people progress through their activities (praxis), we attempt to bring together some of the main issues related to the concept of consciousness and its transformation.

## B. Consciousness and consciousness transformation

Understanding consciousness and processes of consciousness transformation has formed an important part of the work around social change. Marx sees consciousness as "a function or attribute of social systems of activity, drawing its content and structures (or forms) from the differentiated systemic links, and not restricted simply to the reflection of an object in the perception of a subject" (Mamardasvili 1986, 103). "It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness" argues Marx in *A Contribution to the Theory of Political Economy* (1859). As people change their circumstances they also transform themselves. This is the concept of revolutionary practice. Marx (1845, par 4) sees it as "the coincidence of

the changing of circumstances and of human activity or self-change." Marx stresses that "it is only through the process of experimentation undertaken by the masses that the move is made from the economic to the political through *circumstances and people themselves being changed simultaneously*. It is in this revolutionary practice that this process of the development of consciousness becomes entrenched. And it is through this that *the class in itself becomes the class for itself*" (Harnecker 2007, 59; Marx 1963).

Marx (1859) sees transformation of the social order (superstructure) as a factor of changes in the economic foundation (base). However, he distinguishes between the material transformation of the economic conditions of production and the ideological (legal, political, religious, artistic or philosophic) forms with which men become conscious of conflict and fight (Marx 1859). He maintains that transformative consciousness "must be explained from the contradictions of material life, from the conflict existing between the social forces of production and the relations of production" (par 7, lines 3-4). What Marx means by base and superstructure and how one determines or influences the transformation of the other has been highly debated and widely interpreted.

Gramsci, for one, argues against "a sharp separation between the sphere of economics (production of surplus value) and a sphere of politics (struggle for state power)" (Simon 1991, 28). Instead, he posits that social relations in civil society (the sphere of class and popular-democratic struggles and of the contest of hegemony) interpenetrate with relations of production. This of course has its implications in terms of social transformations. Simon notes that "although *Prisoner Notebooks* contains many references to base and superstructure, this is in effect replaced in Gramsci's thought by his concept of *historical bloc* to indicate the way in which a hegemonic class combines the leadership of a bloc of social forces in civil society with its leadership in the sphere of production" (Simon 1991, 84). For Gramsci, "the task of creating a new hegemony, in opposition to that of capitalist class, can only be achieved by means of transformation of popular consciousness, of people's ways of thinking and feeling, of their 'conceptions of the world', and of their standards of moral conduct" (Simon 1991, 26). Gramsci uses the term *common sense* to describe the general perception that every human being carries about the world. The concept is rather broad and is often "confused and contradictory, containing ideas absorbed from a variety of sources, which tend to make and accept inequality and oppression as natural and unchangeable" (Simon 1991, 26). But common sense for Gramsci also contains positive elements such as people's practical activity and their resistance to oppression, making it a space in which the dominant ideology is not only constructed but contested. Gramsci sees here the enormous potential for transformation of common sense nurturing the nucleus of contestation "into a new, coherent, socialist common sense" (Simon 1991, 27).

Following Marx and Gramsci, Freire talks of conscientization or critical consciousness, "as the ability to analyze, problematize (pose questions), and affect the sociopolitical, economic, and cultural realities that shape our lives" (Pepi 2004, par 2, lines 2-3). In the same vein, Freire maintains that "we all inherit beliefs, values, and thus ideologies that need to be critically understood and transformed if necessary" (par 2, lines 6-7). For such transformation to happen, Freire suggests praxis and dialogue: praxis referring "to the ongoing relationship between theoretical understanding and critique of society and action that seeks to transform individuals and their environments" (Pepi 2004, par 2, lines 8-10). He points to Freire's argument that "people cannot change a given situation simply through awareness or the best of intentions, or through unguided action" but "we, as active subjects, must continuously move from action to reflection and from reflection upon action to a new action" (par 2, lines 10-13).

Constantino's *Neocolonial Identity and Counter-Consciousness*, argues along the lines of Gramsci. For Costantino (1978, 31), consciousness "is the manner by which a society in its development explains the world and views itself. But more than that, it is the recognition of the changing nature of social forms therefore it is an awareness of the necessity for basic and hence revolutionary change." Reviewing the work of Constantino, Haji (1979, 217) sees the journey to consciousness involving "a long and cumulative process" beginning in "counter-consciousness…the reaction against the prevailing consciousness and becomes consciousness when it triumphs" (Constantino 1978, 32). Haji (1979) argues that consciousness is not merely abstract or metaphysical, but a material force. As it undergoes changes in conformity with the changing social base (or the mode of production), "consciousness as an impediment in the realm of the spirit is compounded by consciousness as a material force." As such, "changes in the material base are delayed by the weight of consciousness itself, as consciousness is imprisoned by the relatively unchanging base" (Constantino 1978, 32).

Like Gramsci, Constantino suggests a complex structure of consciousness. Although it has as its main characteristic a "dynamic force for change," consciousness carries with it a 'conservative bloc' which clings on to the existing dominant material base and the dominating ideology. This seems to be reinforced by the very definition of the concept of 'consciousness' which is at the same time the interpretation that society attaches to the world and to itself--the current consciousness that also has the potential for revolutionary change.

Counter-consciousness is thus `retrieving' the consciousness that breaks away from the `imprisoning logic of capitalism.' We are specifically interested in the process of counter-consciousness--the change in the internal balance of different constituting blocs of consciousness in favor of consciousness as a revolutionary force. Constantino sees counter-consciousness as the start of a long and cumulative process of building the (transformative) consciousness. Gramsci also argues for developing this positive site of the common sense.

How does the process of 'retrieving' take place? Which conditions or elements facilitate such process? Constantino's observations offer some hints. He first argues about the importance of context. He sees counter-consciousness as emanating "from the matrix of present consciousness, and it must be a response to local conditions and local needs" (Constantino 1978, 278). It is not possible, according to Constantino, to import a ready-made counter-consciousness. It may even be dangerous to do so. He argues that "while it is true that material conditions and the activism necessary to change them will inevitably call forth a counter-consciousness, it is likewise true that the quality of this counter-consciousness will also depend on the level of intellectualization of those who think for and on behalf of the forces for change" (1978, 278).

The concept of consciousness appears frequently in literature on social transformation but at times referred to differently. Gibson-Graham's *An Ethics of the Local* is particularly concerned with processes of transformation at the individual level. Echoing Connolly (1999, 46), they introduce the concept of 'politics of becoming' as "a process through which we would not only begin to envision other worlds, but also cultivate ourselves and others as possible inhabitants." Without this active `politics of becoming,' Connolly warns the potential to cultivate ourselves "can easily become reintegrated into old discourses…rather than directed toward new ways of being" (Gibson-Graham 2006, 51). Embarking in a project of transformation from "local economic *subjects*, who are acted upon and subsumed by the global economy" into "subjects with economic *capacities*, who enact and create a diverse economy through daily practices both habitual (and thus unconscious) and consciously intentional," Gibson-Graham (2003, 55) brings up important questions. They see self-transformation in the domain of economy closely related/dependent on the existence and visibility of other relations (outside the capitalist framework). They point to Connolly's conceptualization of the subject "as a being that is already shaped and as one that is always (and sometimes deliberately) becoming" as of great importance in the process of "active self-transformation" (57). For Connolly, this self-transformation "functions as a micropolitical process that makes macropolitical settlements possible" (57). The contention is that "if the economy is a domain of historicity and contingency, other economies can be produced, and producing them is a project of politics" (71). For Gibson-Graham "this suggests that we could move beyond capitalism and the economic politics of opposition 'within' it" (71) and that these other economies open new spaces for micro-political processes of self-transformation, and in turn, allow changes at the macro-level. As Lebowitz (2008; cited in Harnecker 2008, 61) points out "even though the needs that they attempt to satisfy do not in themselves go beyond capital, the very process of struggle is one of producing new people, of transforming them into people with a new conception of themselves – as subjects capable of altering their world."

Gibson-Graham (2007, 2) argues about a diverse economy to address `capitalocentrism'–"the hegemonic representation of all economic activities in terms of their relationship to capitalism—as the same as, the opposite of, a complement to or contained within capitalism." Recognizing the fact that many people are involved in other forms of economy intentionally or not, Gibson-Graham contends that "our non-capitalist economic identity as such is not brought into language and visibility and our desires for non-capitalism are not kindled" (7). In this regard, they emphasize the transformative and energizing force of *a language of economic difference*, within which alternative economic projects can be conceived, and through which alternative economic subjects can be validated and come to self-recognition." Moreover, visibility or social recognition of non-capitalist economic identities is the first major step towards a process of becoming--of being actively involved in creating non-capitalist practices.

Hence, counter-consciousness expressed in framing processes must create material bases--here to mean concrete alternatives--that challenge the predominant captive consciousness shaped by capitalism and its institutions. These material bases and the processes of building them may well fit into what Panitch and Gindin (2000, 6) have in mind in explaining Bloch's concept of `concrete utopias':

> And what is especially important is that conceiving freedom and justice on the terrain of capacities leads beyond mere dreaming: it links the ideal to the possibility of change and so to what is politically achievable. This is what Bloch meant by 'concrete utopias' which, always operating on the level of 'possibility as capacity,' incorporate the objective contradictions that create an opening for socialist goals ('capability-of-being-done'), the subjective element of agency ('capability-of-doing-other'), and therefore the possibility of changing ourselves and the world ('capability-of-becoming-other').

For Panitch and Gindin, building capacities and finding the organizational means to accumulate the capacities to develop an alternative to capitalism are key to realizing `concrete utopias.'

Our analysis of consciousness and related concepts raises a number of important points to consider in the process of consciousness transformation. Our interest is on that stage when consciousness transforms into counter-consciousness and becomes transformative consciousness. What happens when the balance tilts towards 'the coherent common sense' has been addressed to some extent by literature we reviewed for this research. Admittedly, however, the shift of balance is not only a complex, non-linear process, but is also context specific.

Consciousness is not merely an individual action of meditation but a process 'helped' and 'supported' by the practice of acting collectively. Indeed, as Webster et al. (2008, 9) put it, "while global restructuring undermines agency through demoralization and depression, creating a sense of worthlessness and a corresponding lack of capacity, participation in movements transforms these self-destructive feelings, generating empowerment, creativity and determination to

resist." Harvey (2000; cited in Webster et al. 2008, 9) echoes this argument, adding that the key to psychological transformation is courage "spawned by the spirit of movement, since genuinely democratic movements assert the innate value and creativity of persons, liberating the victims of restructuring from the dungeon of their commodity status." The transformative consciousness should then be conceptualized as a product of collective struggle, of people actively changing their circumstances (what Marx calls `self-change') and who see themselves as the very object of transformation.

The possibility of 'other' economies should provide a space for 'retrieving' counter-consciousness and developing a 'coherent common sense.' The quality of counter-consciousness is partly conditioned on having an `independent change agenda' or vision for social transformation (the contribution of intellectuals). The process of counter-consciousness is multi-dimensional, adopts empowerment as framework, is honed by discovering and developing new capacities, and shaped by non-capitalist practices.

We close this chapter by arguing that the trade union movement and the broader labor movement have an enormous potential in the process of social transformation. Their organizational power offers promise for developing counter-consciousness and empowering people, building capacities, and accumulating those capacities to develop alternatives to capitalism. In engaging the capitalist system, therefore, it is not enough to just negotiate for better working conditions, it is also important to find ways to develop and strengthen the framework of alternative economies. Capitalism per se is not the 'economy.' Alternative economies (people's economies) based on human needs and relationships instead of competition and profit-making, are at the center of many non-capitalist micro-economies. Forms of solidarity economy built on the principles and values of cooperation, equality, self-determination and democracy already exist and are taking shape in many parts of the world.

These forms include household economies, barter economies, collective economies including cooperatives, worker-controlled economies, subsistence market economies, community budgeting, community-based local currency exchange system, and ethical trading, among others.

In the following chapter, we analyze the transformative power of some of these alternative economies and production systems and alternative politics.

# 4. CHAPTER III. CONSTRUCTS, SEEDBEDS, ISLANDS AND IMAGES OF ALTERNATIVE ECONOMIES

*How do various forms of people's solidarity economies and worker/people-centered production systems become spaces or provide spaces for the development of counter-consciousness, concomitantly build capacities for the development of economies beyond the capitalist logic, and ultimately become alternatives to capitalism?*

This chapter reviews and analyses several case studies on alternative economies at the micro level as well as state-led initiatives on citizen democratic participation. There were difficulties gathering good published case studies. Many of the case studies culled initially lacked the following critical elements and discussions we identified as necessary in the analysis of the transformative power of `alternative' forms of economies:

- politico-economic and historical context
- motivations, goals and objectives
- actors involved (coverage of target beneficiaries, membership)
- structures and processes
- programs and strategies
    - Development of counter-consciousness
- impact and outcomes
    - On target beneficiaries
    - On the community
    - On the economy
- indicators of success and failure (and the framing process)
    - facilitating and constraining factors
- impact: critical factors in the development of counter-consciousness
- prospects
    - lessons learned
    - viability and sustainability issues

Out of 40 case studies we gathered, 13 meet these critical aspects. Perhaps many good social experiments on alternative systems and approaches in various parts of the world have yet to be documented and studied. The dearth in published case studies, however, should in no way imply that alternative schemes are lacking.

The 13 case studies involve worker-run and managed factories in Venezuela (3), Argentina (2) and India (1); a general union of agro-livestock cooperatives in Mozambique; a wastepickers' cooperative organized by SEWA in India; recycling and micro-credit cooperatives in Brazil; a micro-finance women's cooperative for home-based and informal workers in the Philippines; a community partnering

project in Australia; participatory budgeting in Brazil; and a social economy project in Quebec, Canada.

In our analysis, we sought to answer the following questions:

1. How is alternative or counter-consciousness developed and shaped in various forms of peoples' economies, solidarity-based schemes and democratic projects?
    a. How is counter-consciousness translated into the organization's framing process (identity and purpose and interpretation of the external threats and opportunities), policies, structures, organizational processes and strategies, and outputs?
2. How do various forms of alternative economies, alternative production systems and democratic projects facilitate and/or constrain the development of an alternative or counter discourse to capitalism?
3. How do various forms of alternative economies and democratic projects facilitate and/or constrain the development of capacities to construct concrete alternatives?
4. Have trade unions and other workers' and peoples' organizations and social movements (agencies) been successful in building capacities to concretize alternatives?
    a. How? What are the indicators of success?
5. Which factors facilitate and/or constrain the capacity of these agencies to build capacities for constructing alternatives?
6. What have been the outcomes of these alternative initiatives? Have the goals been achieved?
    a. What are the indicators of success?
    b. What have the initiatives/alternatives delivered?
7. What factors significantly made the initiatives (more) successful?
8. What is the transformational and sustainability potential of the initiatives?
9. What has been the outcome and impact of the alternative initiatives on the following:
    a. Beneficiaries' economic situation
    b. Beneficiaries' political orientation
    c. Organizational identity and purpose
    d. Organizational structures and processes
    e. Capacities developed to sustain initiatives

This chapter intends to complement the literature reviewed in the preceding chapter with respect to alternative systems and processes. It will not go into the details of the selected case studies, something that the literature has adequately addressed. Instead, an analysis of these cases through the abovementioned metrics and questions is offered. We then draw generalizations based on the

literature tackled previously. Those who intend to do further research may well look into the most recent case studies on alternative forms of economic arrangements, solidarity-based projects and alternative production systems.

A similar research was undertaken by Boaventura de Sousa Santos and colleagues (2006) previously. Their *Volume II: Another Production is Possible: Beyond the Capitalist Canon* reviewed literature on alternative production systems, cooperatives, alternative development, and ecological alternatives to development, paying attention to the gap between what is written and what actually exists. Their analysis offers eight theses (xlviii-lviii).

1. *Production alternatives are not only economic: their emancipatory potential and their possibilities for success depend to a great extent on the integration of economic transformation processes and cultural, social, and political processes.*
2. *Collaboration and mutual support networks of cooperatives, unions, NGOs, state agencies and social movement organizations are key to the success of production alternatives*…One of the most important factors in the creation, survival, and growth of production alternatives is the existence of a broader social movement that helps create them and preserve their integrity.
3. *Struggles for alternative production and new forms of labor solidarity should be promoted both inside and outside the state.*
4. *Initiatives on alternative economic organization and labor solidarity have to operate simultaneously at different scales.*
5. *The deepening of participatory democracy and the advance of economic democracy are two sides of the same coin.*
6. *There is a strong connection between new struggles for alternative production and labor solidarity and struggles against patriarchy.*
7. *The success or failure of economic alternatives and transnational labor solidarity should be judged using gradualist and inclusive criteria.*
8. *Production alternatives and new forms of cross-border labor mobilization should seek synergy-based relationships with alternatives in other spheres of the economy.*

We paid attention to these observations in our own analysis of the case studies in this chapter.

Our main research question has three interrelated assumptions. First, we assume that alternative people's economies, alternative production systems, and state-initiated democratic participatory schemes have the potential to become spaces or mechanisms for the development of counter-consciousness (or, to borrow from Hickey [n.d.] `independent change agenda') that challenge the logic of capitalism. They are a product of peoples' struggle to survive and work with dignity. Second, we regard these spaces, projects, and initiatives as a reflection or `materialization' of an alternative discourse (and practice) to capitalism. They are among the organizational means to build and accumulate capacities to develop and sustain alternatives. Finally, these projects, schemes and initiatives are both a

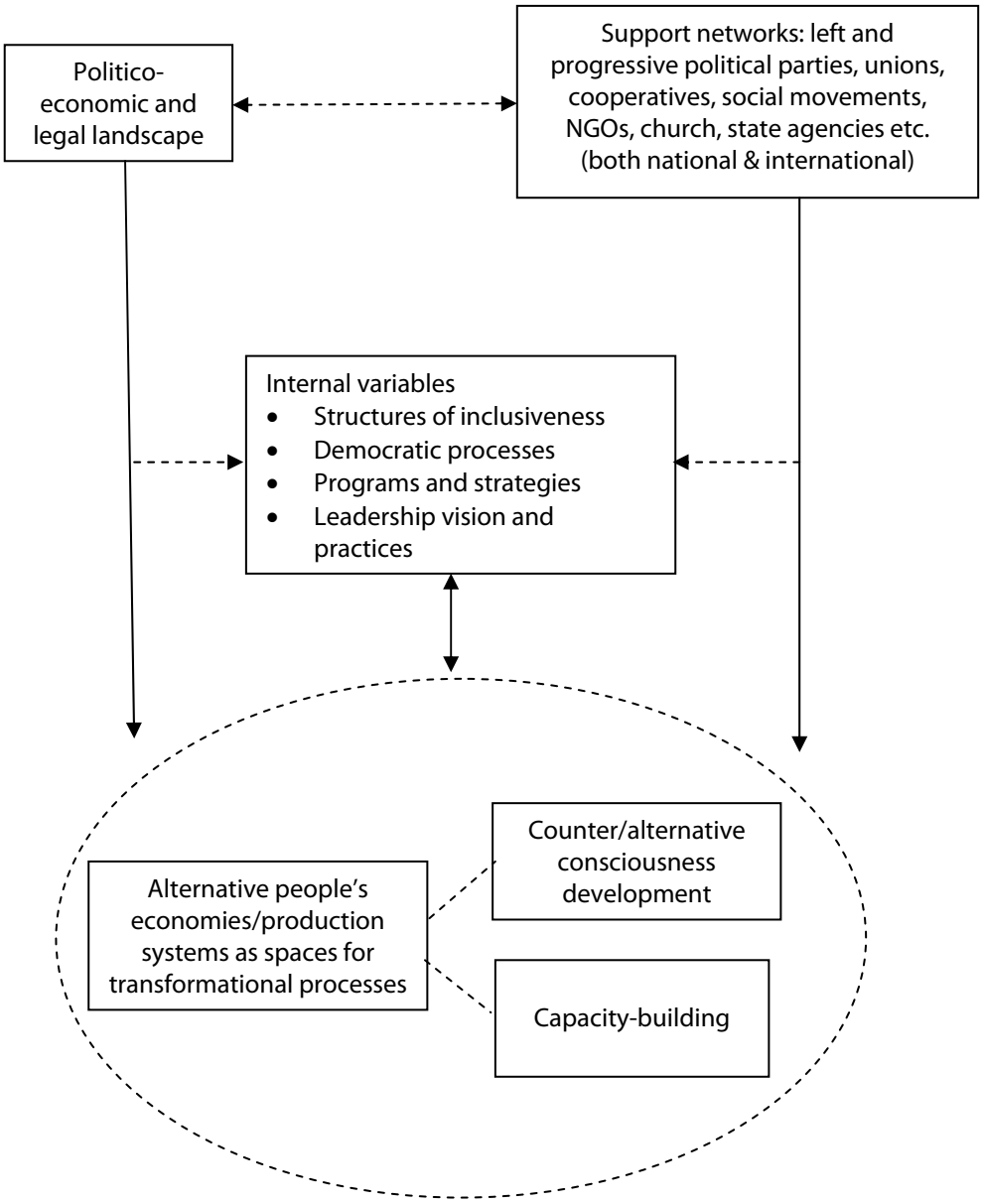
consequence and determinant of an emerging counter (alternative) consciousness toward an independent change or transformative agenda. As such they provide essential insights on a new language of struggle.

Figure 6 is our analytical framework for the case studies. We regard various forms of people's solidarity economies and worker/people-centered democratic production and economic planning systems as spaces, mechanisms or seedbeds for constructing alternatives to capitalism. These spaces provide opportunities or chances for the development of alternative or counter-consciousness that challenge the logic of capitalism (or at least of neoliberalism) and empower people to act. These spaces, projects and initiatives also serve as reflections or `materialization' of an alternative or counter-discourse (and practice) to capitalism. We put emphasis on the transformative potential of these projects.

There are two sets of variables that affect the transformative power of these initiatives. Depending on the context, these variables may either constrain or facilitate transformative power. The two major external variables are: a) the politico-economic and legal landscape, and b) the existence (or absence) and the extent of support by solidarity networks such as the Left and other progressive groups, unions, cooperatives, social movements, church, and state agencies. The politico-economic and legal landscape, of course, may well have an effect not only on the existence of solidarity networks but on their scope and extent of operation.

A number of internal variables also affect the transformative power of alternative people's economies and production systems. These variables include structures (degree of inclusiveness), processes (internal democracy), programs and strategies, and leadership. The dynamics of these internal variables may either facilitate or inhibit transformational processes in these spaces. Also, these internal variables may be influenced by the two external variables. For example, a law that allows for broader membership coverage of cooperatives expands the inclusive dimension of cooperative structures. Another would be a law or regulation that encourages involvement by citizens in budget planning at each level of the political structure. Support networks like non-government organizations, meanwhile, apart from providing financial support, may provide leadership and organizational development training for members and/or beneficiaries and potential leaders that could help in embedding inclusiveness and internal democracy within the organization.

**Figure 6 The analytical framework**



## A. On worker-run factories/cooperatives

We selected six case studies on worker-run factories. Three of these are on joint cooperatives under co-management schemes (51% state-owned and 49% worker-owned) in strategic state enterprises in Venezuela: Alcasa, an aluminum manufacturing enterprise (Azzellini 2009); Invepal, a paper manufacturing enterprise (Azzellini 2009); and Inveval, a valve maintenance and repair factory catering to the oil industry (Azzellini 2009).

As briefly discussed in chapter one, co-management (cogestión) was set out in the 1999 Constitution of Venezuela as part of the participatory and protagonist democracy of the Bolivarian Revolution of Hugo Chavez. Co-management has been in existence since early 2005. However, even before co-management became standard in state-owned enterprises it was already adopted in the Alcasa Aluminum factory.

In Venezuela co-managed state enterprises have a workers' assembly, an owners' assembly, and a board of directors. At least half of these structures must be made up of workers. Moreoever, they should function as collective decision-making bodies. Azzellini (2009) believes co-managed companies (or cooperatives) should be given access to credit and foreign exchange, as well as avail government services at a cheaper rate (2009). Companies made up of 100% private capital, if declared by the state as "public utility" or social interest companies can also be placed under co-management. Likewise, if shareholders of a company decide, or if the company falls into bankruptcy or stops operating for no valid reason, co-management may be introduced, subject to vote by employees. The absence of existing legislation on co-management gave rise to different models of co-management.

Two of the case studies are worker-run factory cooperatives in Argentina: Brukman, a clothing manufacturing factory (Ranis 2006; Isitan 2008; Mosby 2008); and Zanon, a ceramic tile manufacturing factory (Ranis 2006). In Argentina, the debt crisis accentuated by the severe recession of the late 1990s resulted into many bankruptcies. There is evidence too that the industrial recession was used by some owners fraudulently to decapitalize their firms so as to obtain governmental credit which they divested to non-production related financial speculation at the expense of workers.

Many small and medium-size enterprises defaulted to their creditors and declared bankruptcy outright. Argentina's bankruptcy law allowed the formation of cooperatives with government involvement as an alternative. An amendment to the law was introduced in May 2002, allowing the bankruptcy court trustee to rule that workers can initiate production in the enterprise if majority of workers agreed. This law, however, does not guarantee the indemnification of workers in the event the factory closes. Moreover, the law stipulated that the enterprise would continue to be an integral whole until such time it could be auctioned off to a new buyer. A workers' cooperative, therefore, is no guarantee that workers

would be a priority once the factory is auctioned. To date, workers in Argentina continue to demand the expropriation (with compensation) of private properties in favor of workers.

The last case study on a worker-run factory is about Alcond, a wire machinery cooperative in India that produces wires for cranes and other hauling equipment (Bhowmik 2006).

Of the six case studies, factory occupation by workers occured in four: Invepal, Inveval, Brukman and Zanon. These occupations took place between 2001 and 2004.

1. *Structures and processes of democratic participation*. There are structures in place that enable the exercise of democratic participation, i.e. Workers'/General Assemblies, roundtables of department speakers/representatives, factory council and its commissions, and executive board or board of directors. The Workers'/General Assembly as the highest decision-making body composed of all workers in the factory elects members of the board, the department speakers/representatives and members of the factory council. In Alcasa, the Workers' Assembly (WA) elects all positions in the factory. In Invepal, the WA can even elect the president/director of the company—a prerogative that should have been left to the government which owns majority (51%) of the joint cooperative. In Inveval, the WA elects the factory manager. Among the cooperatives studied, only Inveval has a factory council. In both Alcasa and Zanon, all workers regardless of position receive the same amount of pay. Workers' Assemblies are convened either weekly or monthly. In Zanon, the WA which meets weekly makes all decisions. In other worker-run factories, decision-making is shared with the executive board/board of directors/managing committee/direct commission, and the factory council (in the case of Inveval). In Alcasa and Inveval, all positions can be revoked or recalled by the WA. In Zanon, no leadership position is permanent.
2. *Capacities developed*. In most instances, workers/owners of the cooperatives initially encountered difficulties running their factories due to lack of capital. But as factories began to implement job rotation, workers have been able to acquire new skills and perform other jobs. Workers were also able to hone other skills such as public speaking in protest actions, mobilizing, organizing community outreach, and building alliances with other workers and groups.
3. *Outcomes.* Due to a confluence of factors and contexts, there are variations in outcomes. Inveval, Brukman, Zanon, and Alcond (at least as of writing) appear to be performing well as evidenced by increased production, growing number of employees, and rising wages. Alcasa and Invepal-Covinpa, on the other hand, incurred losses and production slump after hiring more employees and resuming production. Interestingly, this happened after workers' participation waned due to Alcasa's new management's lack of enthusiasm on co-management schemes, or in the case of Invepal outright restriction of employees' participation.

4. *Factors critical to more successful outcomes*. Several factors were identified as likely to have an influence on successful outcomes. These are: (a) various training programs complementing political education (Alcasa); (b) shortened work hours to allow various training and education activities in the factory (Inveval); (c) adoption of a social ownership model that is 100% worker-managed (Inveval); (d) job rotation to overcome the social division of labor; (e) state support in the form of guarantee to purchase products (Invepal); (e) expropriation laws and minimal seed funding for cooperatives from the state; (f) legal framework promoting the development of cooperatives; (g) businesses supporting local cooperative factories (Brukman); (h) strong political work; (i) existence of support networks (workers from other factories, unions, communal councils, cooperatives, student organizations, NGOs, etc.); (j) strong community outreach/integration with the community; and (k) the critical role of the local unions in: organizing workers' councils (Alcasa and Inveval); organizing internal schools for political education; organizing a referendum to recall a corrupt factory president (Alcasa); confronting repressive factory administration and carrying out a democratically run factory that reaches out to the community (Zanon); and leading the transformation of the enterprise into a worker-run factory (Alcond).
5. *Constraining factors.* These constraints were also identified in the case studies: (a) lack of commitment to employee participation by leadership, particularly on the part of government-representatives (in the case of co-managed/joint cooperatives Alcasa and Invepal); (b) competition between Leftists incumbents and traditional union representatives in the factory (Alcasa); (c) corruption and the lack of transparency and accountability on the part of factory directors and management (Alcasa and Invepal); (d) workers' perennial demand for the state to purchase their products (Invepal); (e) state's apparent bias toward capitalists/big entrepreneurs (Brukman and Zanon); (f) lack of adequate working capital; and (g) corruption in the procurement of orders by government (Alcond).
6. *Indicators of emerging counter (alternative) consciousness*. The case studies point to the development of a consciousness of emancipation and transformation after suffering inequality and injustice. This is gleaned from these indicators: (a) the act of factory occupation itself and subsequent attempts until workers have fully occupied the factories; (b) the expressed desire by workers for more, if not full control of the factory; (c) continuous experimentation on a factory model not based on the capitalist mode of production (shift to a socialist factory model); (d) continuous engagement in political work, alliances, and joint struggles with other workers, unions, cooperatives, peoples' organizations, NGOs, and other social movements; (e) job rotation to prevent alienation of workers and social division of labor (between manual and intellectual work); (f) workers' proposal on a new distribution model where products are given away free to state- and social-owned enterprises in exchange for a sum of money that the state pays in accordance to the needs of the workers and the local community (in the case

of Inveval); and (g) community integration in which workers regard the factory as serving the community, not the market (in the case of Zanon).

7. *Critical factors in the development of counter (alternative) consciousness*. As the case studies demonstrate, the development of counter (alternative) consciousness have been influenced by: (a) workers' struggle to resume work in their factories in order to survive; (b) workers' self-realization of the inequities and injustices they are suffering as a result of the exploitative nature of the capitalist mode of production and the dominant labor process; (c) the experience of learning to run and manage the factories by themselves; (d) continuous political education and activism within and outside the factory; (e) collective ownership of the means of production as a strong critique of capitalism's modus operandi; and (f) confidence in running the factories as a fuel for workers to consciously struggle toward an alternative path to development.

   To avoid acquiescence and possible cooption, cooperatives under co-management schemes with the state must also include the organized community. Co-management schemes appear to be better in Alcasa and Inveval in Venezuela, and Zanon in Argentina where the organized community is integrated into the work of worker-run factories.

   In short, transformative consciousness is gradually being developed in these spaces through workers' struggle to run the enterprise, expressed enjoyment in working in a worker-run factory, willingness to work extra hours, and the value they give to being able to feel useful by preferring the community over material concerns. These processes allow them to reach a higher level of self-development (Harnecker 2007, 148-149).

## B. On agricultural and informal workers' cooperatives and micro-lending programs

The case studies selected include three cooperatives and one association of home-based women workers and informal economy workers: Maputo General Union of Agro-Pastoral Cooperatives (Maputo-UGC), a federation of agricultural and livestock cooperatives in Mozambique (Cruz e Silva 2006); SEWA wastepickers cooperatives, which is comprised of two cooperatives organized among wastepickers in Ahmedabad City, India (Bhowmik 2006); the Sao Paolo recycling cooperatives (about 30) and their micro-credit program in Brazil (Gutberlet 2009); and the PATAMABA Region 6 micro-lending program for home-based workers and informal economy workers in Western Visayas (Region 6), Philippines (Nebla 2009).

1. *Structures and processes of democratic participation*. There are structures that promote democratic participation in the cooperatives studied. These include a General Assembly (GA) which is the highest policy-making body in Maputo-UGC and in the SEWA wastepickers' cooperatives. Maputo-UGC, which has 5,500 members from 185 agro-livestock cooperatives, created area unions. An area union is composed of elected representatives from various

cooperatives in a particular area. As a holding company (since 1990), its organizational structure consists of a GA, a Board of Directors, a Board of Management, and a Board of Supervision, whose members are democratically elected. In the Sao Paolo micro-credit/recycling cooperatives, a 24-member project management committee with members from the local government, recyclers' movement, NGOs and the academe, manages the micro-credit program. In PATAMABA Region 6, on the other hand, a 15-member Regional Coordinating Council and Committee, which includes sectoral representatives from home-based workers, small vendors, small transport workers and small service workers, is tasked to create policy and manage the micro-lending program.

2. *Capacities developed.* In these cooperatives, members/beneficiaries acquire relevant skills through training activities. In the SEWA wastepickers cooperatives, women learn new skills and hone talents such as cooking, which enabled them to establish another cooperative offering catering services. In PATAMABA Region 6, women acquire skills relevant to livelihood activities such as running their own micro-enterprises. The women also reported learning leadership skills such as running an organization, networking and lobbying. Beneficiaries of the micro-credit program of the recycling cooperatives, on the other hand, learn skills in administration and financial control, which allow them to make collective decisions and assume new responsibilities.
3. *Outcomes.* In the SEWA wastepickers' cooperatives, women started to receive regular income, in addition to profits distributed equally among members. Traditionally looked down on as outcasts, their new sense of collective identity emancipated them from social and economic oppression. In PATAMABA Region 6, the women have ventured into various livelihood activities through the micro-lending program. With village captains as co-makers in loans, a high repayment rate of 97% is sustained. PATAMABA's members have also availed of various social insurance programs sponsored by the government through local government units. The Sao Paolo wastepickers micro-lending program, on the other hand, reported higher income. Maputo-UGC was ranked among the top 100 largest companies per volume of trade in 1999. Members receive regular wages above the minimum and are covered by a social security fund. It has maintained several health posts and offers free medical assistance to members and their families. This cooperative federation also owns and runs crèches, primary and secondary schools, and a technical/vocational training institute. By providing access to micro-credit, the cooperative has encouraged individual production among members and promoted small-scale rural family enterprises. This micro-credit facility was later extended to poor families outside the cooperatives.
4. *Factors critical to more successful outcomes*. In the cases, several factors considered critical to successful outcomes were identified. In PATAMABA Region 6, the following were deemed crucial: (a) values orientation, capability-building and skills training provided by the cooperatives and their

partner institutions; (b) strong networking, lobbying and advocacy work; (c) good relationship with support organizations, and membership and representation in local special bodies; (d) good credit record; (e) dedicated and committed leaders and members; and (f) development of credit discipline among members/beneficiaries. Among SEWA wastepickers, the following had been critical success factors: (a) trade union-cooperative linkage; (b) SEWA's strong collective influence as an organization beyond wastepickers; and (c) provision of various training, cooperative education and literacy programs. The Sao Paolo recycling cooperatives' micro-credit program, meanwhile, considers the following as critical factors: (a) the municipal government's guarantee of priority to the recycling cooperatives in the city's tender for the collection of recyclables; (b) the high level of organization among the recycling groups; (c) networking based on trust relationships; (d) the empowering effect of outreach activities and action research that elicited participatory management schemes within the cooperatives; and (e) the micro-credit program. In the Maputo-UGC, on the other hand, the following factors contributed to the success of the cooperative: (a) aggressive and innovative leadership; (b) access to market; (c) production units located in areas with good communication facilities; (d) diversification of products, facilities and services; (e) modernization of production systems; (f) formal and technical training in efficient and transparent management for cooperative members; (g) readjustment of organizational form and objectives in line with economic reforms; (h) financial and technical aid from NGOs, as well as access to credit for investment and technical support for training from People's Development Bank; (i) creation of area unions that coordinate member cooperatives; and (j) allowing members' access to family plots demarcated for private cultivation, and providing technical advice.

5. *Constraining factors.* In the Sao Paolo recycling cooperatives, the fluctuation of prices of recyclable materials in the global market, insufficient infrastructure, and the lack of skills necessary for collective commercialization have been critical factors constraining their initiatives. Maputo-UGC's operation, on the other hand, has been hampered by the following: (a) low indices of production in some of its cooperatives; (b) heavy dependence on external aid and bank loans; (c) increasingly competitive market due to liberalization; (d) gap between stronger, more viable cooperatives and weaker, less viable cooperatives; and (e) competition for the best workers between UGC and the cooperatives as workers move to production units and pilot cooperatives. The SEWA wastepickers, on the other hand, experience harassment by local authorities and are perennially confronted with the uncertainty of whether government offices will renew their contract for the collection of waste paper. Efforts of PATAMABA Region 6, meanwhile, are hampered by: (a) lack of awareness of home-based workers in the informal economy by some local government officials; (b) insufficient budget to conduct regular monitoring in far flung areas; (c) natural calamities such as

floods and typhoons; and (d) increased monthly contribution imposed by the Social Security System (SSS) for social protection benefits.

6. *Indicators of emerging counter (alternative) consciousness*. In these cooperatives, the associative and collective experience of the members provided opportunities to develop a consciousness of `collective ownership.' Through collective undertakings, members, particularly women, came to recognize their role as subjects in the transformation. By assuming important decision-making roles in their cooperatives they became empowered. Organizational experience also allowed them access to power and resources.
7. *Critical factors in the development of counter (alternative) consciousness*. For the SEWA wastepickers, the PATAMABA Region 6 women beneficiaries, and the Maputo-UGC members, long-term organizational involvement and collective action built in them confidence and provided a sense of economic, political and social freedom. The SEWA wastepickers, for instance, were able to regain self-respect upon establishing their collective identity as union members. Similarly, the inclusive processes, participation and solidarity practices of the Sao Paolo recycling cooperatives empowered the excluded and the underprivileged. In these cooperatives, access to education, technical training, land, credit, employment and voice in decision-making, catalyzed their emancipation.

## C. On state-initiated and state-supported democratic/popular participatory schemes

Two case studies looked into the role of the state and its institutions in promoting democratic and participatory schemes to create a more-inclusive form of governance. The first studied participatory budgeting (OP, Orçamento Participativo) which was started in Porto Alegre in 1989 (Bhatnagar et al. n.d.; Harvard University n.d.; Souza 2001). The other looked into the active promotion and support the state of Quebec in Canada gave to social economy through the Chantier de l'economie sociale (Neamtan 2002).

1. *Structures and processes of democratic participation*. Participatory budgeting (PB/OP) process was introduced by Workers' Party (PT)-run local governments in Brazil in 1989. Popular assemblies, regional and thematic assemblies, and the Forum of Delegates and the Municipal OP Council serve as its main structures. Citizens of each sub-area have a direct voice in the annual allocation of capital investment at the municipal level through popular assemblies. These assemblies conduct preparatory meetings that review the implementation of the previous year's allocations. Priorities for investment are then selected in the regional and thematic assemblies. The assemblies also elect councilors to the Forum of Delegates and Municipal OP Councils. The Forum of Delegates assesses needs, reviews and prioritizes works and services requested under each theme. The newly elected councilors vote on priority programs at the Municipal Assembly. The

councilors work with the City Participatory Budget Council to harmonize priorities.

In Quebec, Canada, a Summit Conference on the Economy and Employment was held in 1996 just after government set up a task force on the social economy. The task force was made up of representatives of unions, women's groups, the Mouvement Desjardins, the government, Hyro-Quebec, the Conseil de la cooperation du Quebec (CCQ), community groups and the traditional private sector. The task force defined Quebec's social economy model and recommended government's increased support for the social economy. The government, in response, increased financial assistance to the social economy from less than $200 million in 1996 to more than $1 billion in 2002. About 85% of government assistance went to home services, particularly child care centers. The task force was eventually reorganized into the Chantier de l'economie sociale. It has a general assembly and an elected board of directors. This board of 28 members includes representatives from cooperatives and non-profit enterprises, social economy development groups, and major social movements (community, women, labor, environment, cooperatives and culture, leisure and local development movements). The Chantier is tasked to promote the social economy; support the consolidation, experimentation and elaboration of new projects and fields; encourage consultation between diverse participants of the social economy; and ensure these actors are represented within the public domain.

2. *Capacities developed.* The PB/OP experience in Brazil extended political space to formerly excluded groups, albeit not the very poor, and empowered them to participate in investment decisions. It afforded the marginalized a venue for self-organization. It facilitated "a learning process that leads to better and more active citizenship" (Souza 2001, 179). The poor learned how to debate, brainstorm and consult among themselves and other members of the assemblies as to which public projects should be given priority. Its most valuable contribution arguably is extending participatory and decision-making power to formerly marginalized groups.

   The case study on Quebec's Chantier, did not mention which capacities were developed with the state's initiative to solidify and support the social economy. It may be assumed, however, that coordination, networking, partnership-building and collective and participative processes have all been instrumental in the Chantier's pursuit of its objectives.

3. *Outcomes.* The case studies show that the PB/OP led to: (a) improved facilities (sewer and water connection, housing, etc.) for the poor; (b) higher transparency through higher participation and influence by the poor; (c) improved accountability due to people-oriented budget allocation and timely implementation; (d) transformation of political culture from one of confrontational tactics and corrupt political bargaining (clientelism, populism, patrimonialism, authoritarianism) to one of constructive debate and participation and civic engagement in governance; (e) debate about `popular

democracy' v. `representative democracy'; and (f) increased chances of influencing long-term planning.

Quebec's Chantier brought about: (a) the formal recognition of the role of the social economy within the socio-economic landscape in Quebec; (b) the creation of a new financial instrument (RISQ) with $10 million available for socio-economic initiatives; (c) increase in government program spending to the social economy from 0.5% to 2.7% between 1996 and 2003, primarily to finance child care centers, home help service enterprises, labor market integration firms, and adapted work centers; and (d) changes in legislation on cooperatives allowing for the creation of solidarity cooperatives.

4. *Factors critical to more successful outcomes*. Case studies on the PB/OP indicate the following as critical factors: (a) strong organizational capacities of social movements, where they are present, in fighting corruption in local governance and in advocating direct popular participation in decision-making as part of the agenda for social inclusion; (b) PB/OP as part of the political agenda of the PT (Workers' Party); (c) amendments in the Constitution in 1988 turning municipalities into federal entities and tax recipients, as well as further amendments in 2000 and 2001; (d) the setting up of a significant housing fund in 2003; (e) the inclusion of leaders who shape popular opinion, drive social agenda and mobilize communities into PB/OP participants; and (f) outreach efforts by dedicated municipal staff who are highly aware of the potential of participation to shape local development.

   In the case of Quebec's Chantier, the following factors have been deemed critical to successful outcomes: (a) efforts spent in convincing diverse networks within the social economy to work together within a common goal; (b) the establishment of a clear definition of social economy; (c) efforts to make past achievements more visible; (d) sector-by-sector strategies that enable emerging economic activities to respond to social, economic and environmental needs; (e) integration of local and regional development policies that ensure support for collective enterprises; (f) the establishment of new training and funding tools; (g) an environment that encourages consultation and representation; (h) collaboration by the Quebec government (however imperfect at times); (i) the degree of visibility of different social economy initiatives; and (j) the link between the social economy and the social movements which both espouse the values of solidarity and equity.

5. *Constraining factors.* It should be noted that not all municipalities implementing PB/OP in Brazil met success. Souza (2001, 179) identifies the main weaknesses (or constraints) of PB/OP: (a) some form of clientelism still survives; (b) civil society is still developing; (c) financial limitations and resources for PB remains to be scarce; (d) communities tend to stop participating once their demands are met; (e) difficulties persist in broadening participation (the very poor, as well as young people and the middle classes are underrepresented); (f) programs disappoint participants because of the slow pace of public works; (g) cleavages between the PT and

the executive; (h) PB risks reification of the popular movement, making it difficult to maintain a clear separation between its role and that of the government; and (i) fragmented decisions and short-term demands that tend to jeopardize urban planning and long-term projects.

Quebec's Chantier, on the other hand, see challenges on the fact that: (a) an economy based on communitarian values is far from the dominant view; (b) there are still difficulties in identifying, recognizing and using the term `social economy'; and (c) there is suspicion by participants as to the motives of the task force since the process followed the terms of the state.

6. *Indicators of emerging counter (alternative) consciousness*. For Souza (2001), PB/OP's most valuable contribution is extending participation and decision-making to formerly excluded groups. By participating in the various processes of PB/OP the poor are also politicized. PB/OP has engendered `empowerment,' as "a form of political consciousness that is both critical of existing inequalities and injustices and yet, at the same time, aware of the promise of collective action in achieving progressive reform" (Souza 2001, 165). PB/OP helped reduce clientelist practices, thus, changing political culture through active citizenship and solidarity. As it provides incentive for the excluded groups to self-organize, it motivates the exercise of citizenship among these groups. In this regard, PB/OP has the potential to sustain non-elite political activism (Souza 2001). The fact that people are beginning to vote for local government officials who advocate genuine participatory budget processes is a clear indication of this emerging political consciousness.

   PB/OP typifies at the local level what the Left can achieve at the national level (Harnecker 2007, 136). It provides space for the Left to demonstrate to people that there is a better alternative.

   Chantier, for instance, typifies that modest gains can be achieved from existing initiatives despite the dominance of neoliberal perspective. It is actively working towards building a global network within the social economy. The gains of the social economy, however modest, inspire groups and movements to conceptualize larger and more complete strategies that aim to develop a world economy that is based on solidarity.

7. *Critical factors in the development of counter (alternative) consciousness*. The PB/OP experience demonstrates that in order to expand democracy the poor have to be politicized. The learning process involved in the PB/OP, the process of empowerment, the spaces it provides in support of self-organization, and the actual participation and activism of the poor all serve as critical factors in the development of counter (alternative) consciousness.

   The participants of the social economy movement in Quebec allowed them to create a different kind of economy and to collectively achieve this as a community. The achievements of the social economy helped shatter the common `capitalist' notion that neoliberalism is the only model of development.

## D. Community partnering for community and economic development

Community partnering was a pilot project initiated in 1999 and 2000 to develop an alternative approach to community and economic development in Latrobe Valley, Victoria, Australia. The idea is to create initiatives based on the skills, interests and ideas of marginalized people through process restructuring and generating community-based enterprises that address both social and economic goals (Cameron and Gibson 2005). The Latrobe Valley is a resource-rich region that once benefited from full employment and rapid growth in the 1980s when most of the power industry was still state-owned. When the power sector were privatized, massive downsizing followed leaving the region with one of the highest unemployment rates in Australia.

This four-stage research project utilized techniques from asset-based community development and action research, as well as ideas on the diverse economy and communities of difference espoused by Gibson-Graham. In the two-year span of the project, four community enterprises were developed, each achieving varying degrees of success.

1. *Structures and processes of democratic participation*. This pilot project utilized several participatory processes including: (a) conversations and interviews to bring to determine which assets people already had and the diverse economic practices in which they are already engaged; (b) training workshops (based on communal activities such as preparing and eating food together) to emphasize collective possibilities and create an environment of fun and familiarity where people can take risks and play with new ideas; and (c) open brainstorming workshop to discuss how community assets can be directed toward new enterprises.
2. *Capacities developed.* In the course of implementation of the project, people became actively involved in shaping the Valley's future development. Community projects reflect new capacities people have gained: community and environmental gardening, making large outdoor decorations, woodworking, and circus skills. More importantly, people learned how to run and manage the enterprises themselves.
3. *Outcomes.* By the end of the pilot project in 2000, it was reported that: (a) there had been a shift in perception from that of being "economically marginalized" to being economically active and empowered in shaping the Valley's future development; (b) Latrobe Valley came to be regarded as a caring, skilful and learning community; (c) people come up with various ways to apply their abilities and ideas; and (d) the community projects ushered four community initiatives: the Latrobe Valley Community Environmental Gardens, a not-for-profit incorporated association to transform an old caravan park into a community and environmental garden; Santa's Workshop, which serves as space for making large outdoor decorations; the Latrobe Community Workshed, which is a woodworking workshop; and the Latrobe Cyber Circus, which provided opportunities for skills development.

4. *Factors critical to more successful outcomes*. The following were deemed crucial to the success of the projects: (a) the role of local agencies such as the council in providing ongoing support for endeavors ; (b) conversation, workshops and fieldtrips which made people realize that they are active economic subjects capable of contributing something; (c) the contrast between sociable and meaningful training and obligatory courses that members are required to take to receive unemployment benefits; (d) the strategic approach at providing support to the projects instead of delivering it in blanket form such as through a funding grant. Such strategic support has to be given in such a way that it does not hinder a group's capacity to deal with challenges by themselves (including learning from mistakes); and (e) the four initiatives on community economy that are interconnected with the formal economy.
5. *Constraining factors.* Two constraints were identified: (a) tendency to underestimate the importance of building strong relationships with local institutions such as councils, churches and unions; and (b) the projects' heavy dependence on funding from political institutions.
6. *Indicators of emerging counter (alternative) consciousness*. Some of the outcomes listed above, to a certain extent, also pertain to shifts in the thinking of the people involved (a gradual shift in consciousness that begins with a reflection of the causes of their marginalization and the realization that they can become subjects of a transformative project). This can be seen in: (a) the shift in perception from that of being "economically marginalized" to being economically active and empowered to shape the Valley's future development; (b) Latrobe Valley's new image as a caring, skilful and learning community; and (c) people coming up with various ways to apply their abilities and ideas to solve problems and emancipate themselves from economic deprivation.
7. *Critical factors in the development of counter (alternative) consciousness*. The communities' involvement in the various phases of the project, as well as in the enterprises that emerged from the project, critically shaped their mindset from one of hopelessness to capability toward an alternative path of community development based on the assets available in the community, skills, interests and ideas. Four critical factors contributed to this `new' consciousness: (a) recognition of `community' as a call to become something new and different; (b) optimism in the efficacy of other forms of communities; (c) people's changed perception about themselves, their capacities, potential, and interests; and (d) the inclusive processes which empower people to imagine ways to apply their abilities and ideas.

A number of lessons and insights may be drawn from the 13 cases studied, a summary of which is discussed in the next section.

## E. Generalized lessons and insights from case studies

1. There are workers cooperatives (typically those fully owned, controlled and run by workers), solidarity-based micro-economies and state-initiated democratic/popular participatory schemes that provide organizational training and education to allow workers to gradually take over, manage and consequently change the modes of production within their workplace, and democratize governance at the local government level toward a more egalitarian and human development-centered approach.
2. Workers develop greater confidence when they realize they can transform prevailing socio-economic relations.
3. The worker-run cooperative movement offers a resourceful, pragmatic, and micromanaged response to continuing poverty and unemployment (in Argentina). It provides an organisational means for the development and exercise of workers' capabilities to take over production, distribution, marketing, research, advertising, public relations, as well as political and community outreach (Ranis 2006, 20).
4. Worker-run factories and cooperatives are akin to Gramsci's factory councils and, hence, should follow a spontaneous `self-education' process toward becoming self-managed firms. This is of course predicated on the idea that trade unions, intellectuals and the (Socialist) Party are called to perform his notion of hegemony. As factory-based organizations, factory councils allow workers' control over production and the labor process. Gramsci (1977, 95) envisaged factory councils as the "true school for developing the reconstructive capacities of the workers" and the "only means of letting them know in concrete terms that the end of their domination is at hand, since the working class is now aware of the possibility of doing things itself."
5. Arguably, today's worker-run factories (particularly in Latin America) are potentially the contemporary version of Gramsci's factory councils. These worker-run factories/cooperatives encourage an alternative production process to capitalism. They serve as spaces for experimentation in participatory processes in production. They make workers feel that they are the owners of the means of production (to do the actual work, decide what to produce and how to do it). They serve as spaces for bridging the company to the country (Harnecker 2007, 148).

   How does transformation take place in these spaces? Enjoying work in a worker-run factory, pouring more overtime hours and getting satisfaction from it, and worrying less about material things than about doing something for the community, allows workers to reach a higher level of self-development (Harnecker 2007, 148-149).

6. Depending on a multiplicity of factors, these forms of economic solidarities and state-initiated forms and spaces for democratic citizen participation, have strong potential to develop several emancipatory elements critical to the development of a transformative consciousness:
    a. Increase self-organization among workers and the poor;
    b. Sustain workers' and the poor's political activism;
    c. Enhance direct participation and decision-making among workers and the poor;
    d. Reduce alienation among workers;
    e. Enhance exercise of `citizenship' at the workplace and in the community; and
    f. Develop a new form of relationship between cooperatives, unions, popular organizations, state apparatuses, and the community based on cooperation, mutuality and democracy;
7. Cooperatives and other forms of alternative economic organizations can become spaces for women to become objects of the transformation and assume a more participative role at home, the workplace, and the community.
8. Political consciousness-raising—`retrieving the consciousness'—can occur in and through these solidaristic and democratic forms. It involves empowering the workers and the poor to become aware of existing inequalities and injustices so they can change their present circumstances, change existing modes of production or production systems in the workplace, and change the state's system of governance (at least at the local level) through collective action (counter consciousness) and participation.
9. These initiatives and projects are just as much a consequence of, as it is a determinant of an emerging counter consciousness (desire for change/alternative).
10. These initiatives are multi-dimensional. Though with obvious economic objectives, they eventually acquire political and social dimensions. The development of a political dimension (transformative consciousness) prevents complacency once material gains have been met. It ensures there is no reversion to the `capitalist common sense' by discontinuing the struggle for social transformation.
11. The case studies show there is no single model of alternative, but instead a collection of experiences with unique features. Hence, it is naïve to ask for the logic in the alternative. A multiplicity of factors is likely responsible for the variation in emancipatory outcomes even in places with similar forms of economic solidarities (i.e., worker-run factories/cooperatives). This multiplicity of factors either facilitates or constrains the economic, political and social outcomes of the initiatives. These factors include: the role of the state and the existence of political opportunities for the development of alternative economic organizations, multi-dimensionality of the alternative, its span of outreach or inclusiveness, existence or absence of mutual support

networks (local, national and international), and the degree of participatory democracy.

12. Nonetheless, the case studies provide strong evidence albeit in varying degrees that workers and the poor are capable of taking over and managing the means of production (in the case of workers'/peoples' cooperatives) and address their marginalization through participation in government decision-making (in the case of participatory budgeting and social economy promotion). Experience provides them greater awareness, confidence and capacity to transform prevailing socio-economic relations, initially in the workplace and in the community, and thereafter in the larger society.
13. Visibility (social recognition) of perceived `alternatives' as conceptualized by Graham-Gibson may have a domino effect to the extent that existing initiatives, projects and schemes motivate the pursuit of similar undertakings.
14. In judging the sustainability and replication of these `alternatives,' the multiplicity of factors affecting the outcomes must be recognized. These initiatives and projects are ongoing experiments that require patient trial-and-error approaches to create new social relations in production and in the community.
15. Caution should likewise be exercised to avoid romanticizing the successful initiatives, projects and schemes. Instead, factors and forces that contribute to more successful and sustainable outcomes and how they should be maximized should be critically reviewed.
16. Unions can play a critical role in the development of spaces that nurture counter-consciousness and transformative consciousness. In the worker-run factories, the local unions were involved in: organizing workers' councils (Alcasa and Inveval); organizing an internal school for political education; organizing a referendum for the recall of a corrupt factory president (Alcasa); confronting a repressive factory management and successfully instituting a democratically run factory with strong community outreach (Zanon); and taking a lead role in transforming the enterprise into a worker-run factory (Alcond). As a union comprised mostly of women, SEWA's initiative of organizing wastepickers, among others, highlights what a union can achieve beyond the formal workplace.
17. The role of the state is critical to the outcomes and sustainability of alternative initiatives, projects and schemes. But as the case studies show, the state (the government) is not a monolith of interests but a multitude of often conflicting interests (within and among state apparatuses). This has serious implications on political leadership and state-led transformational agendas such as Hugo Chavez's 21st socialism agenda in Venezuela and the participatory budgeting schemes in Brazil. The transformation of state apparatuses must accompany state control, particularly with respect to elements that perpetuate the power of capitalists.

# 5. CHAPTER IV. CONSCIOUSNESS, COUNTER-CONSCIOUSNESS AND TRANSFORMATIVE CONSCIOUSNESS: HOW SOLIDARISTIC, HUMANIST AND DEMOCRATIC ECONOMIC SPACES MOTIVATE THE DEVELOPMENT OF ALTERNATIVES BEYOND CAPITALISM

## A CONCLUDING CHAPTER

The 13 selected case studies show, in varying degrees, how worker-run factory cooperatives, cooperatives and micro enterprises by rural and urban poor and women informal economy workers, state-initiated and supported democratic participatory schemes, and other community-centered projects and initiatives can provide spaces for developing counter-consciousness–-the process of `retrieving' a consciousness apart from the capitalism logic. This counter-consciousness is reflected in peoples' day-to-day struggle to alter their circumstances, what Marx refers to as `self-change.' Counter-consciousness is basically recognition that the mode or foundation of our social existence can be changed, in the same way our consciousness is determined by such social existence (social forms). But the shift from counter-consciousness to transformative consciousness is a complex, non-linear and context-specific process.

### A. Establishing dialogue between theoretical perspectives and local experiments and initiatives

The case studies typify the core concepts, principles, and practices reviewed in the first chapter. Various forms of solidarity economies, for instance, are articulated in the case studies. The emergence, persistence and resilience of these solidarity economies prove that other forms of economies apart from capitalism are possible. Gibson-Graham stresses the power of visibility or social recognition: locating non-capitalist activities and seeing them as prevalent and sustainable ushers more possibilities for their creation. Indeed, it is through the diverse economy discourse that we can locate forms of solidarity economies, or as what Ethan Miller refers to as `islands of alternatives in a capitalist sea.' Except for Brazil's participatory budgeting and, to some extent Quebec's social economy initiative, these cooperatives, labor enterprises and community-based initiatives are typically small-scale, low in resources and with very sparse networks. Nevertheless, they are slowly building the foundation of `new cultures and economies of solidarity' (Miller 2009, 16). The collective struggles of each of these solidarity-based micro economies are founded on common values and principles:

direct democracy, unity-in-diversity, shared power, autonomy, communication, cooperation and mutual aid, local-rootedness and global interconnection. These are the same values and principles advocated by Bello's deglobalization paradigm and Sklair's socialist globalization.

We see in these diverse, locally-rooted, grassroots economic projects and initiatives some of the familiar tenets of market socialism--collective ownership of the means of production, self-management, and citizenship within and beyond the workplace. In many of these solidarity economies, market is seen as a distributive mechanism rather than a tool for private accumulation. Market socialism's emphasis on the role of the state in ensuring participatory politics, for instance, finds expression in Brazil's participatory budgeting.

As mentioned in the preceding chapter, the initiatives and projects discussed in the cases show how people develop new capacities and capabilities through their activities (a core Marxist concept). As micro processes of transformation, they facilitate a movement beyond capitalism that starts from within. This is the very essence of Bloch's concept of `concrete utopia' and `possibility as capacity,' which Panitch and Gindin articulate as the `motivating vision' of socialist project. Overcoming alienation, attenuating division of labor, transforming consumption, adopting communal forms of living, socializing markets, communicating democratically, realizing democracy, building international alliances to internationalize equality, and abolishing private property are, in varying degrees, the outcomes or achievements of these initiatives and projects, at least within their respective organizations and communities. At the same time they serve as critical factors for the development of counter-consciousness and transformative consciousness. Some of Albo's key socialist economic principles can also be seen in the case studies, particularly in the worker-run factories. These are: `politics of time' which involves the reallocation of work-time and free time; requalification of work, which allows training for long-term, broad skills, as well as skills that extend worker autonomy to the labor process; work-time reduction, which allocates official time for workplace democracy; and decentralized popular planning in self-managed enterprises. Decentralized popular planning is also one of the tenets of participatory budgeting in Brazil.

Some of the elements of participatory economics advocated by Albert and Hahnel are also evident in some of the case studies, particularly in worker-run factories/cooperatives. Self-management is implemented in Inveval, Brukman, Zanon, and the wire machinery cooperative. For instance, a workers' council was established in Inveval. In these factories, private ownership of the means of production had been abolished and a new division of labor was introduced. Participatory planning is pursued although in varying degrees. In Inveval, the adoption of a socialist factory model and a new distribution model (where products are given away to state owned and social enterprises in exchange for a sum that the state pays according to the needs of the local community) is akin to the alternative consumption principle in participatory economics.

In varying degrees the cases also reflect Lebowitz's humanist, democratic, participatory socialism. For Lebowitz, the goal is the full development of human potential.

The cases also demonstrate that the role of the state is critical. A state that assumes conflicting roles can have strong repercussions, as the experience of Venezuela's worker-run factories shows. Some state apparatuses and government officials in co-managed enterprises pursue agendas that veer away, and at times even contradict, the policies of the Chavez government. In Argentina, expropriation and bankruptcy laws, while providing opportunities for workers to take over production in bankrupt enterprises, do not afford promise how long these same enterprises will be run by workers' cooperatives. In the case of Alcond wire cooperative in India, while the Left-controlled local government initially supported the workers' bid to acquire the factory, support was eventually withdrawn. These experiences highlight Poulantzas' contention that the taking of state power must be coupled with the transformation of state apparatuses.

The case studies, no doubt, draw inspiration from people's struggle to survive and work with dignity. They reflect the historical consciousness of people from different parts of the world and echo their unique language of struggle. Despite their historical and contextual differences, there are common elements that reflect the transformative potential of their struggle for an alternative to capitalism.

## B. But do the case studies really offer an alternative to capitalism?

We define 'alternative' in this paper as the ongoing process of economic and political struggle by people to move beyond the capitalist logic, be it at the macro, meso or micro level, and simultaneously to transform themselves in the process. The pursuit of full development of human potential based on equality, solidarity and sustainability, and through democratic participatory processes is at the core of any alternative. Of course, an alternative is and involves a long, slow, difficult and cumulative process of collective learning and struggle, during which people develop new capacities, capabilities and the confidence as objects of the transformation.

Being still primarily micro initiatives it may be difficult to accept them as alternatives to capitalism, at least for the time being. Indeed as De Sousa Santos and Rodriguez-Garavito (2006, xxii) argue, "because of their anti-systemic nature, these proposals and experiments are fragile and incipient." In fact such initiatives are often dismissed as marginal or reformists. We argue, however, that it would be unwise to deny the significance of such initiatives to people's lives or to simply dismiss them as "contaminated by the dominant system" or not being radical enough (De Sousa Santos and Rodriguez-Garavito 2006, xxiii). Such approach can be very detrimental to the strengthening of an alternative framework as "it can close doors to proposals that might gradually bring changes that create pockets of solidarity within the heart of capitalism" (xxii).

Indeed, the vexed question of reformism versus revolution once again rears its ugly head on the issue of determining whether an initiative or project can rightfully be considered an emerging alternative to the capitalist arrangement. Here Marta Harnecker's *Rebuilding the Left* is not only instructive but insightful (Harnecker 2007, 130).

> The greatest, perhaps the only danger to the genuine revolutionary is that of exaggerated revolutionism, of *ignoring the limits* and conditions in which revolutionary methods are appropriate and can be successfully employed….
>
> True revolutionaries have mostly come a cropper when they began to write `revolution' with a capital R, to elevate `revolution' to something almost divine, to lose their heads, to lose the ability to reflect, weigh and ascertain in the coolest and most dispassionate manner *at what moment, under what circumstances and in which sphere of action* you must act in a revolutionary manner, and *at what moment, under what circumstances and in which sphere of action* you must turn to reformist action.

Harnecker warns that the distinction between reformists and revolutionaries is not always clear. Revolution, for one, is not necessarily linked to the use of violence. Citing Luxemburg (1973, 50-51; cited in Harnecker 2007, 131), she stresses that "the problem is not saying yes or no to reform, but examining *when* it makes sense to fight for reform and *how* revolutionary fruit can be plucked from it."

For Harnecker (2007, 131), *reformists* are "those who wish to improve the existing order through reform," and *revolutionaries* are "those who, although pushing for reform, fight at the same time to modify that order profoundly, to bring about a change that cannot happen without a break with the previously existing order."

In this light, Harnecker (2007, 131-132) proposes three criteria to determine whether a political practice can aptly be termed revolutionary:

> *First*: if the reform advocated are accompanied by a *parallel effort to strengthen the popular movement*, in such a way that growing sectors of the people organise and join the struggle.
>
> *Second: if lessons can be learned and taught* when the Left works within the existing institutional framework. An electoral campaign, for example, can be an excellent space for popular education, provided that the campaign is expressly geared to increasing the people's awareness of the most important political questions.
>
> *Third*: if the political practice is *different*, one that makes it impossible to confuse the Left's behaviour and that of traditional political parties. It should also reflect an effort to *expose the limits* of existing institutions and the *need to change them*, but without raising hopes about the path of reform being able to solve problems that demand revolutionary solutions.

On the other hand, Harnecker (2007, 132-133) proposes the following as indicators of reformist deviations:

> *First*: *a tendency to moderate programs and initiatives* without offering `alternative political proposals to the existing order'…
>
> *Second*: instead of investing time and effort in fomenting rebellion and a fighting spirit, constantly calling on `leaders of unions and the workers' movement to conduct themselves' responsibly and with maturity.
>
> *Third*: *the tendency to work in existing institutions passively*, without fighting to change them or to change the rules of the game.

Arguably, the initiatives and projects contained in the case studies meet, albeit in varying degrees, Harnecker's criteria for an alternative or potential alternative, or what Gorz (1964) calls `non-reformist reforms.' For Gorz (1967, 7-8), "a struggle for non-reformist reforms – for anti-capitalist reforms – is one which does not base its validity and its right to exist on capitalist needs, criteria, and rationale. A non-reformist reform is determined not in terms of what can be, but what should be. And finally, it bases the possibility of attaining its objective on the implementation of fundamental political and economic changes." These `non-reformist reforms' may pertain to initiatives that arise within the capitalist system, but such initiatives "facilitate the acceptance of and lend greater credibility to alternative forms of economic organization and labor solidarity" (De Sousa and Garavito 2006, xxii-iii).

An alternative then involves **"**making possible tomorrow that which appears impossible today" (Harnecker 2007, 70). This implies identifying what is progressive in the present reality and strengthening it. It also implies the need for the popular movement to organize, grow and transform itself into a decisive pressure group to move the process forward, fighting against errors and deviations that arise along the way. Echoing Marx, Lebowitz (2003, 180) stresses that "even though the needs they attempt to satisfy do not in themselves go beyond capital, the very process of struggle is one of producing new people, of transforming them into people with a new conception of themselves--as subjects capable of altering their world."

Without doubt, the initiatives and projects undertaken in the case studies imbibe values and offer socio-economic arrangements that are not within the capitalist canon. Though they are not dramatic breaks from capitalism and their survival depends on competing successfully in local and global markets in a predominantly capitalist regime, their achievements "embody forms of production and sociability beyond the capitalist values and institutions" (De Sousa Santos and Rodriguez-Garavito 2006, xxi). In other words, they open spaces for the further transformation of capitalist values and socio-economic arrangements.

The quality of counter-consciousness is shaped partly by an `independent change agenda' or vision for social transformation (the contribution of intellectuals). The process of counter-consciousness is multi-dimensional, empowering, and allows for the discovery and development of new capacities and non-capitalist practices.

The presence of 'other' economies and democratic participatory projects shows that it is more than possible to realize an `independent change agenda' and a vision for social transformation. They provide the inspiration for collective learning, the development of new capacities, and empowerment. A worker-run cooperative, for instance, is a motivation to move away from a capitalist production system. It is at the same time a space for further exploring the participatory processes in production. It gives workers a sense of ownership of the means of production, allows them opportunity to run the factory, as well as decide what to produce and how to go about it (Harnecker 2007). It is, in other words, a space for the gradual socialization of the country that begins in the company.

As how Gramsci envisaged factory councils in Italy (between 1919 and 1920), these initiatives and projects offer "a new system of workers' democracy which would be a school of political and administrative experience and thus effecting a radical transformation of the workers' consciousness" (Simon 1982, 79). Although the initiatives and projects initially were limited to economic objectives in the beginning, they gradually acquired political dimensions as people engaged in various struggles. Like Gramsci's factory councils, worker-run factories bridge the gap between economic and political struggles and, thus, serve as embryonic apparatuses of power (Simon 1982). By creating embryos of alternatives within capitalism, they facilitate the transition to a new economic order beyond capitalism.

## C. Areas for further research

> *Men make their own history, but they do not make it just as they please in circumstances they choose for themselves; rather they make it in present circumstances, given the inherited. Tradition from all the dead generations weighs like a nightmare on the brain of the living. And just when they appear to be revolutionizing themselves and their circumstances, in creating something unprecedented, in just such epochs of revolutionary crisis, that is when they nervously summon up the spirits of the past, borrowing from them names, marching orders, uniforms, in order to enact new scenes in the world history, but in this time-honoured guise and with this borrowed language.*
>
> *The social revolution [of the nineteenth century] cannot create its poetry from the past but only from the future. [Marx 1996, 32-34]*

Just as how Marx conceived political struggle in *The Eighteenth Brumaire of Louis Bonaparte*, we envision this project as contributing to the development of a language of struggle.

Their limitations aside, the initiatives earlier discussed serve as building blocks to knowledge and practice toward an alternative framework beyond capitalism. As De Sousa Santos and Rodriguez-Garavito (2006, xxii) suggest, "the role of critical thought and practice is to broaden the spectrum of possibilities, through

experimentation in and reflection on alternatives for building a more just society. By suggesting possibilities beyond what actually exists, these forms of thought and practice question the separation between reality and utopia and formulate alternatives that are utopian enough to challenge the status quo and real enough to avoid being easily discarded as unviable."

The case studies admittedly are not sufficient to assess the extent to which initiatives reflect the theoretical debates, or how far they have influenced theoretical discourses. In this light, we propose a follow up research[2] which will focus primarily on the initiatives mentioned in the case studies. The idea is to determine to what extent they contribute to the credibility and acceptance of alternative forms of economic organization and labor solidarity. Analyzing the initiatives within the framework of the critical elements we identified in this research offers a strong contribution to the development of an alternative framework of development.

The involvement of people from trade unions in the Global Labor University (GLU) alumni network in this phase of research is important not only for identifying and assessing critical initiatives with transformative potential but also for bringing these initiatives to the attention of unions and strengthening their involvement in these initiatives. An action-oriented case study method utilizing dialogue, open discussion and other participatory approaches is recommended.

[2] A study is now being undertaken by several GLU alumni as a follow up to this paper. The second phase includes 10 case studies from six countries. The research is funded by the International Labor Office (ILO).

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## About the authors

**Melisa Serrano** is a PhD candidate in Labour Studies, Graduate School in Social, Economic and Political Sciences, University of Milan, Italy. She is also a researcher and training specialist at the School of Labor and Industrial Relations, University of the Philippines. She is co-editor of the forthcoming volume *Trade Unions and the Global Crisis: Labour's Visions, Strategies and Responses.* Her most recent co-authored books are *Revitalizing Philippine Unions. Prospects and Constraints to Social Movement Unionism* (2008) and *Building Unions in Cambodia: History, Challenges, Strategies (2010).* Melisa is a graduate of the Master in Labour Policies and Globalisation program of the Global Labour University in Germany.

**Edlira Xhafa** is a PhD candidate in Labour Studies, Graduate School in Social, Economic and Political Sciences, University of Milan, Italy. Between 2000 and 2005, she was with the Albanian Trade Union Center for Education and Research which she headed later (2003-2005). She is also co-editor of the forthcoming volume *Trade Unions and the Global Crisis: Labour's Visions, Strategies and Responses.* She is also a graduate of the Master in Labour Policies and Globalisation program of the Global Labour University in Germany.

**Members of the GLU network:**

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