

Social Businesses in Argentina and Venezuela

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Introduction

In the first decade of the twenty-first century, Latin America became an exciting laboratory of alternatives to neoliberalism. This was no small feat, because during the last decades of the twentieth century neoliberalism was the only game in town. The rise of neoliberalism in the region can be traced back to 1973 in Chile, when General Pinochet took over the country through a bloody coup d'état. Chile soon thereafter became the first widespread test of free-market oriented economic policies proposed by the Chicago School of Economics. These policies, which recommended privatization of public companies, trade liberalization, deregulation of services, reduction of public budgets, and labour flexibility, among other strategies, were introduced by the Chicago Boys, a group of Chilean economists trained at the University of Chicago. In the following years, in a context of military coups and strict conditions imposed by international agencies (often related to the dismantlement of the welfare state), neoliberalism became the dominant model in other Latin American countries as well.

This dominance became even more hegemonic after the fall of the Berlin Wall in 1989 and the rise of economic globalization. The absence of viable options led British Prime Minister Margaret Thatcher to boast that 'there is no alternative' to neoliberalism. However, by the end of the twentieth century, it became clear that the neoliberal experiment had not solved Latin American societies' economic difficulties. The expected 'trickle down' effect of the

‘invisible hand of the market’ on wealth redistribution became a ‘vacuum up’ effect instead. In several countries, neoliberalism promoted corporate welfare at the expense of social welfare, widened the gap between rich and poor regions and people, deteriorated labour conditions, dismantled domestic industries through cheap imports, favoured transnational capital, monopolies and oligopolies, and generated massive unemployment and underemployment (Harris, 2000; Portes & Hoffman, 2003). Consequently, during the first decade of the twenty-first century, efforts to create viable alternatives to neoliberalism began to flourish in different parts of the region. This can be attributed to at least three factors.

First, the economic and political crises that resulted from the failure of neoliberalism – the socio-economic collapse that was most strongly felt by the region’s working and marginalized classes – gave birth to a variety of community groups, grassroots movements, and social economy organizations, including neighbourhood assemblies, bankrupted factories recovered by their workers, community kitchens, co-operatives, bartering networks, and trade unions that included the unemployed and the retired.

Second, the ideological dominance of neoliberalism was challenged by the World Social Forum, launched in Porto Alegre, Brazil, in 2001 as a response to the World Economic Forum held annually in Davos, Switzerland. Since then, the World Social Forum and its regional and local forums have congregated thousands of people under the banner ‘another world is possible.’ In line with this slogan, Susan George (2008), a prominent critic of neoliberal policies and a participant of the World Social Forum, contrasted Thatcher’s ‘there is no alternative’ thesis with the idea that ‘there are thousands of alternatives.’

Third, electoral politics in many Latin American countries shifted drastically, as the political parties that challenged neoliberalism moved from opposition to government. Election

after election, a chain of left and centre-left governments (known as the ‘pink tide’) expanded throughout the region, promoting wealth redistribution and innovative experiments with power decentralization, such as participatory budgeting or communal councils. Some of these governments proposed a paradigmatic shift in development models, using as foundation the indigenous philosophy of ‘living well,’ which includes the principles of nurturing life (recognizing the rights of all living species), communitarianism, complementarity, reciprocity, solidarity, and participation.¹

It was in this historical context that the social economy expanded in Latin America during the first decade of the twenty-first century, sometimes due to grassroots initiatives responding to an economic crisis, sometimes due to projects promoted by government agencies, and sometimes due to a combination of both factors. This expansion included attempts to replace a ‘social economy of the poor’ (downloading social programs to community organizations) with a new kind of solidarity economy in which alternative economies are prefigured by grassroots and community groups, with varying levels of government support.²

In this chapter, we present two case studies of social businesses that attempt to balance their social and economic missions: Argentina’s worker-recuperated enterprises (empresas recuperadas por sus trabajadores, or ERTs)³ and Venezuela’s socialist production units (SPUs).⁴ In Argentina, the case study included twenty-six participants in four ERTs in different sectors (print shop, waste disposal and parks maintenance, newspaper publishing, and health provisioning) located in the cities of Córdoba, Buenos Aires, and Avellaneda. In Venezuela, it included eighteen participants who belong to three SPUs located in the states of Lara and Barinas: a tomato processing plant, a coffee processing plant, and an agricultural equipment

service centre. In both countries, we interviewed other key figures such as researchers, government officials, and social movement leaders.

The transformative potential of the social economy and its myriad organizations and practices span a continuum, with reformist designs for a kinder capitalist market system on one end, and more ambitious visions for a radical economic and political democracy on the other (Amin, 2009; De la Barra & Dello Buono, 2009; Fontan & Shragge, 2000). Both ERTs and SPUs are social economy organizations that tend to fall towards the latter end of the spectrum. That is, when compared with strictly capitalist firms, they engage in substantively different economic practices under the auspices of self-management, such as worker-led decision-making processes, worker-run or worker-reorganized labour processes, community development, and involvement in solidarity economies. At the same time, they both face the challenge of operating within capitalist markets while prefiguring paths beyond those markets in the economies of solidarity they are helping to forge. Although ERTs and SPUs have different origins – ERTs were started by workers trying to recuperate failing private firms with little state support, while SPUs were born as state-sponsored, co-managed productive entities – both types of social businesses result in similar outcomes for their workers and the communities they engage with. As suggested in chapters 1 and 7 in particular, like many social economy organizations, ERTs and SPUs incorporate values of mutual aid, community well-being, social objectives, and democratic self-determination, and aim at overcoming gaps and social inequalities brought on by markets and economic crises (Amin, 2009; McMurtry, 2010; Pearce, 2009; Quarter, Mook, & Armstrong, 2009; Vaillancourt, 2010). In our research, we explored five questions:

- 1 What is the history of the new kinds of social businesses that emerged as reactions to neoliberalism?

- 2 What are their relationships with the state and the market?
- 3 How are they organized internally?
- 4 How do they fulfill their social mission?
- 5 What are their main commonalities and differences?

In the following pages, we address the first four questions, first in relation to Argentina's ERTs, and then regarding Venezuela's SPUs. After presenting the findings from the two case studies, we examine the fifth question and discuss the main similarities and differences between these two types of social businesses. Finally, we argue that these two experiments prefigure a new phenomenon within Latin American social economy businesses that is somewhat different from the traditional co-operatives and the state-run enterprises of the twentieth century.

ERTs as Social Economy Businesses

Historical Background and Current Situation

Argentina's *empresas recuperadas por sus trabajadores* (ERTs), while all unique, tend to follow a similar pattern. After years of suffering under the economic hardships of neoliberalism faced by small- and medium-sized enterprises (SMEs) throughout the country, broken institutional promises, the threat or outright closure of the firm due to legal or illegal declarations of bankruptcy by owners, and the ineptitude or greed of business owners reflected in unpaid benefits and salaries, workers at a particular firm were pushed into carrying out risky workspace takeovers. Founding an ERT sometimes entails long periods of round-the-clock occupation and resistance against violent attempts at eviction. The slogan of the National

Movement of Recuperated Enterprises (Movimiento Nacional de Empresas Recuperadas, or MNER), borrowed from Brazil's landless movement, captures the typical ERT's three-staged struggle towards self-management: 'ocupar, resistir, producir.'

Argentina's ERTs can be found in many sectors, including printing and publishing, metallurgy, foodstuffs, waste management, textiles, tourism, health, shipbuilding, mining, and oil refining (Fajn, 2003; Lavaca, 2004; Rebón, 2007; Ruggeri, Martinez, & Trincherro, 2005; Vieta & Ruggeri, 2009). Currently, there are over 200 ERTs that are self-managed by roughly 10,000 workers (Palomino, Bleyntat, Garro, & Giacomuzzi, 2010; Ruggeri et al., 2010). While ERTs represent a small fraction of Argentina's worker co-operatives,⁵ and their workers represent a tiny percentage of Argentina's fifteen to sixteen million active participants in the urban economy (Ministerio de Trabajo, 2009), they have nevertheless inspired social change (Palomino, 2003). These firms not only show workers' innovative capacities for saving jobs and avoiding the fate of precarious welfare plans or structural unemployment, but also highlight their ability to self-manage their own work environment.

There are two distinct phases in the development of ERTs. The first phase, from 1998 to 2003, took place in the context of a deep political and economic crisis that led to record levels of business bankruptcies, underemployment and unemployment, and a proliferation of ERTs. During this period, strategies and tactics of workplace takeovers and business conversions into worker co-operatives started to be articulated and formalized. ERT associations, leaders, and lobby groups prioritized political mobilization, solidarity work with social justice groups, and struggles to legitimate workplace takeovers and conversions with the political-judicial system and the Argentine public. The second phase, from 2004 to 2010, took place during a period of economic recovery and political stability. ERTs continued to emerge,

but at a slower pace. They developed specifically as worker responses to micro-economic crises within particular economic sectors or workplaces and were not as etched with the anti-systemic discourses that brought first-phase ERTs in close affinity with organizations of the unemployed (piqueteros), neighbourhood assemblies, barter clubs, and land- and housing-rights movements that swelled Argentina's social and solidarity economies around the turn of the millennium (Palomino et al., 2010; Vieta & Ruggeri, 2009).⁶

As social economy businesses, ERTs face several challenges as they consolidate production processes: securing organizational stability, gaining market share, fixing or replacing depreciated machinery, retraining workers, recovering social security benefits, educating ERT workers in the values of co-operativism, forging economic networks of solidarity with other ERTs and traditional co-operatives, and lobbying for laws that would improve their labour conditions and competitive advantage. By the end of the first decade of the 21st century, ERTs had secured considerable legitimacy in the eyes of Argentina's public and some members of the political and judiciary establishments. Furthermore, the pioneering strategies, practices, and initiatives derived from ERTs have taken hold in Argentina's working class sectors. National and regional governments have yet to implement coherent policies and procedures for assisting ERTs, mainly due to the state's continued acquiescence to the capitalist economic model and its continued privileging of private property. However, the process of starting a worker co-operative from the ashes of a failed owner-managed firm is now, together with traditional business strategies of declaring bankruptcy or 'restructuring,' one more option available for failing enterprises. As such, ERTs' legitimacy is rooted in their positive influence on the communities they work within, and their value extends far beyond their numerical size.

Considering ERTs' long struggles for self-management, the deteriorated technological infrastructure recovered by workers from failing capitalist firms, the reduced size of an individual ERT's workforce in contrast to the firm under owner management, the limited access to credit, and the scarce government assistance, it is not surprising that most ERTs produce below their potential capacity when compared with their production runs under owner management. Most ERTs have a workforce that is about 80 per cent smaller than it was under private ownership and average from twenty to fifty workers. Workers who continue in the ERT are often older than those who leave, and tend to be over age forty. Moreover, the younger workers who leave tend to be professionals, administrators, or in possession of more transferable technical skills, which results in a paucity of professional, technical, and administrative staff by the time the remaining worker collective decides to take over a failing firm. This is because it is easier for administrative or professionalized workers than for blue-collar or service sector workers to find jobs elsewhere. Argentina's job market has also traditionally favoured younger workers. Rather than risk the problems and insecurity of self-managing a firm in trouble, most of these younger and more technical and administrative workers – who could help immensely in the reorganization of an ERT's labour process – decide to leave for more secure positions in other owner-managed private firms (Ruggeri et al., 2005; Vieta & Ruggeri, 2009).

For some ERT workers in our study, political engagement emerged from the personal and economic crisis they found themselves in. For almost all of these workers, their hope grows from their responses to practical challenges rather than from an enlightened vanguard. Carlos, a member of a recovered print shop, observed:

Early on in the struggle to reclaim our work we started fighting for our salaries, for getting out of our severe debt loads that the boss had left us. Now, looking back on our struggle, I can see where the change in me started, because it begins during your struggles. First, you fight for not being left out on the street with nothing. And then, suddenly, you see that you've formed a co-operative and you start getting involved in the struggle of other enterprises. You don't realize it at the time but within your own self there's a change that's taking place. You realize it afterwards, when time has transpired, doing things that you would never imagine yourself doing.

About 94 per cent of ERTs self-organize under the legal framework of a worker co-operative (Ruggeri et al., 2005), but they have few close or sustained connections with Argentina's traditional co-operative sector. The main reason for this is that ERTs did not emerge from the co-operative movement but from unionized workplaces identifying with Argentina's labour movement. Indeed, most ERT members we spoke with still perceive themselves as *laburantes* (workers) rather than *cooperativistas*. As Victor, a founding member of a waste management ERT, told us:

I feel that I am a *laburante*, and I will continue to be one! When we go to community meetings, we go with our overalls. And wearing our overalls all the time while at work is important to remind us of where we came from. This is one of the things we keep on reminding our younger members of the co-op, to always have their overalls on when they are at work and in the community during working hours.

Although most workers who started ERTs had no experience with any form of co-operativism (Martí et al., 2004), they were inspired by non-hierarchical social justice movements that emerged around the same time as responses to the neoliberal model. ERT workers turned to the legal and organizational framework of worker co-operatives because of the public debates that took place in the early years of the phenomenon, when a key issue on the table was what legal and administrative frameworks ERTs were to take: nationalization under workers' control or worker co-operativism. While nationalization under workers' control

(modeling the Yugoslavian or current Venezuelan models of nationalization and co-management) was theoretically and historically plausible, early ERT adopters scrapped the option when it became clear that the state refused to go along with it (Ruggeri et al., 2005). The only practical and legal alternative was the already viable and long-established co-operative model.

Today, it is widely accepted in Argentina that ERTs not only save jobs and maintain a community's productive capacity, but also bring new forms of co-operative businesses into the economy that, via their social missions and the solidarity economies they forge, contribute to community economic development. Indeed, during the last decade, ERTs were able to respond to economic, political, and legal challenges, and simultaneously establish themselves as viable social economy businesses. As worker-driven and community-based organizations, ERTs' social innovations attest to their efficacy for grassroots economic and social development.

Relation to the State and the Market

Restarting production as self-managed firms in depleted or bankrupted workplaces with little or no inventory and capital, depreciated machinery, and lost market share often means that ERT workers find themselves attempting to co-operatively steer a precarious business from an unusually disadvantaged position within a competitive market. More often than not, their competitors are private firms that have not gone through the challenges that ERTs have had to, such as reviving production from within a failed firm while, at the same time, learning new skills and strategies for co-operativism and self-management. These challenges are most acute in the first year or two of an ERT as its workers face steep learning curves, the democratic

restructuring of their production processes, and making do with their depleted means of production.

The challenges of restarting the firm are further compounded by the scarcity of meaningful state assistance or coherent national policies supporting ERTs. Argentina's national and regional governments tend to treat each ERT on a case-by-case basis, seeming to arbitrarily assist some while overlooking others. This is in contrast to Venezuela's state-sponsored SPUs, or the experience of worker-recuperated or self-managed firms in Brazil, which enjoy more support from the Partido dos Trabalhadores (PT) government and Brazil's main union central (Vieta & Ruggeri, 2009). The Argentine state could go a long way in helping ERT workers restart production and stabilize by, for example, setting up a national fund for the startup capital needs of ERTs, automatically expropriating failing firms on behalf of their workers when a certain percentage of the workforce desires to self-manage it, amending the country's labour laws in order to allow self-managed workers to continue to receive the same social security benefits afforded to them when working as employees, or having the state engage in purchasing policies privileging ERTs and other self-managed firms' goods and services over those of the private sector.⁷

Argentina's reluctance to implement such nation-wide policies for ERTs can be attributed to the fact that the national government still remains heavily beholden to the capitalist-entrepreneurial class (Vieta & Ruggeri, 2009). Although the governments of Néstor Kirchner (2003 to 2007) and Cristina Fernández de Kirchner (2007 to present) have left stronger social democratic imprints on Argentina in contrast with other recent national governments, the state is still caught in a conundrum: actively support these workers by setting up official policies and programs to help convert any troubled firm in Argentina into worker

co-ops or continue to officially uphold, first and foremost, private property rights and treat ERTs on a case-by-case basis. To date, the Argentine state has, in actions if not in words, clearly chosen the latter.

Elena, a founding member of her ERT, underscores ERTs' myriad challenges:

Our challenges? They are very big. Anxieties accompany us along the path [to self-management and] toward lifting ourselves out of the difficulties we faced [ever since things took a turn for the worse with our previous boss ...] Lifting yourself out of the void is hard, and you already know that in this country there are, or I should say, *there aren't* regulatory frameworks in place that permit you – for various political reasons – to have access to the means of slowly emerging out of your difficulties, to walk along the path of production, grow, build more jobs ... So then, you fall out of the system, you aren't a subject of credit, you don't have access to working capital (no one gives it to you), you can't access credits or funds allocated to small and medium sized businesses because we are a formerly bankrupted enterprise, and as a bankrupted enterprise now managed by its workers we are not [completely] recognized in this system.

While non-conventional sources of funding – such as community solidarity fund drives, some assistance from foreign NGOs, and some small loans and state subsidies – have helped start or sustain some ERTs, these irregular funding sources, in addition to the lack of consistent state support, have added to their tenuous existence and to the continued instability of their workers. Fajn and Rebón (2005) point out that the financial precariousness spawned by inconsistent state policies and the difficulty in meeting production demands and reaching new markets can push ERTs to focus on generating as much revenue as possible instead of on cooperative values or their social missions. During such times, ERT workers recognize that they might not generate sufficient revenues to pay salaries or the business's accounts payable, and intensify their production practices to make up for these shortfalls. These moments illustrate an implicit tension with self-managing a firm within a system made up of highly competitive markets (Craig, 1993; McNally, 1993): when staying afloat becomes the primary focus of

workers in co-operatives, they risk losing sight of the collective spirit and democratic ideals that drove them to become a co-operative in the first place. Arguably the biggest challenge faced by each ERT is the risk of falling into situations of ‘self-exploitation’ in order to stay afloat, such as working overtime without adequate compensation, reducing salaries, not taking lunch and coffee breaks, mistreating associates, or the emergence of cadres of co-op members that behave like de facto bosses (Vieta & Ruggeri, 2009).

In light of these additional challenges, workers’ autonomy to make decisions has allowed them to develop creative responses. Indeed, ERTs depend on the ingenuity and determination of their workers to ensure the ongoing operation and sustainability of the enterprise. ERT workers have ‘recuperated’ a variety of business practices for co-operative ends,⁸ for two reasons: first, out of necessity, because low inventory and just-in-time production is a more affordable way to initially operate a depleted firm; and second, because these modes of production are, in certain sectors, efficient ways to self-manage a worker co-op, especially one that has gone through financial challenges.

Marketing and administrative needs are usually complemented by workers developing new skills and capacities through job rotation strategies, university extension programs, and sharing knowledge from workers in sympathetic social movements. The ways ERTs respond to challenges suggest that workers possess the motivation, skills, and self-actualizing capacity to contest the logic of coercion, compulsion, and forced specialization found in dominant corporate production models.

Other innovative initiatives that respond to unmet revenue goals due to underproduction, depleted machinery, lack of coherent state support, and capitalization issues, and that also differ from how most capitalist firms tend to operate, include:

- recycling left-over materials from production processes for economic and ecological purposes;
- approaching lenders as ‘less risky’ collective coalitions of ERTs that, in effect, creatively addresses the banking system’s risk-assessment strategies;
- accessing government funding and business development programs in partnership with university research teams, local or foreign NGOs, or research initiatives working in conjunction with other recuperated enterprises;
- organizing neighbourhood solidarity fund drives;
- establishing networks of experts, facilitated by supportive university programs and technical institutes, for aid in administrative tasks and technological repair and upgrading;
- working with supportive customers and social movements to re-establish and expand market share via, for example, word of mouth; and
- developing ‘economies of solidarity’ among ERTs where, in the spirit of the sixth co-op principle (i.e., co-ops co-operating), production inputs, machinery, administrative needs, technological expertise and repair, and even orders are shared among ERTs in related sectors.

Internal Democracy

Most ERT workers are accustomed to hierarchical positions in capitalist enterprises. With the creation of their ERTs, workers become members of a new co-operative, even if they continue to work in the same physical space performing similar tasks. The main difference is that the previous authoritarian order has become a more democratic structure, with no direction from typical capitalist management models. Zanón, a ceramics manufacturer in the province of Neuquén and one of the most emblematic ERTs, was renamed FaSinPat, or *Fábrica Sin Patrón* (Factory Without Bosses) to highlight its new structure. Some of our interviewees reported that

a worker co-op structure facilitates addressing the communal needs and desires that resulted from self-managing a business. Pablo, president of a print shop ERT, recalls that:

Before, under owner-management, there was always someone marking out the rhythm of your work. Now, things are different. We have other obligations based on our own responsibility to one another and our jobs. Before we were 'workmates' but today we are like *socios* [associates], where the problem of one socio affects us all. Before we were just mere acquaintances, we didn't have direct contact with all of our workmates, but now we're a much tighter unit, and what binds us together is the fact that we're all responsible for this co-operative.

These communal desires manifest in the democratic form of 'one worker, one vote' and the equitable redistribution of revenues most ERTs adopt. Although Argentine co-operative law only requires one annual workers' assembly, ERT workers often hold more frequent assemblies monthly, and, during particularly challenging periods, weekly. This practice alone generates far more administrative and managerial transparency than when these firms operated under owner-management (Fajn, 2003; Ruggeri et al., 2005). Other non-hierarchical work processes include flexible ad hoc work committees and labour processes that change with the needs of a particular order or production run and that are integrated into day-to-day decision-making processes. Looser and direct communication structures on shop floors foster flexible and open dialogue between workers.

Once the co-operative model takes hold in an ERT's workforce, most members also become committed to the equitable distribution of surpluses. Interestingly, there is a preponderance of egalitarian pay equity schemes, no matter how senior or skillful a worker is (Fajn, 2005; Palomino, 2003; Ruggeri et al., 2005).⁹ This is another promising innovation that reconceptualizes work within a productive entity as it transforms organizational hierarchies while recognizing the contributions of all workers to its production processes. This is a noticeable innovation because the practice of equitable pay is not necessarily common in

traditional co-operatives or even in workers co-ops (Oakeshott, 1990; Smith, Chivers, & Goodfellow, 1988).

Unlike the previous model, in recuperated enterprises revenues are distributed between workers' salaries, the material needs of workers that periodically arise (such as a worker's or family members' health costs), and pension top-ups for retired members, *before* allocating remaining revenues to the production needs of the firm. Thus, in ERTs, as in other worker co-ops, it is the workers' assembly that decides how revenues are distributed rather than management or profit logic. As such, the tendency with most ERTs in our study is to attempt to engage in forms of surplus allocation rooted in the notions of solidarity and the wellbeing of co-op members, their families, and surrounding communities. In short, ERTs are rooted in collective behaviours that aspire to minimize surplus value and wealth accumulation for individuals, and maximize socialized wealth and social production for all members.

Social Mission

Like all social economy businesses, ERTs have social missions and objectives. ERTs' new forms of social production and the sharing of social wealth often include the surrounding communities. Many ERTs open their workspaces to uses besides production or service delivery, including on evenings and weekends. Some of them are always open to the neighbourhood, and double as cultural and community centres, free community health clinics, education programs for marginalized children and adults, alternative media spaces, and community dining rooms run by workers, neighbours, or volunteers.

As an example, the print shop Artes Gráficas Chilavert doubles as a high school for adults and after-school programs for children. It also houses the ERT Documentation Centre,

which is run by student volunteers associated with the University of Buenos Aires, and used frequently by researchers interested in the ERT movement. A vibrant community centre called Chilavert Recupera operates on its mezzanine level, hosting plays, art classes, music concerts, and community events often linked to Argentina's social justice movements. Industrias Metalúrgicas y Plásticas Argentinas (IMPA), a large metallurgic ERT, is also known as 'The Cultural Factory' because it dedicates a large portion of its space to an art school, silk-screen shop, free health clinic, community theatre, and adult education high school program. Artes Gráficas Patricios houses a primary school, a community radio station, and a dental and medical clinic, all run by neighbours, social movement groups, and health practitioners volunteering their time. Hosting such cultural and community spaces and involvement with the needs of local communities is not just a way of giving back to the neighbourhood out of self-interest or corporate goodwill. Instead, ERT members tend to see their workspaces as continuations of the neighbourhood.

While some ERTs open up their doors to the community, others (like FaSinPat and UST¹⁰ in the greater Buenos Aires city of Avellaneda) integrate revenue sharing with the community into their social missions and their business practices, which extends their productive efforts out into the surrounding neighbourhoods. These two ERTs are renowned for dividing revenues between the needs of the firm, workers' salaries, and community service. FaSinPat frequently donates tiles to community centres and hospitals, organizes cultural activities for the community on its premises, and built a community health clinic in three months in an impoverished neighbourhood that had been demanding such a clinic from the provincial government for two decades without success. Similarly, UST consistently redirects a significant portion of its revenues to community development projects, such as an affordable

housing project for its workers and the surrounding community. This initiative has already built one hundred attractive townhomes to replace inadequate housing for its own members and other neighbours. UST's president told us that providing for the life needs of workers and the surrounding neighbourhood in areas such as decent housing, reskilling, education, and literacy are key motivators for the co-op. Indeed, he added, the co-op is in business in order to help provision the life-needs of its workers and neighbouring communities. In addition, UST built and continues to support a youth sports complex in the neighbourhood and an alternative media workshop and radio program, while also heading a unique plastics recycling initiative for the large low-income housing project located near its plant.

In conclusion, ERTs emerged during a deep economic and political crisis and, throughout their short history, have managed to survive in a hostile environment, pay back the limited loans that they have access to, generate democratic governance processes, establish a more egalitarian wage distribution system, create and preserve jobs when many other firms were firing workers, extend their work out into the community, and facilitate much needed community economic development projects. Indeed, because ERTs put people before profits, when confronted with a drop in demand, instead of downsizing (as for-profit companies typically do), they sometimes decide to absorb the drop in income evenly by, for instance, reducing working hours. Finally, the transition to self-management generated a new work ethos based on the primacy of shared responsibility, collective problem-solving, and horizontal communication (Coraggio & Arroyo, 2009).

SPUs as Social Economy Businesses

Historical Background and Current Situation

In the first decade of the twenty-first century, Venezuela witnessed an explosion of co-operatives. Harnecker (2008) reports a growth from 877 co-operatives in 1998 to 158,917 in 2006. Another study (ICA, 2010) indicates even higher growth, from 1,045 in 2001 to 286,485 in 2009. Contrasted with the ERT experience, this impressive expansion was less the result of spontaneous organizing than of public policy, including the 2001 Special Law of Co-operative Associations and the *Vuelvan Caras* co-operative development program (Harnecker, 2008). The proactive role of the government in relation to co-operatives was also evident in its economic support for the sector, which included granting preferential aid (Llerena, 2006) and access to government contracts (Díaz, 2006). Indeed, the main factor behind the expansion of the co-operative sector in Venezuela was strong government support, which can be traced back to President Chavez's electoral promise of breaking from the neoliberal model applied in the country in the 1980s and 1990s.

The rapid and substantial growth of the co-operative sector, however, proved unsustainable. Indeed, after a few years it was found that most of these co-operatives were inactive either because they lacked technical capacity or because they were simply fronts created to access government funds. The low percentage of functioning co-operatives (23 per cent) may justify the label 'cemetery of co-operatives' (ICA, 2010) in reference to the Venezuelan co-operative reality, but the absolute number (50,000 to 60,000) is nevertheless higher than any other Latin American country, and is also higher than all active co-operatives in Argentina, Brazil, and Colombia combined (Harnecker, 2008; ICA, 2010). Over 80 per cent

of them are very small (five to ten members), and about 15 per cent of them employ between eleven and fifty people (Díaz, 2006). The majority of these co-operatives operate in the services and productive sectors, with those in transportation coming at a distant third.¹¹

The rapid expansion of the co-operative sector has created several problems. In the last few years there has been a shift in government policy from supporting the traditional co-operative model to the creation of approximately 3,000 *Unidades de Producción Socialistas*, or Socialist Production Units (SPUs). These were designed by the Ministry of Popular Power for the Communal Economy and are being posited as central to the country's transition to 'twenty-first century socialism' (Albert, 2008). In this transition, the Venezuelan development model for the social economy is conceptualized as a triangle that includes social ownership of the means of production, social production organized by workers, and production for social needs and purposes (Lebowitz, 2010). Social ownership of the means of production ensures that communal, social productivity is directed to the free development of all rather than to satisfy the private goals of capitalists, groups of producers, or state bureaucrats. Social production organized by workers allows them to develop their capacities by combining thought and action in the workplace. In addition to producing products, they can recreate themselves as self-conscious collective producers. The satisfaction of social needs and purposes is the necessary goal of productive activity in the new society because it shifts the focus from self-interest and selfishness towards the needs of others and relations of solidarity. The extent to which SPUs are moving towards this ideal type of social economy is still an open question, as they operate within the orbit of the state but with relative high levels of control by workers and community representatives.

Venezuela's SPUs produce or distribute a variety of goods and services, from agricultural production to equipment rental. Most of them are relatively small, employing twenty to one hundred people. Institutionally, SPUs are nonprofit organizations owned by the state and managed democratically by a combination of three actors: the workers, local communal councils (neighbourhood associations found throughout the country), and state representatives. These characteristics distinguish SPUs from capitalist firms and from Venezuelan worker co-operatives. At the production stage, SPUs work closely with small and medium local private producers. The goods they produce are then distributed through government run discount stores known as MERCAL.

Relation to the State and the Market

SPUs can be thought of as the individual parts that comprise the larger body known as social property enterprises (SPEs). In other words, each SPE is constituted by several SPUs.¹² SPUs are linked to the state through their umbrella SPEs, and SPEs, in turn, are linked to the state in several ways. First, SPEs are administered by the Registry of Social Production Enterprises (REPS in Spanish), which was created by the government in 2005 as part of the program of social production enterprises (Arenas, 2008). The Registry is, in turn, linked to the state-owned oil company, PDVSA, whose role as part of the program is to help SPEs through, among other things, preferential contracts and financing (PDVSA, 2006). Second, each SPE belongs to one of the many state corporations created by the government to promote economic and development policies that include fostering the 'popular economy,' the preferred name for the social and solidarity economy in Venezuela. For example, the three SPUs that we studied belong to three different SPEs, which, in turn, belong to one single state corporation, the

Venezuelan Agrarian Corporation (CVA in Spanish). Third, SPEs (as well as the state corporations they belong to) receive direct political guidance from the government ministry responsible for the sector of the economy they operate in. In the case of the three SPUs we looked at, the three corresponding SPEs were under the guidance of the ministry of popular power for agriculture and land.

As economic entities, SPUs, like other businesses, produce and sell commodities. These are produced through the labour of SPU workers who are hired by the SPU's administration in the context of a labour market. In other words, SPU workers sell their labour to an employer (in this case the Venezuelan state) in return for a wage. However, according to workers interviewed, wages at SPUs are considerably above the minimum, which reflects the government's commitment to provide fair and decent salaries. In order to meet its mission and support consumers and communities most in need, the commodities SPU workers produce are then sold in government and community-run 'popular markets' (MERCAL) at below-market prices.¹³ As a result, millions of Venezuelans have access to a variety of goods that they would not be able to afford otherwise.

The government's commitment to selling the goods produced by SPUs at below market price and to paying workers a fair salary means that SPUs do not generate enough revenue to cover their costs and therefore depend on state funds. Indeed, as noted by a state administrator, most SPUs do not generate a profit. This does not mean that there is not a conscious attempt by both the SPU's administration and their workers to produce more efficiently. Indeed, several interviewees in the SPU workforces and in the state administration argued that eventually SPUs could become self-sufficient. If SPUs were to operate without the financial help of the

state and were able to generate a surplus, both the government and workers would expect that such a surplus would be managed through the SPUs' democratic structures, similarly to ERTs.

Agricultural SPUs have a particular relationship with local producers from whom they purchase raw materials. In accordance with their mission of developing the country's agricultural sector and supporting small and medium producers, SPUs purchase raw materials from local producers at a higher than average price, paralleling fair trade practices. In many cases, this price remains fixed throughout the year in an attempt to combat market-driven price fluctuations that can be devastating for farming families. Moreover, to fulfill their goals of fostering social consciousness and moving beyond market relations, SPUs engage the producers in a variety of ways. For instance, they organize educational activities on topics ranging from technical education on farming practices to political education; co-ordinate local artistic fairs; and, as will be discussed later, incorporate local producers in the SPUs' democratic structure. In some cases, SPU workers actively engage in the production process. For example, they sometimes help producers till their land and pick their crop when producers lack the means to do so or when they feel it is not worth investing time and effort into such activities because the final product would not bring enough revenue.

SPU hiring practices are also unique. Although SPU workers are hired in the context of an open labour market, in contrast to traditional businesses, all hiring is subject to a democratic process in which communal councils, SPU workers, and state management are involved. However, state managers have the final word on hiring. Although this may lead to tokenistic consultations, our interviewees suggested that the needs of communities and individuals are seriously considered in the decisions. The result is that the market logic, which dictates that

only those individuals that are most capable of generating profit are hired, incorporates the logic of participatory democracy and community needs.

Internal Democracy

A distinctive feature of SPUs, similar to Argentina's ERTs, is their highly democratic character, which includes an emphasis on active participation and co-operation with local communities and producers. Democratic practices within SPUs include both formal and informal dynamics. Formally, all SPU participants, as with most worker co-operatives, have the right to vote: one person, one vote. The right to vote is exercised most prominently through the Workers' Council, a political body composed of all SPU participants and their state representative. The Workers' Council meets at general assemblies, which all SPU participants, regardless of job description, are allowed to attend. Issues that might be discussed include: production targets; the internal organization of the workplace; the election of individuals to working groups or committees that deal with specific issues at each SPU, such as housing, sports, and health; and the election of a spokesperson committee. Of all committees, this is the most important, as it represents the Workers' Council as a whole and is responsible for making smaller day-to-day decisions. The decisions at the assembly are made through a simple majority. The frequency with which assemblies are held is determined by the workers at each SPU.

Although the general assembly is the main forum where voting takes place, decisions at the committee level are also made through voting. In addition, each committee can elect a spokesperson. Spokespeople are not quite representatives, as their job is not to represent the larger political body but to simply voice its will (the word 'spokesperson' in Spanish is

‘vocero’ meaning the one who voices). Although spokespeople have some political representation, there is a conscious attempt on the part of SPU members to minimize it. Therefore, spokespeople can make decisions, but only after the whole committee has met and discussed the issue at hand. This is different from typical representative models where, once elected, representatives are often free to make decisions independent of those who voted for them.

In addition to the general assembly and working committees, SPU participants practice democracy within the Socialist Council of Participation. This democratic and non-hierarchical space is comprised of spokespeople from three different political bodies: local communal councils, local producers, and the SPU. The spokespeople meet regularly to discuss their activities and general concerns. The Council also participates in the hiring process at each SPU by nominating potential job candidates. The hiring process requires four spokespeople, including representatives from the local producers, the local communal councils, and the SPU Workers’ Council, along with the SPU co-ordinator, who represents the state. Through a process of democratic consensus, the council nominates a small number of job candidates, and the co-ordinator then makes the final decision. This innovative hiring process sets SPU apart from other social economy enterprises in Venezuela.

In addition to the formal democratic channels of the general assembly, elected committees, and participation councils, SPU members practice democracy regularly in the workplace. Indeed, when asked about democratic practices, SPU participants referred to daily interactions just as much as to the formal processes. Paralleling ERTs’ job-sharing strategies, two members of a coffee processing SPU pointed to the spontaneous and horizontal nature of these informal interactions:

If a person is needed somewhere else, we set up a meeting: “look, who can go over there, who is available, who is ready to go over there, who can and who cannot?” It’s done in a democratic manner.

My job is purchasing, but if the coffee processing assembly line is going to stop because there is a need for a set of hands, I’ll go over there. If help is needed to unload [the coffee], then let’s go there. If somebody needs help at MERCAL [the subsidized popular shop adjacent to the SPU], they’ll say, “look, hold my post because I’m going out.” I’ll say, “yes, no problem.”

Rodrigo, the administrative assistant at another SPU, recalled an episode that also highlights spontaneity and horizontality as part of informal daily interaction. He pointed to several field operators who were moving the enterprise’s fifty-six tractors from one place in the parking lot to another, and explained that this was done every day to keep the engines healthy. The idea, he recalled, came from a casual conversation with a security guard who, in this case, was part of an independent co-operative hired by the SPU, and was not technically part of the SPU itself. Rodrigo’s story illustrates that part of what makes the SPU democratic is how people share information and ideas openly, regardless of their actual job description or formal rank. Rodrigo saw the security guard not as an employee that he, as administrative assistant, could boss around, but rather as ‘a human being, the same as myself.’

Ana, a worker at a tomato processing SPU, noted that the ethos of participation motivated her and many others who were previously passive to become more active in democratic processes of deliberation and decision-making. As she observed, ‘Now everyone participates, everyone. Here we have protagonistic participation. We all talk. In some cases, there have been people, including myself, that did not want to participate in something. But here I am participating because in the end I was convinced.’ It should be noted that Ana was

not upset at having been ‘convinced’ she should actively participate. In fact, as she went on to explain, the act of participation became a source of personal growth. This is consistent with the statements of many other SPU members, who expressed enthusiasm for being part of a collective enterprise, for having a say in decisions that affect their organizations, and for being protagonists of a new historical construction aimed at democratizing both the economy and social relations.

Social Mission

One of the defining characteristics of social economy enterprises is that they possess a social mission that goes beyond simply generating a profit. The SPU social mission is complex and emanates from various government levels and from workers themselves. The government’s executive level provides the long-term vision, which has an internal and an external dimension. The internal dimension relates to key goals and principles of SPUs: non-alienated labour, no discrimination, no hierarchies, gender equity, adherence to labour rights (including a fair salary, the elimination of exploitation and access to social security), fiscal responsibility, and equality based on participation. The external dimension relates to the contribution of SPUs to Venezuelan society as a whole, and attempts to move beyond market relations while promoting local development and community participation. SPUs in the agricultural sector are also expected to contribute to the mission of the Venezuelan Agrarian Corporation (CVA in Spanish) to achieve food sovereignty and avoid dependence on food imports.

The CVA supports farmers, agricultural producers, and consumers, but is less concerned with the internal development of the corporation. This is not surprising, since the CVA is a bureaucratic organ responsible for administering the policies generated at the executive level. At the SPE level, the social mission aims at placing the means of production at

the service of small and medium producers with the support of the Socialist Councils of Participation. The goal of these activities is to achieve integration in farming and agricultural activities so as to bring dignity to the rural producer and the surrounding communities, a process that is expected to occur with a high degree of solidarity and communal duty.

Our discussions with SPU workers about the goals of their organizations reveal both similarities to and departures from the CVA's mandate. On the one hand, workers noted that their organizations followed the food sovereignty and national agricultural development mandate articulated by the CVA. Most of the workers' comments reveal that their organization's objectives and mission revolved around four themes that directly address the food sovereignty and agricultural development mandate: (a) to increase and maximize the quantity of production, (b) to establish a close relationship with local producers, (c) to produce high quality and low cost products, and (d) to achieve agricultural self-sustainability in the country. On the other hand, many workers made references to a mission that somewhat departed from the CVA's mandate. Their extensive comments about the purpose of their organizations revolved around three themes that are closely connected with co-operative principles: (a) to feed those who need it most, (b) to foster a social consciousness among producers, communities and workers, and (c) to move from co-management to self-management.

Discussion: Commonalities and Differences

After enduring three decades of neoliberalism, in the first decade of the twenty-first century Latin America has witnessed a surge of democratically elected progressive governments, a strengthening of social movements and indigenous groups, and an expansion of social

economy organizations. Some of these organizations, like the ones discussed in this chapter, are attempting to combine their economic and social mandates in novel ways, nurturing new relations (more democratic, participatory, and solidarity-oriented) internally and with the outside world.

In examining the worker-recuperated enterprises in Argentina and the socialist production units in Venezuela, it is possible to observe at least four differences. The first has to do with origin. ERTs consist of former workers of capitalist firms with an intense desire to hold on to their jobs. They turned to co-operativism and began the process of converting their firms to worker co-ops as a defensive strategy only when they realized that it was the most practical and legally recognized organizational structure in Argentina for self-managing a bankrupted firm. Eventually, however, over the course of reopening a firm as a worker cooperative, these defensive maneuvers became long-term visions, desires, and innovations that, in practice, see these workers take on the principles of co-operativism. SPUs, in contrast, were the result of a proactive design by the Venezuelan state, which provided not only much of the vision and mission, but also the technical and financial support to make them viable, as part of an overall strategy of national development that privileges the social economy and processes of local democracy. In short, ERTs are offspring of capitalist bankruptcies, whereas SPUs are creatures of an emerging socialist state.

The distinct origins connect with a second difference, which is the relationship with the state. ERT emerged from the ashes of failing capitalist firms that workers rescued and transformed into viable co-operatives with little or no state support. In some cases, the state may help ERTs by providing modest subsidies or public sector contracts for products or services, but in other cases the state (particularly the judicial system) could put ERTs into legal

limbo indefinitely. SPUs, in contrast, are created and supported by the Venezuelan state, which guarantees a market through the existence of discount stores (communal markets), and links SPUs among themselves to promote endogenous development.

The third difference is the relationship with the market. While ERTs provision some products or services to the state, they mostly sell commodities in the private market. This is primarily due to their origins as capitalist firms, but is also because there is no nationwide regulation in place facilitating or encouraging the public sector to purchase from ERTs. In many cases, ERTs have maintained relations with the same providers and clients or purchasers that they had before becoming co-operatives, or have found new providers and clients in the private market. In a nutshell, ERTs must compete in a capitalist market in disadvantageous conditions (limited access to credit, uncertain legal situations, and commitment to assist local communities), their salaries are directly derived from their revenues, and their members' wages are often below those at private firms in the same sector. SPUs, in contrast, seldom compete with capitalist firms, operate in the context of a protected market and subsidized wages, and, for the most part, provide products and services to the social economy and state-controlled markets. Their organizational logic combines elements of state companies, nonprofit organizations, and co-operatives.

A fourth difference has to do with self-management. In ERTs, workers who were used to hierarchical managerial structures suddenly experience a workplace 'without a boss' and must make decisions by themselves through participatory democracy mechanisms. They must learn self-governance and co-operative principles quickly and effectively in order to survive as organizations. In SPUs, however, a state representative is constantly present and sometimes

acts in a managerial role, thereby limiting the possibility for self-management. When this happens, SPU workers may have a longer route towards self-governance than ERT workers.

In addition to these differences, both cases share four basic features. First, they emerged as direct responses by workers, other grassroots groups, and, in the case of SPUs, by a supportive state, to the crisis of the neoliberal model of the 1980s and 1990s. Second, they have weak links with the older co-operative movement. Third, they are characterized by horizontal labour processes, democratic decision-making structures, and egalitarian pay schemes. Fourth, they have strong connections with surrounding communities and contribute to local community economic development initiatives. In some cases, particularly with some of Argentina's ERTs, they also combine productive activities with cultural, educational, and social services activities. In other cases, particularly SPUs, they incorporate multiple stakeholders in the governance and management of the organization.

Conclusion

When we look at these four features together, our two case studies suggest that the social economy businesses emerging in Latin America are somewhat different from the traditional co-operatives and the state-run enterprises of the twentieth century. At this moment, it is too early to ascertain the future contributions of these new organizations to the democratization, vibrancy, and societal relevance of the social business sector on the one hand, and to endogenous development on the other. However, although still in its germinal phase, relatively modest in size, and far from perfect in implementation, the emerging social economy business phenomenon provides examples of 'real utopias,' or prefigurative arrangements of another mode of economic and social life (Wright, 2010). They may prefigure, for example, the

development of multi-stakeholder, democratic workplaces that include workers, community organizations, government agencies, consumers, credit unions, unions, technological institutes, and other co-operatives, in different aspects of the management and governance of the organization.

In any case, regardless of the particular direction that social economy businesses take in the future, the social business experiments that are taking place throughout Latin America, despite their problems and limitations, can help to counter the impact of neoliberalism while creating new possibilities for productive and economic life. Moreover, by nurturing a workplace ethos based on horizontality, caring, responsibility, and solidarity, they provide much needed inspiration for social economy organizations interested in contributing to social change and social justice.

Endnotes

¹While these governments were only present in approximately half of the countries in the region, they managed to galvanize a rejection of the Free Trade Area of the Americas, advanced by the Bush administration), and create instead an alternative trade system known as ALBA (Alternativa Bolivariana para las Américas). ALBA in Spanish also means dawn, a metaphor suggesting a new era in Latin American history characterized by horizontal solidarity among member states.

²For example, Brazil's landless movement; Bolivia's cocaleros; Peru's coffee co-operatives; Cuba's urban organopónicos, rural agricultural co-ops, and new initiatives for other co-operative businesses; and Mexico's Zapatistas, to name a few.

³The words 'recuperated' and 'recovered' appear to be used interchangeably when referring to these firms. We tend to use recuperated for its etymological and political proximities to the original term in Spanish.

⁴We decided to use the English acronym SPU rather than the Spanish acronym UPS to avoid confusion with the delivery company.

⁵Currently, 67.4 per cent of Argentina's co-operatives are worker co-ops (INAES, 2008a). As such, considering there were 11,371 worker co-ops as of early 2008, the 205 ERTs represent only 1.8 per cent of all worker co-operatives in the country. This implies that 98.2 per cent of Argentina's worker co-ops did not originate from workers taking over failed capitalist firms which they then had to run themselves without any previous co-operative experience. The larger percentage of worker co-ops in Argentina are either older co-ops not recuperated from failed private firms or part of the wave of small worker co-ops formed by government work-for-welfare programs since 2004 (INAES, 2008b).

⁶Workers in 'second generation ERTs learned about the processes of workplace recuperations and conversions from the pioneering struggles of 'first generation' ERTs. Besides receiving much sympathetic media coverage, first generation ERTs and their strategies of recuperations and self-management have since been discussed widely amongst political parties of the left, social justice groups, co-operative associations and federations, organized labour, and academic research, and these discussions have pollinated into workplaces (especially those in trouble) in Argentina and abroad.

⁷These are the main demands that are currently being struggled over by the various ERT umbrella organizations. For more details on these struggles and ERT protagonists' proposals for labour and business law reform, see Ruggeri 2009 and Ruggeri et al. 2010.

⁸Some examples of how ERTs mediate structural barriers to production and lack of state assistance include the purposeful horizontalization of labour processes and practices, such as just-in-time or day-to-day production with minimal inventories, getting customers to pay for raw materials when placing orders, and providing outsourced products or services for other firms.

⁹Around 71 per cent of ERTs practice complete or near-complete pay equity (Fajn, 2003). The rest tend to practice slightly more hierarchical pay schemes, which can be based on whether members are 'founders' or not, with founding members getting more pay than newer members based on the logic that they were present during the ERT's most harrowing days of occupation and first production runs. Even in these ERTs, however, the goal tends to be to eventually put in place a system of equal pay amongst members, or for newer members to eventually be able to attain the same pay as founding members. Sixteen per cent of ERTs, usually the ones that

retained their old administrative staff (such as with our newspaper ERT case study), maintain similar salary differentials to the old capitalist firm (save for the previous owner's portion of surpluses). Other types of pay schemes are related to hours worked (7.6 per cent of ERTs) or the amount of responsibility a member has in their job tasks. In total, around 23 per cent of ERTs can be said to fall into these more hierarchical types of pay models, while the other roughly 6 per cent of ERTs practice variations on the previously mentioned schemes (Fajn, 2003). It is important to note, however, that ERTs using more hierarchical kinds of pay models also tend to cap the pay differential between highest and lowest paid members, similar to the pay practices taken up by Mondragón in Spain.

¹⁰Union Solidaria de Trabajadores, a waste recycling and parks maintenance ERT in the city of Avellaneda.

¹¹Like Argentina, Venezuela has also seen the appearance of ERTs, albeit in a much smaller scale. ERTs emerged in Venezuela in 2002, and by 2006 it was estimated that there were somewhere between twenty and thirty. Most of them are small or medium in size, employing a total of a few thousand workers. In 2005, Venezuela hosted the first Latin American Encounter of Worker-Recuperated Enterprises, attended by 400 workers, unionists, and government representatives from across the region. Since then, however, the ERT movement seems to have fizzled away, having witnessed ongoing conflicts between workers and the government bureaucracy (Lucena & Carmona, 2006; El Militante, 2008; Vieta & Ruggeri, 2009).

¹²For example, one of the SPEs that were included in our study has its central office in the city of Barquisimeto, with several SPUs located in nearby communities.

¹³This price is 'fixed' in the sense that at any given time there is only one price for a given product, but the state does change the price periodically (usually by raising it, but never to above market value). We suggest that any analysis of the efficiency of SPUs must consider the positive impact of externalities, including the purchase of inputs at above market prices and the sale of products at below market prices.

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