COOPERATIVE ECONOMICS—A COMMUNITY REVITALIZATION STRATEGY

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The debate in the Fall 1995–Winter 1996 Special Issue of The Review of Black Political Economy (RBPE) reveals a growing interest among academic and community service providers in the economic component of community revitalization strategies for inner-city development. Many of the discussants challenge Porter’s conventional notions of economic growth and development through individual self interest and the profit motive. Many imply that if revitalization is to target both human needs and human potential, then cooperation and collaboration are key components of a comprehensive and holistic strategy. Our own research corroborates this trend.2

The debate, however, centers on policy alternatives with little discussion of economic theory and the potential for alternative models. In light of this deficiency in areas with immense potential for both research and practice, we add the following three propositions to the debate:

(1) Political economy and the corresponding strategy of cooperative economics are underutilized theoretical and applied tools which link broad holistic strategies of community revitalization to current socio-economic urban conditions;
(2) The cooperative firm is a viable and competitive method of enterprise organization—including but not limited to small businesses, cooperative corporations, or industrial districts—capable of sustainable growth under conditions dictated by modern industrial organization; and
(3) The collaboratives stemming from and associated with cooperative industry can facilitate the increasing importance of involving local community business and service providers in the community-building ventures currently pursued among the public, private, financial, and academic sectors.
Our exploration into the potential of cooperative entrepreneurship is not an aberration. Throughout the U.S. and the world, thousands of cooperative firms produce goods and services for the market and provide social conditions and work opportunities capable of responding to human needs and developing human potential. As with traditional business formations, these cooperative structures range in sizes similar to sole proprietorships and partnerships, to that of medium and large corporations. In the U.S. more than 100 million people are members of 47,000 producer-owned, consumer-owned, and worker-owned cooperatives spanning almost every sector of the economy, in both rural and urban areas.\(^3\) In 1995, continuing an upward trend, the revenues of the top 100 cooperatives in the U.S. increased to $110.4 billion. Every industry group registered increased revenues, with Agriculture, Finance, and Supermarkets accounting for the majority of the gains. Internationally the largest six cooperatives have larger total combined revenues than Citicorp, Merrill Lynch, Apple Computer, Texas Instruments, ITT and Bell Atlantic combined.\(^4\)

The most renown example of a cooperative enterprise is the Mondragon Cooperative Corporation (MCC). This corporation evolved from a small cooperative firm built in the economically depressed Basque lands of northern Spain, in the 1950s, into a modern-day multinational corporation with over $8 billion in assets and $3.5 billion in sales in 1993. The MCC is currently operated by almost 30,000 worker-owners organized into financial, industrial, and distributional groupings. The MCC has become a powerful force in shaping regional development strategies and is a model of economic collaboration which is highly respected throughout the world. Moreover, the MCC is not the only successful example of cooperative entrepreneurship.\(^5\) Models in Asia, Africa, Latin America, Europe, Canada, and the U.S. proliferate.

The cooperative enterprise can be the cornerstone of a progressive urban revitalization strategy, but to date this model has been left out of the debate. Why? A major reason is that neo-classical economic theory, at the root of Porter’s and other urban development analyses, has been effective in its prominence\(^6\)—keeping at “bay” significant challenges to its construct and core assumptions. This may explain why the Special Issue critiques of Porter’s work tend to be policy debates and not theoretical challenges. Although many of the reviewers implicitly recognize weaknesses in Porter’s neo-classical economic policy, none challenge the theory behind it. Since current economic development strategies are typically rooted in neo-classical theory, acknowledgment of this theoretical hegemony would contribute to the debate. Any challenge to the main-
stream strategies would be helpful since their core assumptions and policy prescriptions may no longer be appropriate, as we search for solutions to urban redevelopment in the 21st century.

In the following pages we explore the need for alternative paradigms, sketch an alternative framework for analyzing inner-city development, and propose cooperative enterprise development as a viable economic strategy for inner-city redevelopment. We will present political economy as an appropriate tool in understanding current socio-economic conditions in U.S. cities, and explain its effectiveness in describing the relationship between corporate forms of business and the cooperative enterprises advocated for in the industrial policy of cooperative economics. We will review the ways in which current conditions in industry can be enhanced with democratic ownership and governance. It is through the lens of political economy and cooperative economics that we analyze the cooperative enterprise as an important component of policy designed to respond to the total condition of depressed communities.

THE NEED FOR AN ALTERNATIVE PARADIGM

Revitalizing inner cities is one of the nation’s most challenging problems. The failure to meet this challenge has led to an enormous waste in human and economic resources.

Each of the contributors to the RBPE Special Issue confirm that the current conditions of U.S. inner cities must be addressed. The twenty-two reviews of his essay, “The Competitive Advantage of the Inner City,” affirm Michael Porter’s assertion that the economic distress of U.S. inner cities is one of the most pressing issues facing the nation. All agree that the task facing inner cities is formidable, and that the consequences of continued inadequacies in urban development policies will only add to the travesty of urban economic and social conditions—much of which is not completely measurable through traditional means. Porter’s call for a "radically different approach" resounds through the halls of urban planning departments, some business schools, and down inner-city streets. It is prophetic and challenging:

The time has come to recognize that revitalizing our nation’s inner cities requires a radically different approach. We must stop trying to cure the problems of these distressed urban areas by perpetually expanding social programs and hoping that economic activity will
follow. Our nation’s urban policies and programs have fallen into the trap of only redistributing wealth.\textsuperscript{8}

In his own defense, Porter reasserts his position that his strategy should be one component of a larger strategy, albeit the leading one. Alluding to assumptions upon which neo-classical economic theory is founded, Porter expresses disappointment in current government programs and reveals his theoretical bias, as he outlines the premise of his work:

... a sustainable economic base can be created in the inner city only as it has been elsewhere: through private, for-profit initiatives and investments based on economic self-interest and genuine competitive advantage instead of artificial inducements, government mandates, or charity.\textsuperscript{8}

In challenging “social programming” Porter assumes that the economics of inner cities is, “as elsewhere,” based on self interest and can only manifest itself in private, for profit indicatives. Many of Porter’s reviewers, however, suggest that a sustainable inner-city economy will be built not on the profit motive as a manifestation of individual self interest, but rather through collaborations and partnerships based on the shared and mutual interests of the participating parties.\textsuperscript{9} They take exception to his narrow solutions and harsh attack on social service programming. They expose weaknesses in Porter’s policy and practice in a variety of ways, and in so doing implicitly attack the main tenets of neo-classical economic theory. These critics counter that community revitalization is not just about the development of small private firms or providing low-paying, dead-end service sector jobs.\textsuperscript{10} In today’s climate of unprecedented market activity and wealth accumulation, inner-city communities still end up having to beg just for a few crumbs. Our central cities need jobs that are family-supporting and wealth-creating, and economic activities and opportunities that are accessible and sustainable.

The narrow framework of mainstream economic theory upon which Porter’s ideas are based does not respond to the broad dimensions of community needs, nor does it capture the value of the activity (labor) expended in the service of bettering community, with the profit motive tangential. The sterile mathematical models of the modern economic theoretician are not synchronized with or reflective of the policies and activities of the practitioners who are attempting to respond to the needs and assets of inner city communities. If anything, those models are used
to justify the status quo. Indeed, traditional economic theory rules out many vital relationships and activities (such as learning by doing, networking, team work, concern for community, and the sharing of capital) as not being resources for community economic development. The option of cooperative enterprise development is ignored; hence, its potential for bettering community and the accumulation of wealth is missed.

Traditional economic thinking does not capture the dynamics of our changing economy, nor does it adequately respond to the unique needs of urban areas. Blakely and Small's recognition, for example, that "doing well is moving out," captures a major component of the resource drains endemic to inner-city communities:

The real reason for the continuing distance from the labor market among a large segment of the ghetto population is that there is little connection between work and better outcomes for ghetto dwellers or for their communities. The signals are very clear. To move up economically requires moving out. As a result, the link between job and social betterment is lost collectively as achievers move out of the ghetto rather than pass on social and networking skills to the community or act as the magnets for community human resource recovery. Porter does not suggest ways to capture this social capital in the community as it is developed.\(^1\)

If inner cities are merely places that people move out of and do not want to live in, then no wonder there is not good policy about how to sustain and revitalize them. They are just "throw-away" places. They are supposed to become obsolete, or at best are just places in constant transition, not real communities that need much attention or concern. However, there is a problem because people inhabit them and continuously live there—everyone does not transition out; and as abundant empirical research shows, those who stay are often the ones with the least prospects and the fewest resources and skills. These enclaves of defeat and under-development persist and cannot be ignored; neither can they be solved in the usual way.

Shipp\(^2\) contends that purely entrepreneurial, single proprietor strategies narrow the focus from the community to individuals, and thus are only able to help a small group, with limited impact on the entire community. This in turn limits the entrepreneur's ability to expand the service area and be self-sustaining enough to reinvest in the community. Thus, both the single proprietor and the community lose. Shipp con-
cludes that “this capitalistic approach has proven incapable of solving the multidimensional problems within the black community”13; thus, the need for alternative paradigms.14

Porter’s strategy, however, is not new and is not “radical.” His model is based on the tenets of dominant economic theory. Policy prescriptions similar to Porter’s have led to sterile actions that have combined in the past to create economic policy which has allowed the private sector to run from its responsibility to rebuild the cities from which it operated. The government, taking up the slack, throws new money after old into a black hole of expanding despair. Sawicki and Moody remind us of the limitations of these solutions.15 We see that Porter’s model is unable to tackle the complexities of economic change, and clashes in values, activities, and people in an increasingly shrinking and interactive world, in a way that effectively addresses the conditions of the most depressed in urban communities. It is particularly unable to respond to the conditions of African Americans, the majority of whom are urban dwellers in an urbanized society.

Further, Porter’s call for private enterprise development is actually industrial policy under the mistaken assumption that the building of industry is community economic development. Even among his critics, many of the solutions manifest themselves in economic policy built around one component of the economy—Industry. We acknowledge that building effective industry is a critical component of community revitalization, but argue that the current methods of organizing private enterprise through sole-proprietor, partnerships and corporations are too limited to fulfill community needs for empowerment. The current view of industry blinds us to the strong links between the structure of industry and the living conditions in communities, and the need to respond to both simultaneously. Not surprisingly, economic activity stemming from current forms of industrial organization is becoming increasingly ineffective in turning inner-city economies around.16 A new direction is needed.

If the comprehensive needs of urban communities are not satisfied solely through private enterprise development, accessing traditional market processes, then what other economic strategies might work? The critics of Porter’s thesis have not provided a collective vision for how to proceed. Indeed, among all sides there appears to be strong disagreement and even mistrust of the variety of strategies proposed or reported on by others. None of the reviewers in the RBPE Special Issue expand their analysis to fully investigate the strengths and weaknesses of our economic system—particularly its inability to deliver comprehensive eco-
nomic and community development to our inner cities—or offer new paradigms to adequately address the needs. This helps to explain why Porter is able to respond to his critics by continuing to call for “economic” strategies and admonishing them for continuing to worry more about “social” programs. The striking omission, in almost all the reviews and in Porter’s work, of any serious attention to the work being done in cooperative enterprise development, self management, worker-ownership and regional cooperative development through networking is especially disturbing and counter-productive. By not discussing alternatives in discourse, and by excluding these forms of enterprise development, a variety of theoretical, empirical, and applied research and policy is left unmined; and viable solutions are left unimagined.

POLITICAL ECONOMY AND COOPERATIVE ECONOMICS

The distress of the inner city is not fundamentally about dilapidated buildings and worn out infrastructures. It is about conditions that deprive individuals of the capacity to fulfill their human potential. Dilapidated buildings are important mainly because they house the broken spirits of those who have lost all hope of attaining a better life.\textsuperscript{17}

These powerful words challenge us to rethink the meaning of economic development—particularly in an urban setting. They also operate as a mandate for practitioners and theoreticians to redirect their community revitalization tactics. The very pragmatic policies designed to respond to dilapidated housing and all that it represents through the “necessity and the real opportunity [of] creat[ing] income and wealth....”\textsuperscript{18} must equally contribute to the pursuit of human perfectibility and spiritual growth. To make sense of cooperative economics as a response to human needs we must challenge the very foundation of social thought, including what we understand today as economics, and redefine the structure and function of economic activity. It is to this challenge that political economy and cooperative economics speaks.

In this new theoretical space, cooperative economics becomes the outcome of an analytic tool—political economy—and becomes a practical response to the concerns of inner city communities. We shift the analysis from the study of the production and distribution of goods and services through the pursuit of profit and individualistic self interest, to focus on social reproduction. Hogan\textsuperscript{19} defines a political economy as “a human
population undergoing the act of social reproduction, over a protracted period of time, under a set of rules promulgated and enforced by a political state, within a bounded geographical domain.” Through this analytical model, people are understood as the “dramatis personae” of a social activity of which they are the subject, object and results. Political economy describes the relationship between the survival of community members and the human potential of each individual. As a tool this framework allows us to examine cyclical and long term trends in addition to race, class, and ethnic dynamics in communities; investigate how communities grow from the past, are lived in the present, and set the foundation for the future; and explore the interactions between community members, labor markets, work-sites, goods and services, and wealth accumulation.

Political Economy

Hogan builds a political-economic analysis from the traditions of Adam Smith, Karl Marx and W.E.B. DuBois. Hogan’s research responds to the theoretical and methodological rationalizations in the discipline which “justify the existing conditions in which wage workers find themselves.” Particularly concerned with the shortcomings of dominant economic thought’s analysis of African Americans, he develops an analytical tool designed to explain the mechanisms by which this black population in the United States reproduces itself as a particular grouping of human beings. In this essay we adopt the mode and structure of Hogan’s general political economy to focus on urban populations as a whole.20

A political-economic analysis of urban social reproduction understands “the complex set of interrelations, that link the individual members of the human population, one to another, in stable and regularly recurring bonds of cooperative existence.” Together six minimal parameters define the analysis:

(a) the geographical space within which the political economy functions,
(b) the human population whose social reproduction is the underlying motivating force of the political economy,
(c) the institutional mechanisms which are the instrumentalities of social reproduction,
(d) the historical period during which the people are being reproduced,
(e) the political state which oversees the political economy, and
(f) the geographical domains outside of the political economy in question.\textsuperscript{21}

People are the key factor, and their labor which is generated and expended on themselves and the material means of their survival is the driving force of the political-economic system. For continued social reproduction, members of the population must be created and others must be maintained as living beings. A set of institutions which provide for this, subject to the constraints of the local area and region, are what Hogan calls the “institutional mechanisms of social reproduction.” These mechanisms operate as the organizing principle of his thesis which recognizes human labor as “two continuous, synchronized, and complementary alternating phases of the most fundamental activity that drives the political economy.” These phases of human labor are referred to as “external labor” and “internal labor” respectively. The first uses up human beings and their energy, through the process of creating the material means of survival for the human population. The second uses this material to create human energy, and consequently the human population itself.\textsuperscript{22} The social reproduction of the population involves the unified and continuous performance of both phases of labor. The analysis is completed by specifying the nature of two distributive mechanisms, which are preconditions for the alternating phases of human labor. Through these mechanisms human energy is distributed, first, from the internal labor process (ILP) where it is created to the external labor process (ELP) where it is used. Second, material goods are distributed from the external labor process where they are created to the internal labor process where they are used.

Accumulated wealth, in a form characteristic of the particular historical epoch in which the human labor is being generated, is the natural “terminus” completing the cycle of labor. It is the social switching mechanism which allows the cycle to be restarted within the same social arrangements as before, ensuring the continuation of the political economy.

By blending the insights of three significant social scientists, Hogan reveals a way to deconstruct current models of social thinking. Political economy facilitates an interdisciplinary response to the broad needs and assets of a typical urban society. Through concepts such as energy expenditure in both the transformation of the material means of existence (the external labor process), and the reproduction of a human population (the internal labor process), Hogan lays the groundwork for a discussion
of why a particular grouping of the human species is reproduced as a "people." Such a focus also brings to the forefront of political-economic analysis the struggle over the control of this human energy. When applied to inner cities, the model allows us to (1) understand the past development (and underdevelopment) of inner cities and the ethnic and racial groups who reside in them, and (2) create new political-economic realities in inner cities that address the needs of the current populations, and rebuild more responsive, productive and just economic activities, relationships, and institutions.

Political economy as pioneered by Lloyd Hogan can be used to understand the current socioeconomic conditions of today's inner cities and provide a framework which facilitates the building of comprehensive and holistic strategies of economic development which can be implemented with other social policies designed to better life in America's inner cities. One of these policies is cooperative economics.

Cooperative Economics as a Social Safety Net

Indeed, the policy outcome of political-economic analysis when focused on the urban and black condition in the current capitalist political economy is cooperative economics. Political economy and cooperative economics combined, enables us to focus our economic analysis on people—as a few of the reviews suggest is needed. It is the economic development of a people, not of a place, or even a nation, that should concern us. "The first line of basic capital formation is the people themselves." In addition, Williams (1993) reminds us, "cooperation was one of nature's more important schemes for survival."

Williams advocates for cooperative economics as the natural solution to the social condition of underdeveloped peoples.

Poor and underdeveloped peoples, it seems to us, have no other alternative to self-help cooperative organization if they wish to develop as a whole and, at the same time, remain free to develop individually. The socio-economic society we envision is one so truly democratic in fact that the people, having always the freedom of choice, will not be frightened by the bugbear of "regimentation" when organization and united action are urgently necessary for their own economic and social salvation and progress.

Hogan finds it to be a political-economic imperative that African Ameri-
icans build a safety net in their communities to ensure the material means of their survival, and capture "black labor in the total interest of black people." This net must be built to assert their "complete control" over both the internal and external labor processes.26 Hogan suggests further that the safety net be built "grounded in the principle of the creation of a black laboring population which is molded in the true spirit of human perfectibility."27 The depressed conditions in inner cities, of which so many are now aware, are forcing urban communities to build social safety nets in the interest of their own survival. The plethora of social betterment policy presented in the RBPE Special Issue attests to this. The policies and activities that will develop an economic safety net and ensure economic empowerment are slower to be advocated, and take longer to build. We can see, however, that cooperative economic ventures are a logical strategy for achieving such social and economic control.

Hogan points us to the external labor process as the site which requires the most decisive change. Williams suggests that democratic control of regimentation is necessary. The cooperative form of industrial organization with its governance structure built on decentralized control and centralized administration responds to these concerns. Cooperative economic policy responds to the call from political economy theoreticians and the needs of the people. It opens the door for comprehensive, community-wide strategies and structures for social and individual betterment linked closely to changes in the external labor process.

Economic cooperation happens everywhere from the home environment, to motivating the actions of racial and ethnic groups, nation-states, corporations, and countless other social organizations. At the root of this focus is the awareness that the conditions for cooperative economic action exist in urban areas, particularly when understood as an extension of the rich history of self help in both immigrant populations and African American communities. Many immigrant groups, for example, find ways to defend themselves against the harshness of urban life. More often than not, this self defense has been organized through ethnic institutions of self help.28 Combined with the numerous attempts by African Americans to implement self-determination through collective actions, deliberate and coordinated cooperative economic activity becomes a rational (dare we say, even promising) strategy for economic revitalization in inner-cities. Moreover, economic development can be built on a collective and cooperative movement which has always been a part of the "American tradition," whether organized through religious, worker, ethnic, or racial groupings.29
The cooperative complex can be seen as an appropriate response to today's conditions, and one aspect of a continual battle to free the energy and labor of working people. African Americans can be involved in the restructuring of production through democratic firms in a cooperative inter-firm relationship. Community controlled economic development is a possible means of development which can incorporate flexible methods of production and organization using a democratic governance structure. Cooperation can be stimulated as a resource for economic development, giving African Americans a critical role in economic and industrial development in the United States. With this focus, community interests and collective action are modeled as rational behaviors in response not only to an awareness of community needs and assets, but also to competitive conditions in capitalist industry.

Current Conditions in Industry

Even though we live in one of the world's greatest political representative democracies, many in the U.S. face a dilemma which signifies that political representation does not ensure economic security. Too many Americans face poverty, unemployment, underemployment, and social stress, even in times of relative prosperity. The inability of many of the working poor to negotiate the labor market effectively, has closed the door to some of the most desired employment in the external labor process. The traditional market relationships where labor negotiates with capitalists, either as individuals or as a group, have led to a loss of jobs and lost prosperity in inner-city communities. Many of the urban poor are left to experiment with various worthy and courageous methods of coping, while all too many engage in economic activities that are detrimental to themselves and their own communities.

The changes that took place in the external labor process during the 1970s and 1980s have isolated the urban poor from, and left too many ill prepared to participate in, the new forms of competition that have come with deindustrialization and globalization. Big business grew in the United States using competitive methods designed to enhance profit making through the control of wage labor (and labor expenditure within the firm and the legitimizing of the market relationship outside). These relationships developed into rigid price- and market-orientated structures. Government industrial policy basically bailed out, and favored ailing and increasingly obsolete firms. Today's conditions, however, provide a unique opportunity to extend the democratic process into economic production
processes as a method of inducing economic security. Mainstream economic thought does not acknowledge the importance of this.

New competitive methods used throughout the world are built on entrepreneurial strategies of firms gaining market advantage by pursuing well-defined methods of competition and cooperation. Today's successful industries, for example, use different methods of production and organization both among firms and within firms, with the government playing a more coordinating role. To be effective within this "new competition," principles within the firm are transformed; buyer and vendor relationships are distinguished; inter-firm associations are developed; and concerted efforts are made to establish effective industrial policies. The strategy is production-based, focused on entrepreneurial firms organized to pursue continuous improvement in methods, products, and processes. Entrepreneurial activity is moved from a traditional individualist approach, to one which is more collective in concept. Firm relations range externally from giant coordinated organizational structures, to a variety of inter-firm complexes of small firms linked by cooperative associations. Within the firm, worker-management relations range from direct labor consultation to direct labor control. The differences between these methods are in the organizational shells, not the basic principles. A key to their success is their flexibility and varying degrees of worker participation.

Modern strategy is one of permanent innovation, an accommodation to ceaseless change reflected in flexible multi-use equipment, skilled workers, and governance structures which restrict forms of competition in favor of innovation. U.S. industry has slowly experimented with new methods of participation ranging from suggestion boxes to personal supervision through "quality circles." Economic incentives are instituted through employee stock ownership plans.

Neither the hierarchical firms, nor horizontally integrated industrial complexes define success within the current epoch. The general nature of the external labor process is not necessarily the structure or the shell of the competing organizations, but rather the use of relevant productive and organizational principles. The cooperative complex is effective in the use of these key principles in their organizational and productive strategy. More importantly, perhaps, is that the cooperative complex contributes to the positive economic and social development of the human being (killing several "birds" with "one stone").

The task is to integrate a theoretical analysis of the expenditure of human energy to that of economic policy, to show that worker self-management and ownership is effective and can contribute to a continu-
ing process toward self-sufficiency and human liberation. Democracy, particularly through the democratic firm, can stimulate economic development in urban economies. The principle of one-person, one-vote elicits community control of capital, governance, and organization. This can be the foundation for the new competitive firm. Decentralized control through participatory governance and organization, in conjunction with centralized and strategic management, lessens worker alienation and allows for a quickened response to technological and market changes through increased flexibility in the production and assembly processes.

The networking of democratic firms into industrial groups evokes cooperative relationships through the sharing of information and long-term commitments. It is assumed that regions dominated by small firms are functional in today’s international economy. The flexibility of the cooperative system in both production and organization is a particular strategy for competitive success open to groups of small firms. Regions dominated by small firms through a network of dynamic industrial districts and the market-share-dominating corporations, can be understood as different faces of flexible specialization.

The challenge today is to establish means of cooperation that generate common benefits for the cooperators within the firms and for the community, without stifling effects of individual responsibility. Enforcing individual responsibility to the common interest is to establish institutions of inter-firm cooperation. This precludes privately rational acts which can undermine collective rationality. Cooperation ensures that commitments are made to long-term infrastructural development. This is to be tempered with a method to ensure that business enterprises remain innovative and responsive to new challenges and opportunities.

Resource-limited economic activities can take advantage of the organizational process of cooperation, using it as an “invisible glue” to bind people together in a voluntary attempt to better their condition collectively. This cooperation can be harnessed to produce a sort of social energy which can be a resource in cooperative economic development. The democratic use of labor entails an organizational advantage when competing in a market system.

The cooperative way can be a feasible undertaking if the strategic action of putting into practice critical production and organizational principles, appropriate to the times, is carried out. The “Mondragon Experiment” is proving itself as a practical method of economic development, maintaining democratic principles of governance and contributing to a high standard of worker satisfaction and participation, and is effective
within international economics. Japanese industry integrates the thinking and doing of its workers through "quality circles" and team concepts, while still maintaining the capitalist business structure.

The U.S. needs an industrial policy that encourages the combining of constitutional and economic rights—not simply for a utopian vision, but rather in the name of good business. The expansion of democracy into the economic sphere can expedite the response of U.S. industry to the "new competition" and bring a new wave of economic security. The spillover of democracy from the political to the economic arena can help bring both material and spiritual security.

COOPERATIVE ENTERPRISE STRATEGY FOSTERS COMMUNITY DEVELOPMENT/REVITALIZATION

...the original organizers of the Mondragon cooperatives acted as catalysts bringing forth collective actions and talents which previously lay outside of the realm of economic activism. This catalytic action facilitated by a "learning by doing" process of organization exhibited tangible success as Mondragon proved its ability for economic and employment growth and long term survival.30

Through political economy and cooperative economics, cooperative enterprises become a critical component of a comprehensive plan of community revitalization which can respond to the current conditions in industry. Through this alternative vision, industry can be conceptualized in its broader relationship to the process of social reproduction within a particular political economy. This has begun to be theorized and documented through applied and participatory research. While much more research needs to be done in this area, we are beginning to know and understand what makes successful cooperative enterprises, and the implications of this knowledge for economic policy.

Cooperative development, clustering and collaboration, and human capital development are all economic activities. Economics does not mean only private, for profit businesses. Those are just specific types of economic activity. The social transformation of goods and services, whether in primary, intermediate or final industry, can be accomplished using the cooperative as the organizing formation. Cooperatives operate effectively when gauged by traditional criteria. Also, when seen in another light, cooperative entrepreneurship and enterprise development bring to the debate a comprehensive tool for community building, combining many
of the elements and addressing many of the needs to which all the contributors to the RBPE Special Issue call to our attention. Collective power and collective use of community resources help to solve many of the challenges facing inner cities, problems the Special Issue contributors, including Porter, find daunting and disconcerting: the anti-business attitude of residents and excessive reliance on the profit motive; the need to incorporate the unique social dynamics of the inner city and promote social and distributive justice; the political-economic milieu of laissez-faire practices and government deregulation; the need for “employment anchors”; the lack of understanding the talent, skills and resources in the inner city; fool proof ways to hire inner-city residents themselves; and the need for a coherent “economic strategy,” “the necessity and the real opportunity” to “create income and wealth.”

How better to “raise the expectations of the people, forge bonds of community and trust, improve social justice and equity, and establish a sense of accountability and ownership within the community,” than to promote and teach collective entrepreneurship and community enterprises? This is also a way to “involve local residents and institutions in solving the problems their communities face,” to capitalize on feelings of nationalism and remedy the racial monopoly of business; and to develop new social organizations.

Cooperatives help to build and nurture talent, skills, and confidence in an atmosphere of cooperation and support. Cooperatives help to minimize risk, use collective resources to solve many credit and capitalization limitations, and use social energy alongside labor power and collective labor, specific skills, technology and information to produce goods and services and enhance productivity. Cooperative enterprises combine the social energy and productive activity of their members with their shared resources to produce competitive businesses, which are able to reproduce themselves over time. They have the potential to engage the energies and little tapped resources of poor and other economically unsuccessful economic agents (i.e., community members) into successful economic activities. Cooperative enterprise development enables us to uncover hidden assets and nurture and utilize skills, energies and resources that were being wasted or used in illegal or unproductive activities. In addition, cooperative enterprise development can create a favorable climate for business (of any kind), because business development is a part of any community’s development and can be viewed as cooperative, skill building, resource-enhancing ventures which benefit everyone. Cooperation can improve efficiency and productivity.
Hard work is not only motivated through the profit motive and individual self interest. Many people in this society are also highly motivated in attempting to better social conditions. The effect can be much different because the community receives the fruits of their labor. Economic cooperativism can effect the social reproduction of people using competitive institutions able to survive the market economy. We each fulfill the personal interests of living in a thriving and vibrant community conducive to human personal and spiritual development through methods of economic and social cooperation as a motivation for survival.

Morris summarizes many of these elements:

This is a moment in history that screams out for an organizational form that can bridge the ethics of the 1930s and the 1990s, that can bridge the market and the community, competition and cooperative, stability and innovation. . . . Cooperatives marry means and ends. Their "one person, one vote" principle and their local orientation build community and democracy while their business orientation allows them to offer high-quality and low-cost services and products. They allow us to become part of something bigger than ourselves but no so big that we lose a sense of ownership and participation.

There are many highly successful cooperative businesses ranging from the thousands of small enterprises throughout the country and the world, to the multimillion- and billion-dollar revenue-generating collaboratives such as the Mondragon Cooperative Corporation of the Basque lands in Spain, the Sekatsu Consumer Cooperative of Japan, the Industrial District of the Third Italy, and the Cooperative Commonwealth of Ottawa Canada.

The main successes and potentials of cooperative enterprise development are summarized as the following:

a. Cooperative economic development provides employment and educational opportunities. Throughout the world, consumers and workers are experimenting in cooperative forms of enterprise development. They are competitive, democratic and committed to community education. In many comparative cases they do better than traditional forms of work organization.

b. Many cooperative structures have generated revenues and capital for sustainable economic growth. That the work-sites provided by
cooperative firms are not easily susceptible to capital flight has been shown to be critically important. Personal rights, manifested in voting rights in the form of one person, one vote, rather than property rights through stock ownership, allow membership a greater impact in determining the course of action, and tend to keep capital at home (or at least make it harder to flee). Moreover, moving from rights based on property (and stock ownership) to rights based on patronage (labor or consumer) or personal rights will make a key difference in how wealth remains in or returns to the community.

c. Cooperatives are competitive. The key difference between the cooperative and traditional form of enterprise is the governance structure and wealth distribution based on patronage. The performance structures can be designed to respond to current competitive conditions, and have successfully done so.

d. Cooperative economic organization contributes to the development of community members, through provision of employment, quality goods and services, and a commitment to community building. Cooperative enterprise mobilization is built around community concern. It creates dedicated workers and responsible citizenship through the mobilization of community members and resources, in a way that can not be understood with traditional theory, and in alternative forms of industrial and economic development.

e. Accumulated wealth (fruits of labor) is returned to the community and cooperative members in the form of lower prices, dividends, and safety (material and non-material forms).

CONCLUSION

...it should be clear that all that we have been saying about economic development through organized cooperative programs has the single purpose of a fuller, happier life. These are things of the spirit. Our various enterprises would be pushed to increase the wealth of the community in order to increase the happiness and well-being of all its members.48

Although Williams was speaking to Africans about The Rebirth of African Civilization on that continent, his analysis and advice are appropriate worldwide, especially for those of us concerned with the
political-economic conditions facing U.S. inner cities. Many who worry about the survival of our cities recognize that collaboration and cooperation are and will continue to be critical elements in any strategy of community revitalization. The public sector, granting agencies, and community organizations are all considering partnerships around these principles, with increased discussion of economic development (through collaborations and cooperation) as a key component of social development. Firms in the private sector, in pursuit of profits, recognize an increased role in worker participation through team work and employee ownership, making these the norm rather than the exception. School reformers celebrate the successes of their incorporation of "new competition" principles into schools and classrooms that reduce class sizes, enhance teaching and learning, empower teachers and students, and facilitate school and community partnerships without increasing costs. Organized labor is accelerating its efforts to build meaningful and long-term community links. Community service organizations are overwhelmingly emphasizing the need for "one stop shops" which combine social services with workforce development, job creation, and other economic development activities. The motivation behind these institutions and the people who are their members, is not purely the profit motive—it is more complex than that. What is clear is that many involved see a need for collaboration, teamwork and "workplace" democracy, whatever the activity, and understand that bettering their own condition is in some way connected to bettering that of others. More and more people realize that many of the current trends in urban environments are not only detrimental to the communities themselves, but to U.S. society as a whole.

In this essay we suggest that much of the problem of finding and recognizing solutions lies in economic theory and its corresponding policy implications. The proposed strategy of income and wealth accumulation through private enterprise development is not broad enough to respond to community concerns associated with housing, economic development, neighborhood revitalization, infrastructure development, health care, job training, education, crime prevention, and planning and community organizing, in a post-industrial, globalized economy. The reality is that the needs in these areas call for a comprehensive, holistic, and well coordinated community-wide set of strategies which incorporate the building of creative, productive, and sustainable mechanisms of survival and prosperity which better the quality of life. Inner-city revitalization and community economic development must mean good jobs, economic empowerment, and community cultural, political, and social development—si-
multaneously. Materialist and individualistic solutions are no longer enough.

As we enter the 21st century, the world still faces the problem of a color line. However this line is part of a larger quilt of contradictions woven into the social fabric. Political economic theory responds to this complexity. We can understand the historical struggle for control of the labor of the African American as a critical feature of those "broader [and] deeper matters of social condition" which "lie behind the concept of race."49 In the United States, capitalism has rendered a certain amount of urban labor significantly useless. A possible method of bringing productivity to this group may be through economic restructuring (which will require theoretical restructuring). Economic restructuring may be done according to organizational principles of a new period of international competition, and conceptual restructuring may be done connecting social reproduction with industrial organization.

The omission of such a discussion in previous critiques of Porter's and similar "solutions" to inner-city underdevelopment, is an example of how conceptual debates play a role in promoting, sustaining, and undermining economic institutions.50 Working together to better a collective condition is a concept that traditional economics at best ignores and usually condemns. Hence, little of it has been studied and the potential to direct collective efforts toward cooperative enterprise development is untapped. We hope that this article has set a conceptual base for understanding that real world situations in inner cities are conducive to the creation of cooperative complexes in the United States. Methods of participatory economics bolstered by the non-material resource of social energy open the door for increased, and more universal, economic prosperity. They make possible more varied forms of expression of the human potential.

We conclude, therefore, that an equally valid response to Porter's challenge to develop the competitive advantage of cities is to:

1. Recognize cooperative enterprise development as an economic (actually a political-economic) activity,
2. Understand how collaboration and cooperative enterprise development address the unique experiences and many of the socio-economic needs of African Americans and all inner-city populations,
3. Document the ways in which such cooperative ventures are viable and competitive,
4. Research cooperative enterprise development as a community development strategy, and
5. Design ways to use cooperative enterprises and cooperative entrepreneurship to redevelop and revitalize inner cities.

Much work needs to be accomplished in this area. As we all struggle to revitalize our cities, we challenge Porter, his critics, and the readers to broaden their research and consider new paradigms to include investigation of cooperative economic activity—its energies, resources, various methods of organization, and achievements—and its ability to engage and empower heretofore underdeveloped, impoverished, and exploited communities.

NOTES

2. Curtis Haynes, Jr. is a co-founder of the HUD-funded Resurgent City for Cooperative Community Development (RCC) at Buffalo State College. The RCC operates on the premises laid out in this paper. Jessica Gordon Nembhard, senior economist at The Institute for Urban Research, Morgan State University, also uses applied and theoretical research in the areas of political economy and cooperative economics.

We would like to thank our colleagues who gave comments and took the time to read various versions of this article, particularly Lloyd Hogan for his encouragement and advice. Of course the controversial analysis and any general short comings are our own doing.

3. Approximately thirty percent of farmers’ products are marketed through cooperatives in the U.S. More than 50 million Americans use insurance companies that are owned by or closely affiliated with cooperatives. More than 20 co-ops have over $1 billion in annual sales. And over 67 million people are members of credit unions with assets greater than $100 billion. See National Cooperative Business Association. (No date.) “Cooperatives Are . . . Cooperative Business in the United States.” Pamphlet, circa 1997. Washington, DC: NCBA.


5. According to the National Cooperative Bank, ibid., the Mondragon is the seventh largest cooperative internationally, after France’s Credit Agricole, Japan’s Morinohain Bank, and the Swiss Migros—to name the top three.

6. Neo-classical economics is one of the many competing paradigms of economic thought. Its current prominence is the result of historical, political, cultural, economic and natural processes associated with the development of the current political economic system. Also see our note #14.


Johnson, Farrell, and Henderson, for example, suggest the mobilization of a broad range of the nation’s assets. “What is needed are institutions capable of designing and implementing cooperative, collaborative, and coordinated strategies that draw upon and fully utilize the complete range of community assets to deal with heretofore intractable problems of inner cities.” “An emerging school of thought posits that providing greater access to individual and community-based social resources is the key to resolving...[crime] and related problems of distressed urban neighborhoods.” They conclude with an imperative to empower inner-city workers and entrepreneurs rather than exploit inner-city resources with outside majority-owned businesses.

In addition, Graf, Special Issue...1995/1996, recognizes the need to solve the problem of who benefits from the fruits of the development when addressing issues of capital formation in inner cities.


In addition, Sawicki, David S., and Mitch Moody. Fall 1995/Winter 1996. “Deja-vu All Over Again: Porter’s Model of Inner-City Redevelopment,” The Review of Black Political Economy. Vol: 24; 2/3, 75. Remind us that “...the country needs a more radical look at the changing nature of work, private—and public-sector hiring policies, and an attitude that should hold our society to blame for creating too few jobs, rather than blaming those that lose in the competition for those jobs. In our opinion, Porter contributes to another misformulation of the problem, and therefore a sure loser of a solution” (p. 92).


13. Also see Shipp, ibid., p. 92, about the need for strategies that focus on the entire group and the collection of factors contributing to the quality of life of a community.


14. The debate about inner-city revitalization should include challenges to the theory behind Porter’s assertions about economic and community development, and his research and development policy. Yet these challenges are scarce. Decades ago, W.E.B. Du Bois extolled the importance of cooperative enterprise in the social development of African Americans and for the U.S. as a whole. He challenged the structure and function of contemporary economic and social thought, but too few followed his lead.
Haynes and Nemhbad


There does exist a rigorous body of economic literature challenging the neo-classical paradigm in general. We will not reproduce those works here or summarize the debate because we want to use our space to delineate an alternative paradigm and support our initial propositions.


15. Sawicki and Moody point out, for example, that social programs designed by the government are and were under the strong influence of the private sector and were never designed to succeed. Rather, they were designed to “ameliorate some of the damage caused by the failure of free-market economic development of the inner city and, most importantly, the disappearance of living-wage jobs for the unskilled in these areas” (p. 81). They continue, “Private sector failure, infrequently discussed today, is even more likely now, given the well-documented diminishing number of jobs that demand lower-skilled workers” (p. 83). op. cit. (note #10).

16. Bates, op. cit. (note #10), for example, reminds us that “The social contract is being substantially rewritten. The rise of the informal economy is a reflection of fundamentally changing political-economic processes at the core of society” (P. 115).


18. Here we agree with Porter, op. cit. (note #8), p. 303, and a number of authors in the volume.


20. Buffalo State College’s RESURGE (Resurgent City Research Group) has gathered data, using participatory and applied research, which shows that the political-economic characteristics of many urban communities—particularly in Buffalo, NY—reflect those of the African American population. Effectively responding to the conditions of U.S. cities, therefore, is inseparable from bettering the condition of the African Americans, and vice versa.

21. Hogan, op. cit., p. 12 (the six parameters). Hogan is the source throughout this section.


23. Williams, Chancellor. 1993. The Rebirth of African Civilization. Chicago, IL: Third World Press (reprint from 1961), p. 15. He asks us to remember that what is faced in African nations is not so much the development of a nation for which capitalism and communism have done wonders, but that we are faced with the economic development of a people.

24. Ibid.
25. Ibid., p. 151.
26. Hogan, op. cit. (note #19), speaking of the role of black Americans in the “social reconstruction” of the future states:
In short, unemployment among the members of the black population signals the growing liberation of black people from direct capitalist exploitative mechanisms. [I]t therefore becomes extremely urgent that a black “safety net” be installed by blacks themselves to capture these unemployed black workers to be used to exert black labor in the total interest of black people (p. 160).
29. Also see National Cooperative Business Association, op. cit. (note #3).
40. Boston and Ross, op. cit. (note #7), p. 337.
44. Compare this to “buy Black” campaigns, which benefit primarily black capi-
talists, which makes a point, but does not go far enough with what is needed. Perhaps this explains the difficulty of “buy Black” campaigns.


47. See Thomas and Logan, ibid.


49. Hogan, op. cit. (note #19).