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## BOOK REVIEW

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### WORKER SELF-MANAGEMENT AN ALTERNATIVE TO WAGE-LABOR IN THE HISTORY OF ECONOMIC THOUGHT, BY ZHANG JIAXIN

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***Worker Self-Management: An Alternative to Wage-Labor in the History of Economic Thought*** (in Chinese), by Zhang Jiaxin, Beijing, Social Sciences Academic Press, 2013, vi + 262 pp., ¥58 (paperback), ISBN 9787509743225

President Tito paced up and down as though completely wrapped in his own thoughts. Suddenly, he stopped and exclaimed, “Factories belonging to workers—something that has never been achieved!” (Djilas 1969, 1).

In 1950, Yugoslavia embarked on an historic experiment, a form of market socialism featuring “worker-self-management.” For three decades, the results were impressive. Between 1952 and 1960, Yugoslavia recorded the highest growth rate of any country in the world. For the period 1960–80, Yugoslavia ranked third in growth per capita among low- and middle-income countries. In 1950, Yugoslavia was—as it had been since its creation in 1918—a poor, underdeveloped country. By 1980, Yugoslavia had attained a standard of living approximately two-thirds that of Italy. Even Harold Lydall, a major critic of the Yugoslav experiment, writing in 1984, concedes that “Yugoslavia, under its system of ‘socialist self-management,’ has achieved a high rate of economic growth of both output and

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consumption. The average standard of living has changed all out of recognition in the past thirty-five years” (Lydall 1984, 183).

Of course, Tito was wrong about “factories belonging to workers” being something never having been achieved before—although never before had there been an attempt to make worker-self-management a core feature of an entire economy. As Zhang Jiixin points out, the “Rochdale Pioneers” set up a worker-owned cooperative in 1844, seeing it as a prototype for a new form of economic organization. Marx himself, in his 1864 “Inaugural Address to the Working Men’s International Association,” praised “the cooperative factories raised by the unassisted efforts of a few bold hands, the value of which cannot be over-rated,” for “they have shown that production on a large scale, in accord with the behests of modern science, may be carried on without the existence of a class of masters employing a class of hands.”

In 1956, another historic experiment began. In the town of Mondragon, in the Basque region of Spain, a Catholic priest, Don Jose Arizmendiarieta—the “Red priest,” as he was called in local conservative circles—persuaded five of his former students, who had become professional engineers, and 18 other workers, to set up a cooperative factory to manufacture small cookers and stoves. In 1959, again at the priest’s instigation, a cooperative bank was formed, with a mission to promote cooperatives in the region. By 1980, there were 70 cooperatives in the Mondragon group, engaging 15,000 worker-owners.

Academic interest in worker-self-management also began in the 1950s and developed rapidly throughout the next three decades. Real-world experiments were underway. Economic theory had to catch up. The first theoretical model of a worker-self-managed economy was published by Benjamin Ward in 1958. Controversies and refinements ensued, engaging, among others, the Nobel-laureate economist James Meade. These important debates and developments are explored in this volume.

But then came “the collapse of communism,” first in Eastern Europe, then the Soviet Union, followed by the break-up of Yugoslavia (which, as even Lydall admits, had nothing to do with worker self-management). Prominent Western academics declared “the End of History”—the final triumph of liberal capitalism and representative, multi-party democracy. (China was seen to be, whatever its protestations to the contrary, an emerging *capitalist* country that would soon enough adopt a “normal” political system.) By the end of the 1990s, neoconservative intellectuals and politicians were confidently proclaiming “A New American Century.” Interest in worker-self-management evaporated, at least in “respectable” circles.

But, less than a decade into this “New American Century” came something that respectable economists had thought impossible: a Great Recession, the worst

economic crisis in the Western world since the Great Depression of the 1930s, first hitting the United States and now engulfing Europe—with no end in sight. And it has become clear that governing elites have no serious proposals for returning their economies to relatively full-employment prosperity. Political systems have become increasingly dysfunctional. Policy prescriptions (e.g., austerity for the masses, tax-cuts for the wealthy) are counter-productive. High-unemployment stagnation is set to become “the new normal.”

At this historical juncture, attention is once more being paid to alternative economic institutions. Cooperatives in particular are being re-examined. In 2009, the United Nations General Assembly,

recognizing that cooperatives, in their various forms, promote the fullest possible participation in the economic and social development of all people . . . are becoming a major factor of economic and social development, and contribute to the elimination of poverty. (UN 2010)

proclaimed 2012 to be “the International Year of Cooperatives.” Earlier that year, the International Labour Organization released a report on “The Resilience of the Cooperative Business Model in Times of Crisis.” Also that year the United Steelworkers—the largest industrial labor union in North America—signed an agreement with the Mondragon Cooperative Corporation (MCC) to collaborate in setting up Mondragon-style cooperatives in manufacturing sectors in the United States and Canada. (In 1991, the Mondragon cooperatives, always linked via a central bank, formally consolidated into a cooperative corporation, with a governing council comprising representatives from the member cooperatives, each of which is also governed democratically. Member cooperatives are free to leave the corporation at any time.)

Yes, Mondragon is again attracting attention, for, unlike the Yugoslav experiment, this historic experiment did not collapse. Far from it. From 15,000 employees in 1980, the MCC grew to 20,000 in 1990, then to 40,000 in 2000. Today, it has a workforce of 83,000. MCC is the dominant economic power in the Basque region of Spain; it is currently Spain’s seventh largest corporation in terms of sales, and its fourth largest in terms of employment. MCC includes a high-tech manufacturing sector, educational centers (among them Mondragon University), highly sophisticated research and development centers, and the third-largest retail food chain in Spain. MCC has also set up 77 businesses outside Spain.

Much attention is also being paid to cooperatives in Left Latin America: Venezuela is actively promoting worker cooperatives, Argentina has legitimized many of the worker-run factories seized by workers during the economic collapse of 2001, and Cuba, just this year, has embarked on an experiment to extend

cooperatives into urban areas, some newly established, some former state-run enterprises. (Agricultural cooperatives have long been operating).

Clearly, Zhang Jaixin, a young associate professor at the School of Economics, Jilin University, has written an exceedingly timely book. As he makes clear, the empirical evidence strongly supports the claim that worker-self-managed enterprises, properly structured, are as efficient as capitalist enterprises and often more so. Moreover, they provide additional benefits consonant with socialist values: employment security (for responsible workers), work that can be skill-enhancing and life-affirming, the opportunity to participate democratically in decisions that deeply affect one's life, and so on.

Conditions would seem to be propitious in China for the extension of worker-self-management. Formal institutions are in place in many enterprises, backed by official rhetoric. The language of “democratic management” is widely used in China. The Chinese Constitution proclaims that “state-owned enterprises practice democratic management through congresses of workers,” which are empowered to “decide matters concerning the well-being and benefits of the workers,” and even to “elect the factory director or manager according to the arrangement of the competent governmental department.” Even non-public enterprises are supposed to be “conducive to developing democracy, giving voice fully to the workers' ideas and demands, and allowing the workers to take part in their enterprises' democratic management”—at least according to formal Politburo member Wei Jianxing, speaking on the subject several years ago (*Xinhua News* 2002).

The world of globalized capitalism is in serious trouble. We have *not* reached the end of history. Humanity is desperately searching for a viable alternative, one that preserves the undeniable accomplishments and strengths of capitalism while mitigating its equally undeniable defects—massive inequality, intractable unemployment, poverty in the midst of plenty, and environmental degradation—which appear to be growing in intensity. Worker-self-management can be a vital part of the viable alternative we so desperately need. Zhang Jiaxin's book makes a genuine contribution to the project of creating a sustainable, democratic future for us all.

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