

Argentina's Worker-Occupied Factories and Enterprises

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Introduction

Argentina has experienced a number of new developments in labor relations since the rebellion of 2001. The formation and expansion of the *piquetero* movement (street and road picketers) of the late 1990s offers an important example of direct action and protest on behalf of the large minority of Argentines both unemployed and poor. The Neighborhood Popular Assemblies (*Asambleas Vecinales/Populares*) constitute another form of mobilization very prominent between 2002 and 2003, which, although not a labor movement, can act as a valuable labor support group for social action on a multitude of fronts. The growing influence of the Argentine Labor Confederation (*Central de Trabajadores Argentinos, CTA*) offers an increasingly influential social-movement labor federation that stands as an alternative orientation to that of the *Confederación General de Trabajo (CGT)*, the dominant Argentine labor federation. The *CTA* represents not only factions of the labor movement but also sectors of Argentine society hitherto without labor representation. Finally, there is the growing worker cooperative movement – the subject of this article – which has occupied factories and other enterprises that were either abandoned by their owners or were in various stages of bankruptcy proceedings.

The movement of worker-led factories and enterprises represents a very important departure from the norm of traditional Argentine labor relations. It creates islands of worker autonomy and responsibility quite distinct from union organizations and typical rank and file worker relations with their employer. It offers the promise of new forms of worker control over the productive process, worker political empowerment and a potential revision of traditional relations between capital and labor. Lastly, the worker cooperative movement, with its critique of the neoliberal business-as-usual ethos, inspires large portions of Argentine civil society.

The worker cooperative movement in Argentina raises several important theoretical questions that not only implicate the Argentine political economy but redound globally everywhere where workers are confronted with outsourcing, downsizing and arbitrary decisions by the owners and managers of capitalist enterprises. The Argentine workers depict dramatic confrontations between the rights of private property and the rights of the well-being of the working class confronted with unemployment and poverty. In most of the world this is an uphill struggle and basically a part of settled law in support of the predominance of private property as embedded in constitutional and legislative law. However, in Argentina this political culture is being challenged by a coalition of workers, community activists, intellectuals, progressive lawyers and small political parties of the left. The recuperation of bankrupt factories and enterprises is creating a societal movement within a neoliberal economy that combines elements of worker entrepreneurial capacities with a resurgence of collectivist solidarity and working-class consciousness.

These are not unimportant societal responses. For example, we have the question addressed by Charles Tilly on the impact of social movements on democracy and democracy on social movements. The question he poses is very apt for Argentina: can social movements that are formed to pursue particular interests actually promote expansion of democratic relations and practices (Tilly 2004: 140–143)? Additionally, Barrington Moore ponders: when is it that groups of people cease to take societal relations for granted and begin to oppose and actively reject them? When do people come to recognize that these social rules are both unjust and oppressive (Moore 1978: 81–91)? This article seeks to explore this Argentine social movement as a potential nucleus in questioning the moral authority and legitimacy of predatory capitalist behavior that has blatantly subordinated responsibility to larger communities to arbitrary venality and greed. The contemporary situation of the Argentine working class has never been so dire, and it is their memory of better times and conditions that makes their critique and rebellion both historically anchored and noteworthy (Ranis 1992, 2004).

The ultimate litmus test remains: can this new social movement become economically viable not only on a micro-level among the many small and medium-sized factories and enterprises where it has proliferated but also as a meaningful alternative to capitalist and managerial-dominated larger corporations in Argentina? The struggle for worker self-management is not an easy one and it is replete with a necessary learning curve as the workers and employees develop new

aptitudes and skills while continually being prepared for corporate and political challenges to their autonomy.

Antecedents to the Argentine rebellion of 2001

In order to better understand this new form of labor relations one has to comprehend the conditions and factors that gave rise to this movement in Argentina. It is clear that on a global scale we see the rapid unraveling of the capitalist welfare states. Nowhere is this more apparent than in Argentina in the 1990s under President Carlos Menem. Global financial institutions have attained such a predominance over the Argentine economy that domestic priorities often succumb to a secondary role (Malhotra 2003). Virtually all autonomous planning has become subordinate to international finance requirements to such an extent that central banks no longer can plan for the priorities of the local economy. Productive enterprises have been replaced by stock market and currency trading. Inequitable income distribution has dramatically threatened social cohesion, and the crippling of protective labor laws has caused the working class to fall into unparalleled levels of insecurity and poverty. Fred Block's notion of "productive consumption" – that is, investments in education, job training, health care, the physical infrastructure, environmental protection, and the defense of families from economic insecurity (Block 1996: 75ff) – has been virtually ignored.

In the mid-1970s petrodollars found Latin American countries to be willing customers for recycled dollars that were looking for new sources of income. Easy credit from private banks created the escalating debt crisis that began in the early 1980s. Under the aegis of the IMF's imprimatur, Argentina's external debt increased from \$5 billion in 1970 to \$90 billion by 1995 (Weaver 2000: 174). As the chief collection agency, the IMF oversaw the nationalizing of private-credit debt obligations, which gave it, the large lending banks, and the powerful creditor governments the leverage to enforce neoliberal economic reforms in Argentina. The historical autonomy of the capitalist state as separate from the capitalist class (Miliband 1969) has significantly atrophied in the post-Keynesian Argentine society.

Ultimately the overwhelming majority in Argentine society have no legal recourse in opposition to IMF economic policies. Those who work and those who are unemployed have no seat at the negotiations conducted at the highest levels among international bankers and governmental officialdom. The IMF-sponsored bailout packages focus not on social issues, employment, and a variety of human concerns but

rather on whether the creditors will be paid with interest. The consciously driven policy of the IMF toward Argentina exhausts the country's domestic economic productivity while impoverishing its people.¹ Argentina had become the world's leading poster child for economic and political liberalism. State-led deregulation, flexibilization of labor laws, and privatization of public enterprises as well as the social security system have been combined with a minimalist government. The massive privatization of Argentine public enterprises, such as petroleum, electricity, railways, telephones, gas, and water, has naturally meant a substantial growth of foreign control over the Argentine economy.²

At the time of the Argentine crisis of 2001, social data indicated that unemployment (25%) and underemployment combined to reach 35% of the populace, that 60% of the population of 37 million were below the poverty level (measured by a family of four with monthly incomes below \$220 dollars), and 27% are classified as indigent (family of four with monthly incomes of \$100 dollars or less) in terms of providing for food, clothing, transportation and services (Lozano 2003). After two years of substantial economic recovery by the end of 2004, unemployment and underemployment plus those on the welfare rolls had dropped to under 20% and poverty indices had fallen to 40% (Ramero & Raffo 2005: 2). Nevertheless, people on wages and salaries earn only 15% of national income compared with over 40% in the 1960s and 50% under early Peronism (Ranis 1992, ch. 2; Resels 2002: 87). Wealth has become even more concentrated in the past decade. Income distribution figures according to households now show that the top 10% have gone from holding 35% of income in 1991 to 40% in 2000, while the bottom 40% of income earners have

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1. Between 1992 and 2001, the public debt of Argentina increased by almost \$50 billion. At the same time, Argentine indirect taxes on consumption, mainly IVAs, a value-added sales tax, made up 72.5% of revenues collected, whereas taxes on profits and income comprised only 27.5% (Resels 2002: 86).
 2. In 1993, in the early stages of Menem's neoliberal economic policies, of the 500 largest companies, 280 were in the hands of national capital groups and 220 were foreign-owned. By 2000, 314 were foreign-owned and 186 were Argentine nationals. In terms of earnings, the changes were even more pronounced. In 1993, the national firms accumulated close to \$12 billion and the foreign firms \$19 billion. By 2000 the national firms attained less than \$8 billion and the foreign firms \$37 billion. But most dramatic were the comparative data on profits. The national firms' profits declined from over \$2 billion in 1993 to only \$365 million in 2000, while the foreign firms' profits rose from over \$4 billion in 1993 to over \$7 billion in 2000. In other words, by 2000, although the foreign firms made up 63% of the largest firms they attained 95% of the profits (*Página 12*, May 21, 2002).

dropped from 14% of national income in 1991 to 10% in 2000 (Damill *et al.* 2002). In 1974, before the military dictatorship, the top 10% income earners received five times the income of the bottom 10%. By 1991 it was 15 times, and by 2003 it was 44 times (Lozano 2004: 4; *Página 12*, April 20, 2005). If we apply an index number of 100 to Argentine salaries in 1974, by 2002 that index had fallen to 47 (Nochteff & Güell 2003: 5–17). Since the rebellion of December 2001 to the first quarter of 2005, the loss of real wages among the working class continues unabated. The formal private sector workers have lost 13% in real wages, the formal public sector 28% and the informal sector 26% (*Página 12*, April 22, 2005). What is very noteworthy since the economic recovery of 2003–2005 is that Argentina has become a country in which productivity growth is no longer translated into job growth, and the employment that is being created is mostly in the precarious informal sectors of the economy. Workers incorporated into the economy in 2003 averaged \$200 dollars a month, while those entering the workforce in 2004 average \$100 dollars a month, only double the *piquetero* welfare payments – known as the *Plan Jefes y Jefas de Hogar Desocupados* (Lozano 2005: 7).

Economist Joseph Stiglitz has argued that in the case of East Asia, the IMF and the World Bank have to consider three areas of priority: ensuring food security, maintaining the purchasing power of vulnerable households, and maintaining economic and social services for the poor, including spending on education and health care and designing well-targeted social programs (Stiglitz 2002). It is evident that these factors were among the crucial societal detonators in the upheaval of December 2001 in Argentina.

The Argentine rebellion of 2001

The rebellion in Argentina of December 2001 was a spontaneous outpouring of wrath and a demonstration against the imposition and consequences of a prescribed neoliberal economic model. But it also included a direct confrontation with the governing institutions and political leadership. Argentines massively demonstrated in December 2001, beating on pots and pans, directing their opposition to President de la Rúa's establishment of controls over savings and checking accounts to avoid a run on the banks after the announcement of a partial debt default (*Corralito*). The economic turmoil precipitated the sacking of supermarkets by impoverished consumers, which in turn resulted in a declaration of a state of siege, counter-demonstrations, and the death of 27 people. De la Rúa resigned, and after a series of

interim presidents, the congress designated Peronist Eduardo Duhalde as president. The *cacerolazos* (pots and pans demonstrations) that began in December 2001 represented the mass of Argentine society from all walks of life. Argentina had never experienced such a spontaneous multiclass uprising. It represented the poor, the working class, the unemployed, the retirees, civil servants, students, the middle class, professionals and shopkeepers.

The culprits were no longer the Argentine military or a particular political party. The continuing confrontations turned on an assessment of the liberal capitalist model and representative government as practiced in Argentina. Yet it was distinct from past socialist, revolutionary and populist movements. This was a movement from below, distrusting even leftist parties that sought changes from above. There was little confidence in established political leadership cadres, in or out of power, as mediators of the public will. Nor was there any clear evidence that these new social formations had the unity to challenge for political power or that they had a shared commitment to develop new mechanisms of public responsibility and representation.

The rebellion occurred at the apex of a sea-change in Argentine society. Contemporary Argentina has experienced a dramatic shift in the structure of the working class since the deepening of the neoliberal economy. With the momentum of privatization of state companies, public sector employee downsizing, and deindustrialization, the class pattern of the economically active population has dramatically changed. The social strata now mainly consist of the autonomous, self-employed and informal workers who make up more than half of the nonagricultural workforce, while the balance is made up salaried public and private sector service employees and a minority of the traditional industrial laborers. In the years before the Menem neoliberal administrations, unionized workers were estimated to be 34% of the economically active population (*Europa Yearbook* 1988: 350). By 2002 that percentage was estimated to have fallen to below 20% (author's interview with Edgardo DePetri, CTA organizational secretary, July 24, 2002). Despite productivity growth since 2002, the working class has not shared in that largesse. Skilled workers average only about \$200 dollars a month and the unskilled approximately \$100. Even highly trained technical personnel average \$300 monthly. Thus the vast bulk of economically active people have not shared in Argentina's productivity growth in several generations, going back to the mid-1970s and the onset of the military dictatorship.

The neoliberal economy has disempowered the Argentine people and subjected them to cruel economic dislocations ever since the end

of the import substitution industrialization policies of the 1930s to the mid-1970s. The freezing and partial appropriation of millions of middle-class savings accounts in 2001 was the culminating event that made a whole population take stock. The state of deprivation brought all these groups together in a variety of overlapping and seemingly contradictory class positions (Wright 1985). There is increasing stratification between the Argentine rich and the rest of the population. Class interests based solely on relations of production have become tenuous, given the dearth of workers fully employed. The historic Argentine workers' suspicion and distancing from the working poor and the unemployed (Ranis 1992) have been mitigated. As Adam Przeworski has written, class position is not a certainty prior to societal struggles (Przeworski 1977: 343–401).

The victory of Néstor Kirchner in the presidential elections of April/May 2003 managed to give the Peronist Party a new lease on life when a year earlier it appeared that Argentine social forces would produce a more progressive political outcome that would eclipse the traditional party structure. Politically Kirchner is very sensitive to the questions of civil liberties and human rights and he has had an admirable non-confrontational approach to mass demonstrations, work stoppages and unauthorized picketing. Yet his attachment to traditional internal Peronist leadership bargaining has inhibited him from rejecting the neoliberal ideological shifts commandeered during President Menem's two terms. Kirchner has not used the levers of state power to reassert governmental regulatory powers over the strategic sectors of the national economy, multinational capital and the dominant local Argentine financial interests. It became clear by early 2003 that the societal vitality emerging after December 2001 had been too politically dispersed to mount a significant electoral challenge to the most powerful establishment party – the Peronists. Nevertheless the experiences of 2001–2003 have left a significant residue with the Argentine body politic that has shifted the terms of engagement and created a more vigilant civil society.³

3. A powerful testimonial to this changed environment is that on a single day in Argentina – November 21, 2003 – there were four simultaneous demonstrations in Buenos Aires: one group supported workers in a Western province that had destroyed the offices of two private foreign-owned petroleum companies for their downsizing policies; a second group of *piqueteros* were demanding increasing governmental subsidies for the unemployed; a third demonstration protested against Argentine entry into the US-sponsored Free Trade Agreement of the Americas (FTAA), and a further group of judicial employees were picketing for higher wages (*La Nación Line*, November 22, 2003).

The causes behind worker-occupied enterprises

Worker-occupied enterprises did not proliferate in a vacuum. They were and are a direct result of the economic crisis prevalent in Argentina since the late 1990s. As the crisis intensified, so did the response of a portion of the Argentine working class. There is little doubt that the deepening of the neoliberal economic model under Menem provoked this alternative approach to both unemployment and poverty itself. Worker-occupied enterprises became a clear alternative to rising unemployment and increasing working-class impoverishment, while making a strong argument for keeping alive a critical productive sector of the domestic economy (Cafardo & Font 2003: 10–15; Di Marco & Palomino *et al.* 2003).

The pattern of deindustrialization began under the military dictatorship of 1976–1983. The then Minister of Economics, José Alfredo Martínez de Hoz, initiated the policies of opening up the Argentine economy to unfettered foreign capital and financial investments. The concentration of industrial power in a few foreign and domestic firms began under the military regime. High local interest rates fueled international financial speculation in Argentina. That period became known as the *patria contratista*, as the military arranged, without bids, highly priced contracts between the government's national enterprises and local monopoly firms in the industrial sector. This begins the downward spiral of deindustrialization and unemployment as many smaller Argentine firms found it difficult to compete under these arrangements (Ruggeri *et al.* 2004: 24). The 1990s under Menem represented the culmination of this period of devastating deindustrialization. Under the aegis of an overvalued dollar/peso parity, foreign investment increased significantly, as did foreign imports of all kinds of industrial products. Investments abounded in the utilities, services and extractive economy but not in the industrial sectors. The demise of national firms and the direction of foreign capital penetration combined to wreak havoc on Argentine domestic industry and services, with the concomitant increase of unemployment, poverty and inequality representative of a dual society (Hecker 2003: 6).

Financial speculation, flight capital, and the laws of labor flexibilization combined to weaken domestic industry's place in national production, transforming certain manufacturing sectors into mere assembly plants for foreign imports. Industry's share of GNP dropped to just 15%, 300,000 jobs were lost, and just 100 firms controlled 50% of Argentina's industrial production. Those industries

Table 1. Evolution of Production, Employment and Productivity in Argentine Industry, 1970–2000 (Base: 1970 = 100)

Year	Employed workers	Hours worked	Intensity*	Volume produced	Productivity
1970	100.0	100.0	100.0	100.0	100.0
2000	43.1	44.7	103.6	121.4	281.5
1970–2000	–56.9%	–55.3%	3.6%	21.4%	181.5%
1989–2000	–35.0%	–34.1%	1.4%	21.8%	87.4%

In addition, using an index number of 100 for 1980, real salaries have gone from 140 in 1970 to 67 in 2000.

*Hours worked per employed worker.

Source: extrapolated from Kulfas (2003: 11).

still viable at the end of the 1990s were limited to foodstuffs, automobiles, chemicals, and iron and steel, and these were highly concentrated in a few hands (Kulfas 2003: 10).⁴

Despite these conditions at the end of the 1990s, President de la Rúa maintained the same policies as Menem. He kept the peso–dollar 1 : 1 convertibility, did nothing to create new industrial jobs or raise salaries and consumption that would be a stimulus for the national economy. Rather his administration’s focus was on repaying the foreign debt and maintaining a climate propitious for foreign investment. Transnational capital increasingly dominated in the Argentine economy as small scale and medium Argentine enterprises found themselves unable to compete. Many industrial sectors contracted or disappeared under these increasingly unfavorable conditions. The financial collapse of Argentina in late 2001 sharpened these conditions. The collapse of peso-convertibility severely affected smaller firms with higher levels of indebtedness, especially those that produced for the domestic market but depended upon imported raw materials and supplies. The end of peso parity with the dollar significantly raised the bar of profitability for many of these smaller enterprises.

It was in this difficult climate that many industrial firms began to collapse and workers attempted to recuperate these firms by occupying them. The data vary, but it appears that approximately 150 firms

4. The table below points out dramatically the degree to which Argentine workers have lost their jobs in the last decades, particularly in the 1990s, and how super-exploited are those who remain on the job as measured by their productivity increases over the years.

representing about 15,000 workers were recuperated from the mid-1990s to 2004. Approximately 30% of the recuperated enterprises were in the metallurgical sector and the balance in food processing, plastics and shoe wear, clothing and textiles, printing, ceramics and other non-industrial services including pharmacies, clinics, private schools, and hotels (Briner & Cusmano 2003: 23; Ruggeri *et al.* 2004: 20).

The reasons behind the collapse of many small and medium-sized industrial firms are complex. There is little doubt that the crisis accentuated preexisting patterns and behaviors among the owners of these enterprises. Almost all started proceedings that would end in default to their creditors and outright declarations of bankruptcy. Under the Employment Law of 1991, firms were allowed to approach the Ministry of Labor under "crisis prevention procedures." Under these provisions, a firm could petition to use some of its workers outside collective bargaining agreements and in other than full-time employment; a firm could also lay off or fire a number of workers in order to avoid bankruptcy (which would entail even greater unemployment). And in most cases they asked to cut severance pay by 50% in order to avoid closing down altogether. Furthermore, the Employment Law allowed for business subcontracting outside of the collective bargaining agreement. This had massive reverberations, particularly among smaller firms (Ranis 1999: 104).

Decree 470 amplified the law by allowing for pay increases only for productivity increases and providing for only one part of a workforce of a particular industry to receive a pay increase as opposed to the across-the-board increases common since the 1950s. For example, for the first time ever, the powerful metallurgical union *Unión Obrera Metalúrgica* negotiated new as well as supplemental accords to the collective bargaining agreement for certain branches such as aluminum, iron, and electrical machinery, as opposed to the whole metal industry. In addition, in March 1995 a Flexibilization Law was passed that also had huge repercussions. It was aimed at enterprises with 40 employees or less, businesses which employ approximately four out of five Argentine workers. It allowed the owners of these firms to reconfigure the workplace procedures to enhance productivity and to restructure their workforce based on technological, organizational or market rationales (Ranis 1999: 105). Thus many of the bankruptcies were related to the economic crisis accentuated by the advent of the severe recession of the late 1990s. However, invariably in the cases in which workers chose to occupy their factories and enterprises, there was overriding evidence that the industrial recession was often fraudulently used by the owners' to decapitalize their firms, attain governmental credits for

non-production related financial speculation and, ultimately, to deprive the workers of their earned salaries.

The Argentine enterprises that would be occupied by their workers (*empresas recuperadas*) usually were in either one of two stages of ownership crisis management. In both cases they had gone beyond the "crisis prevention" stage of dealing with the functioning of their factories. The first stage was one of "*concurso preventivo*" which constitute proceedings against an insolvent debtor; the second stage (to which some moved directly) was the declaration of bankruptcy (*la quiebra*) itself, as stipulated by the bankruptcy law passed in 1995. At the *concurso* proceedings stage, the various "privileged" and labor creditors would meet with the employer to try to hammer out a resolution satisfying to all concerned. If this was not successful, bankruptcy was declared. At this stage the bankruptcy law permitted, as one alternative, the formation of cooperatives with national, provincial or local governmental involvement. This allowed for various proposals from interested parties to reconstitute the factory or enterprise in question. The bankruptcy court would then make a decision on the matter.

The Argentine crisis of 2001 resulted in a reform of the bankruptcy law in February 2002 which declared a production and credit emergency. In that reform, the pre-bankruptcy stage was extended to 180 days, in which concerted efforts were made to maintain the factories' solvency. It is important to note that in the crisis year of 2001 there were over 10,000 pre-bankruptcy proceedings and over 3,000 actual declared bankruptcies (Briner & Cusmano 2003: 26). Once bankruptcy is authorized, the owners have lost control over their property, its administration or any of its material assets. At this point a bankruptcy court trustee takes over the disposition of the bankrupt enterprise. In May 2002 an important additional reform of the bankruptcy law explicitly allowed for the bankruptcy court trustee to rule that workers could initiate production in the enterprise if a majority of the workers so agreed. What is extremely important to recognize is that this reform did not guarantee the workers any indemnization for the factory closing but merely that they could temporarily continue to make a go of the enterprise and continue to be responsible for its fiscal solvency. The law simply stipulated that the factory or enterprise continue to be an integral whole until such a time as it could be auctioned off to a new buyer. Obviously this constituted a very unstable situation among the workers willing to continue production via a workers' cooperative, since they were not guaranteed any priority at the time the factory was auctioned.

At this point in the process, workers, supportive lawyers and local legislators began to recognize the question of worker-occupied factories as one of common sense and simple equity at a time of severe economic and societal malaise. The route they chose was one of temporary expropriation of the enterprise in favor of worker cooperatives. They based their argument on a 1977 law that allowed for state expropriation if it was deemed for the "common good whether materially or spiritually." The law further stipulated that private or public goods could be temporarily expropriated if for reasons of "public utility." The province of Buenos Aires and the city of Buenos Aires had similar expropriation provisions in their constitution and local laws. However, there is an important caveat involved. The expropriations by these local jurisdictions were usually for two years in order to maintain the structural, administrative and productive coherence of the enterprise and could be subject to being returned to its original owners as determined by the expropriators – the province or city of Buenos Aires (Briner & Cusmano 2003: 26–30). In a major victory for the 13 occupied factories located in the city of Buenos Aires, the municipal council passed legislation in November 2004 that made permanent the rights of the worker cooperatives to maintain control over their enterprises. The new legislation stipulates that the machinery, the trademarks and the patents belong to the workers. The workers are given three years of grace to begin paying – over 20 years in six-month installments – the value of the firm at the time of the bankruptcy (Lavaca.org, December 7, 2004: 1–4).

The Argentine recuperated factories and enterprises have taken three notable forms. The first is state expropriation and ownership with worker control. This approach has the enterprise taken over by the state, leaving the workers the right to administer the enterprise as public sector employees (Di Marco & Palomino *et al.* 2003: 187f). This is a minority alternative fostered by less than a handful of enterprises and famously proposed by the Zanon tile factory in Neuquén Province (Magnani 2003: 132–159). The second approach advocates the cooperative procedure of worker-occupied enterprises. This approach is grouped together under an association of cooperatives called *Movimiento Nacional de Empresas Recuperadas* (MNER, National Movement of Recuperated Enterprises). Under this umbrella organization, various forms of worker cooperatives are applied depending upon individual circumstances. The cooperatives either seek to rent out the factory or obtain a temporary expropriation. These options permitted the workers to begin production without the burdens of debt caused by the original bankruptcy. A third approach, very similar to the

second but with distinct political orientations, is represented by the grouping formed as the *Movimiento Nacional de Fabricas Recuperadas por los Trabajadores* (MNFRT, National Movement of Factories Recuperated by the Workers). These political differences will be spelled out below.

There is a long history of Argentine cooperatives concentrated mainly in the agricultural sector and dating as far back as the 19th century. Prior to the 1990s most common forms of cooperatives were in agriculture, public service and other consumer services, housing, credit, and insurance. However, with the burgeoning economic crises of the late 1990s, it is the worker cooperatives that have proliferated. Approximately two-thirds of the worker recuperations of enterprises have occurred since the economic crisis of 2001 (Ruggeri *et al.* 2004: 31). While worker cooperatives accounted for 9% of all cooperatives in 1999, by 2002 they represented 40% of all cooperatives. As among other cooperatives and following a national cooperative law of 1973, the worker cooperatives conform to certain principles of internal organization. These provisions determine that the workers' assembly is the highest organ of the cooperative, that these assemblies choose the governing body, decide on income and profit distribution, on membership, and on the disposition of assets and liabilities (Briner & Cusmano 2003: 34f).

The politics of worker-occupied enterprises

The societal challenge represented by the worker-occupied enterprises has received a positive response from the participatory sectors of Argentine society, particularly those unleashed by the crisis of 2001. The *piquetero* movement, the immediate neighborhoods themselves in which the cooperatives are located, the neighborhood Popular Assemblies, political parties of the left, civil and human rights groups, and university and secondary school faculty, teachers and students have been very supportive of the cooperative movement and its various takeovers and occupations of factories and enterprises. Public opinion has been generally favorable and the various levels of government have acknowledged the movement and given it tepid moral support if not much explicit financial aid. Only in the province and city of Buenos Aires have the legislature and municipal council passed legislation that will provide permanency to those factory and enterprise takeovers and allow the cooperatives to proceed with certainty in their dramatic departure in developing and sustaining worker-led productive entities.

Despite the lack of a permanent national legislative legitimacy, the workers' cooperative movement in the space of just three years since the Argentine crisis of 2001 has taken hold on the political imagination by an intelligent, socially conscious and ethical program of community outreach. There are multiple examples of recuperated factories lending their facilities to the surrounding communities for health clinics, art exhibits, theater evenings, and adult learning centers with university faculty providing courses for credit (the author visited several such factory cultural programs in the city of Buenos Aires). These neighborhood and community contacts stood them in good stead when several of the factories were threatened with police interventions on behalf of the previous owners. Among the best documented of these examples of communities' defense of the workers' factories were the Zanon ceramics factory in Neuquén Province and the Brukman suit factory and the Chilavert printing enterprise in the city of Buenos Aires (Fajn 2003; Magnani 2003: 131–223). The tenuous legal status of many of the recuperated enterprises was again dramatized in November 2004 when the governor of the Province of Neuquén initiated legal procedures to remove and auction the Zanon ceramics factory machinery. This would be the death-knell of the worker-run factory, and the community surrounded the factory to guard against such a removal. The Zanon labor leaders have traveled to Buenos Aires and participated in large social-movement demonstrations. An international petition circulated in their support gathered over 15,000 signatures in just 10 days in December 2004 and eventually reached 22,000 signatures (petitiononline.com/zanon.html, May 3, 2005). The linkages established between the Zanon workers and the larger Neuquén community were again strongly in evidence when in April 2005 the governor of the province provided five days in which new private bids to buy out the ceramics factory were invited. Not a single buyer appeared.

The two largest and most influential cooperative umbrella associations that organize between them the bulk of the 150 or so cooperatives are the MNER (hereafter, *Empresas Recuperadas*) and the MNFRT (hereafter, *Fábricas Recuperadas*). The *Empresas Recuperadas*, founded in 2002, are a more national organization representing more constituent groups in the provinces though well represented in Greater Buenos Aires as well. The *Fábricas Recuperadas*, founded in 2003, are far more concentrated in the capital and Greater Buenos Aires. Both groups command great loyalty and the respective leaderships are highly competitive with each other. The president and vice-president of the *Empresas Recuperadas* are Eduardo Murúa and José Abelli and for the *Fábricas Recuperadas* the president is Luis Alberto Caro. In reading

the associations' literature and based on my interviews with their leaders, it becomes clear that they have disparate ideas on strategies and tactics though they agree on the overall critique of the Argentine government, the mainstream political parties, and the hierarchical and corporate structure of the national economy. Though both movements argue that they are autonomous from the state and all political parties, the *Empresas Recuperadas* seem to have many more friendly contacts and relations with the parties of the left than does the *Fábricas Recuperadas* movement.

Policy-wise there are some very interesting differences between the two cooperative movements. In an open letter written to President Kirchner in August 2004 (*Carta al Presidente de la Nación/Empresas Recuperadas*, August 2004: 1–2), the *Empresas Recuperadas's* position is made clear. The *Empresas Recuperadas* movement is more frontally combative and much more political and ideological. They cast their net more widely taking on governmental and international positions as they relate to domestic employment and unemployment and the relations of labor to capital in Argentina. For them, local struggles are a direct resultant of national and international policies and of the global context, dominated as it is by the United States. For example, the *Empresas Recuperadas* advocate Argentine withdrawal from any negotiations involving the Free Trade in the Americas (FTAA) initiative of the United States. The *Empresas Recuperadas* see the cooperative movement as part of a working-class opposition to the Argentine government and its lack of a full-fledged employment policy. The *Empresas Recuperadas* also support with great vigor the use of laws of expropriation to legitimize the cooperatives. Moreover, they explicitly call for a *Fondo Fiduciario*, a federal subsidy program, that would allocate 10,000 pesos per cooperative worker in recuperated enterprises. The *Empresas Recuperadas* movement calls for legislation that would require the workers' trade unions of origin before the bankruptcy to continue to provide the labor affiliation and the same set of benefits as among the workers in the formal and organized private capital and public sectors of the economy.

On the other hand, the *Fábricas Recuperadas* explore other means of retaining worker control in abandoned factories. They favor a more case-by-case approach to taking over factories by the workers in question. They do not, as a rule, take on the Argentine government or take direct issue with policies emanating from the international lending institutions such as the World Bank and the IMF, nor with policy directions of the United States. Nor is their position one of direct confrontation with capitalism as an economic system but rather to use the

mechanisms as provided by that system to etch out islands of worker control and management. They do not advocate this in the present Argentine political climate and have little confidence in affecting positive government economic support in terms of credits or loans. Luis Caro, president of the *Fábricas Recuperadas*, argues, "We aren't political and don't take political positions *vis-à-vis* political parties and the government – that is all blah, blah, blah – the key is commitment to the workers to work. Taking positions against the IMF, FTAA, Bush, Kirchner, etc. is not a prime concern, rather we confront those immediately against us. Our struggle is recuperating factories and providing employment. Try to change everything, you change nothing" (interview with Luis Caro, August 4, 2004). For Caro the key is that once a factory under worker management becomes viable, produces income and provides employment, no government would have the temerity to return it to its erstwhile bankrupt owners. The permanent expropriation law passed by the Buenos Aires Municipal Council in November 2004 gives supportive evidence for this analysis. Moreover, the *Fábricas Recuperadas* position does not necessarily see or expect the help of the union movement nor do they see it as necessary to their goals.

A recent pamphlet written by Luis Caro points out further differences between the two movements (Caro 2003: 1–12). He prefaces his remarks by saying that the workers are not really taking over the factories but are simply "not abandoning the factories once the bankruptcies have been declared and the owners have abandoned the factories." Instead of going to their homes and awaiting court decisions that may take years, he advises the factory workers to remain in place "defending the right embedded in the Argentine Constitution's article 14 which says every Argentine has the right to work in any lawful factory. This initial position of remaining in one's place of work is very important because it constitutes exercising a legitimate constitutional right (art. 14b)." Caro argues that the workers are basically defending their right to maintain their families and in most cases have the legal right to sue for back pay, lost wages, and lost health, pension and social security coverage that usually accompanies the last months of a firm that is being decapitalized by a runaway owner.

Caro argues that in a normal capitalist enterprise, the owner invests, produces, and sells. With what is earned, the enterprise pays for its utilities, services, raw materials, taxes, and the high salaries of the managers, and only lastly, with what is left, are wages to the workers paid out. Within the recuperated factories the logic is different.

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They seek a rental agreement for the abandoned factory from the bankruptcy judge if it is still in debtor proceedings (*concurso preventivo*) or with a bankruptcy judge if the owner has filed for bankruptcy. Here the scenario takes a dramatic departure. The factories are run as a subsistence economy. Without the extraordinary management salaries, often 10 times the salary of the average worker, the factory is able to reinvest that income into the costs of running a factory. In the first few months the workers defer a large portion of their wages so as to build up the viability of the firm. Caro argues that the workers have been in this situation even before the bankruptcy or while unemployed, but now their sacrifice is for the cooperative, not the owner (interview, August 4, 2004). For example, Caro argues, if 100 workers give up 500 pesos a month for four months this accumulates to 200,000 pesos, a very sizable capital fund in Argentina. With these rental conditions and deferred salaries, the factory quickly resumes inventories, production and sales. Moreover, the recuperated factory under worker management can usually rely on the good will of its long-term clients who often advance them the necessary raw materials to begin production and often also advance the cash payment. On delivery, payment is then concluded with the clients. In the well-known case of the Brukman suit factory cooperative, the merchants who sell the suits buy the textile supplies for the Brukman workers so that they can initiate the production line the merchants want. The Brukman workers then charge for labor and subtract the cost of the advanced raw materials. The method is called *a façon* (Chaves 2003). Additionally, the workers usually have the loyalty and trust of long-term provider relationships, which allows them to pay for the materials after production is underway.

Caro argues for a methodology of worker self-reliance based on reducing the initial costs of factory takeover to literally zero. Labor for the first several months is zero and the prior managerial payout is zero. Caro argues, "There is no other mechanism in Argentina by which to capitalize. Don't waste your time looking for credits or subsidies in Argentina." However, there is broad consensus about the tax advantages of cooperatives since they, as organizations with "social ends," are non-profit and do not have to pay taxes on profits as do for-profit private companies. Caro's position is both legalistic and pragmatic. It is based on readings of several articles in both the Argentine and the province of Buenos Aires constitutions that allow for expropriations for reasons of "public utility" and the "common good" (*Movimiento Nacional de Fabricas Recuperadas por los Trabajadores* 2003: 7-12). But once set in motion his scenario initiating the

cooperative is flexible and based on the possibilities and leverage of each cooperative enterprise.

By contrast, the position of the leaders of the *Empresas Recuperadas*, Eduardo Murúa and José Abelli, is more political and policy-oriented. Murúa and Abelli see the crisis in more structural terms implicating a government that has all the wrong priorities. Murúa told me that the cooperatives have done very well in activating the enterprises but have failed to impact significantly on public policy that would give their movement greater coherence. He argues that they need direct legislation expropriating defunct factories and turning them over to the workers because individual case litigation is slow and costly (interview, July 26, 2004). Murúa, too, can argue that his position on overarching legislative expropriations has been vindicated by the November 2004 actions of the Buenos Aires City Council. Abelli sees that the industrialists assume large credits and often recycle the loans into private and non-manufacturing speculative ventures, often outside of Argentina, while liquidating their enterprises and under crisis protection legislation slowly firing and laying off workers while abrogating the union contract stipulations. He argues that just in the last several years, there has been a transfer of \$20 billion to the capitalist sector in terms of loans and credits which has led, not to industrial growth and employment but to the closure of 30,000 industrial and commercial enterprises throughout Argentina and the resultant loss of over one million jobs. Abelli estimated that often company owners get into debt up to 10 times the value of their factories (interview, July 21, 2004).

According to Abelli, the *Empresas Recuperadas* cooperative movement is responsible for \$100 million a year of production but with a capacity to produce \$300 million, given that most worker-occupied enterprises are working at about 30% of capacity.⁵ They could easily reach 70% in several years. Abelli says, "We have destroyed all the rules of economics. We only had human capital. In some recuperated factories we began with only \$100. In many cases we have tripled to quintupled the number of workers. Salaries have multiplied by 10 times in some cases. We have created a virtual circle" (interview, July 21, 2004).

What is quite startling in Argentina is the lack of resonance the cooperative movement has had among the union leadership as

5. In an exhaustive national sample survey of 72 recuperated factories and enterprises conducted in 2004, two-thirds achieved productive capacities between 20% and 80%. See Ruggeri *et al.* (2004: 47).

opposed to the strong support it has been given by elements of Argentine civil society. Strong support has come from the Popular Assemblies, the *piqueteros*, students, individual leftists, civil and human rights groups and the neighborhoods themselves in which the factories are located. Eduardo Murúa reports that no unions, with the exception of some pharmacy, printing and metallurgical union locals, have supported the enterprise takeovers. He sees the CGT union structure as part of the neoliberal political system and CTA as too closely associated with the Kirchnerist state. Nor apparently has the CTA shown interest in organizing the workers in the recuperated factories who were in most cases abandoned by their CGT locals and lost their union affiliation and benefits when their factory was closed. Interestingly he says of the two most progressive unions in Argentina – the teachers (*Confederación de Trabajadores de la Educación de la República Argentina*, CTERA) and the public employees (*Asociación de Trabajadores del Estado*, ATE) – that they are more interested in economic distribution than in a revision of the political system. Murúa says, “The teachers and the public employees only struggle when there is no money in their ATMs” (interview, July 26, 2004).

The leftist political parties’ position and the position supporting state expropriation and ownership with worker control (e.g. the Zanon factory) is that cooperatives are merely a form of “self-exploitation” (see the critique by Heller 2004). Abelli counters by saying “What state? It is a capitalist state.” Murúa told me they have little confidence in the state. In fact he said, “There has not been a single law that I can recall in the last 22 years of democracy that has helped the Argentine people . . . It would be better if they closed Congress – at least we wouldn’t be going backward as a people. They say Congress doesn’t work hard enough; I say the more they work the worse for the Argentine workers. It’s better that they do nothing” (interview, July 26, 2004). Of the left parties, Abelli said, “There are 78 leftist parties of the vanguard” (interview, July 21, 2004). It is obvious that, though the *Empresas Recuperadas* receive support from the small left parties and though they have many common issue orientations, the movement has little confidence in the state and seeks to maintain its independence of analysis and action from the parties of the left. Murúa argues that from an ideological point of view, they oppose the “nationalization” of industries as proposed by the parties of the left. “We don’t like workers simply being workers/employees of the state as against cooperatives where workers take on multi-tasks, initiatives and fulfill the role of emancipated workers *à la* Marx. Nor is the worker involved in how you develop an enterprise, using his creativity. [In cooperatives]

the worker realizes he is more critical than the capitalist and need not be subordinated to the managers” (interview, July 26, 2004).

Conclusion

The worker-occupied enterprise movement has in fact filled a vacuum in terms of worker representation. With few local labor affiliate exceptions, the CGT labor federation has been at most noncommittal to the cooperative movement and at worst antagonistic. Accustomed to being the behemoth of labor representation for decades during which they needed only to bargain collectively on behalf of employed workers, they seem unable or unwilling to comprehend the new and permanent crisis. The CTA alternative federation has been nominally supportive but without attempting to represent the movement nor to advocate for their approach to development and employment.

Certainly the *Empresas Recuperadas* and the *Fábricas Recuperadas* are a rational response to keeping jobs, income and even investment monies within Argentina. In lieu of a different form of Argentine state, worker-led enterprises offer a variety of small islands of worker control and cooperation that in and of themselves may become the nucleus of an alternative labor relations network with substantial consequences for the future. Out of the experience of an intensification of employer chicanery and exploitation in the workplace combined with an increasingly labor-surplus job market, the workers have been driven to take hitherto unthinkable initiatives. In striving to defend their families’ livelihood, they have found themselves in ever increasing confrontational relationships with capital, the state and the judicial establishment. This has achieved a dialogue that raises critical questions concerning the role of labor, capital and the state. It reinserts the working class as a central ingredient in the pursuit of a just society. As the workers proceed in the occupation and recuperation of their workplaces, they find they are also touching on fundamental questions concerning the direction of neoliberal society.

Until now the recuperated enterprises have received a sympathetic hearing in the public media and in public opinion, benign neglect by the national government, and a dispassionate aloofness from large capital interests. As long as the cooperative movement accounts for a relatively small percentage of national production, this scenario is likely to continue. However, should the Argentine federal government or several of the major provincial governments begin subsidizing worker-managed enterprises, capitalist interests may begin to feel threatened. As more and more precarious companies on the verge of

bankruptcy begin to be occupied by their workers, the potential for class confrontation will increase. This would eventually challenge political power and public policy and predictably create capital resentment and counter pressures. This will also require a reexamination of the role of the Argentine state ensconced since 1976, and particularly in the Menem years, with a self-limiting vision of its responsibility for social welfare and social programs. The irony is that though the state's socioeconomic intervention has visibly weakened, its political power in defense of the powerful capitalist class has strengthened.

However, should Argentine unemployment and poverty indices continue unabated and should a crisis of capitalist production emerge, the workers' cooperative movement may surely offer a systematic labor alternative. What's more, it may provide a model for a new cultural and ideological sea-change in working-class culture and consciousness. From a political economy viewpoint, the cooperative movement may still be seen as relatively incipient but its impact on the political imagination is another story that requires telling, synthesizing and analyzing.

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CSAD125781

Queries

Peter Ranis

- Q1 Caro 2003: please specify whether this is 2003a or 2003b
- Q2 Chaves, Maria. 2003. "Brukman bajo control obrera": article's page number range?
- Q3 Ranis 1995. *Class, Democracy and Labor in Contemporary Argentina*: please ensure this is either cited in text, or deleted from References