

Building a Platform for Economic Democracy:

A Cooperative Development Strategy for the Bronx

By

Nicholas G. Iuviene

B.S. in Urban Studies and Planning
SUNY Empire State College
New York, NY (2003)

Submitted to the Department of Urban Studies and Planning
in partial fulfillment of the requirements for the degree of

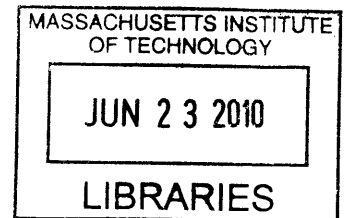
Master in City Planning

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

June 2010

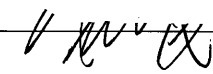
ARCHIVES



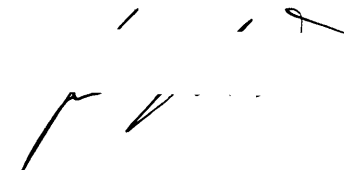
© 2010 Nicholas G. Iuviene. All Rights Reserved

The author here by grants to MIT the permission to reproduce and to distribute publicly paper and electronic copies of the thesis document in whole or in part.

A handwritten signature in black ink, appearing to read "N. Iuviene".

Author  Department of Urban Studies and Planning
May 20th, 2010

Certified by  Professor J. Phillip Thompson
Department of Urban Studies and Planning
Thesis Supervisor

Accepted by  Professor Joseph Ferreira
Chair, MCP Committee
Department of Urban Studies and Planning

Building a Platform for Economic Democracy: A Cooperative Development Strategy for the Bronx

by

Nicholas Iuviene

Submitted to the Department of Urban Studies and Planning
on May 20, 2010 in Partial Fulfillment of the Requirements
for the Degree of Master in City Planning

Abstract

Cooperative development efforts over the last 25 years have been largely inspired by, and modeled on, the Mondragon experience in the Basque region of Spain. None of these efforts has achieved nearly the success of Mondragon, which stabilized and dramatically developed a regional economy through the creation and growth of a diverse set of industrial worker and supportive secondary cooperatives. U.S. efforts in cooperative development have typically replicated some aspects of the Mondragon model but ignored others. This thesis argues that successful cooperative development requires a more complete understanding of the critical components of the Mondragon model. Drawing on the Mondragon case and on the emergent model from the Evergreen Initiative in Cleveland, I present a cooperative economic development framework made up of three components: defining a geographic area, developing a cooperative network, and designing policies based on an endogenous, import replacing economic development model. Using this framework, I then offer an initial cooperative economic development strategy for the Bronx targeting recommendations to both governmental and non-governmental organizations.

Thesis Supervisor: J. Phillip Thompson
Title: Associate Professor of Urban Politics

Acknowledgements

I will always be grateful to my parents, Barbara and Joe, for their unequivocal love, support and commitment in all my endeavors. Their influence and direction has made this unlikely experience possible. It is a complete demonstration of solidarity when your mother copyedits from 6PM to 8AM days before that dreaded deadline.

To my committee - Phil Thompson, Gerry Hudson and Lorlene Hoyt, I could not have asked for a more inspiring and motivating committee. You all have had a considerable impact on my intellectual development and reinforced my belief in the possibility of transformational social change.

And to my fellow collaborators – although I had moments of doubt, I am grateful for being involved in this brilliant experiment that proved a humane, supportive and sane approach to writing a master's thesis. It was a risk for all of us, and it was a great success.

The CoLab has been critical to making my experience at DUSP valuable and meaningful. Specific to this thesis I am grateful for the support of my research and for providing the space and support for the collaborative thesis group. Dayna, you lead an invaluable organization for this institution.

Barika was instrumental in weaning me from writing my thesis on long rolls of tracing paper, insisting I use a computer like normal people. She also happened to challenge and inspire me for the better part of the last two years.

If it had not been for Ben's insistence that I had a strong argument in my thesis, I probably would have thrown the whole thing out and started over, and never finished.

I am deeply appreciative of everyone in Cleveland who were so generous with their time and insight. Ted Howard and Steve Dubb were invaluable in providing background information, direction, and support. Everyone who permitted me interviews, I am grateful for the opportunity to have learned about this remarkable effort.

Thanks are owed to all of the members of the Bronx Green Jobs Roundtable that lent their time and insight to this project. I hope we are beginning a long and fruitful endeavor for the Bronx.

Laura, Dara, Wendy, Jorman, Fernando, and Maria – there are so many things. I owe you all.

Table of Contents

ACKNOWLEDGEMENTS	4
INTRODUCTION	8
CHAPTER 1: BUILDING THE PLATFORM	13
The Platform	13
Economic Democracy	14
Worker Cooperatives	15
Recent Trajectory of Cooperative Development in the US	15
Rationale for the Case Selection	16
CHAPTER 2: MONDRAGON COOPERATIVE EXPERIENCE	18
Background	18
The School	19
The First Worker Cooperative	19
The Bank	20
Cooperative Groups	21
Technology Research and Development	21
Measures of success and growth	22
Mondragon Innovations	23
The Cooperative Network	23
Import Replacement, Diversification, and Endogenous Development	24
CHAPTER 3: EVERGREEN INITIATIVE CASE STUDY	28
Context	28
University Circle	28
Becoming Greater University Circle	29
An Emerging Relationship	30

Building the Leadership Team	31
Visiting Mondragon	33
The Evergreen Model	34
The Evergreen Development Fund	36
Expansion	36
Cooperative Firms	37
Intersecting Ideologies	39
Remaining Questions	40
CHAPTER 4: A COOPERATIVE ECONOMIC DEVELOPMENT FRAMEWORK	43
What we learned from Mondragon	43
The Framework	44
Geographic Area	45
Cooperative Network	47
Secondary Cooperatives (Support Organizations)	49
Organizing the network	51
Endogenous Development Model	53
Summary	56
CHAPTER 5: ENGAGING THE BRONX	57
Approach	57
Engagement Process	58
Outcome	59
CHAPTER 6: A BRONX PROPOSAL	61
Analysis and Rationale for the Bronx	61
Building a Cooperative Network	71
Establish a leadership team	71
Build institutional partnerships	72
Develop a democratic governance structure for individual firms and the overall network	74
Development and phasing of support organizations	75
Development Model	79
Economic Drivers	79
Thinking about Import Replacement and Diversification	80

Research, Education, and Technology	84
Conclusion	85
A CONCLUDING THOUGHT	86
FURTHER RESEARCH	87
BIBLIOGRAPHY	89

Introduction

On December 14th, 2009, the NYC Council voted 45-1, with one abstention, to deny the 310 million dollar proposal to redevelop the Kingsbridge Armory in the Bronx into an urban shopping mall, rejecting for the first time a major development proposal backed by Mayor Michael Bloomberg.¹ According to the story reported in the newspapers, this fight was about attaching a living wage requirement to the development, which would have guaranteed all retail workers a wage of \$10 dollars an hour and benefits. The developer argued that the wage requirement would alienate all potential retail tenants, and the mayor argued that the government was not in the business of mandating living wages. The Retail Workers Union and the Bronx elected officials, led by the new borough president, Rubin Diaz, Jr., had joined with community organizations. They argued that given the multi-million dollar subsidies the developer would receive from the City and the State, the public had the right to demand that the jobs created would provide livable wages.

Although the story reported was true, this fight was about more than living wages. Since the 1990's, the Bronx has experienced an influx of private capital investment and the resultant real estate development. For many observers this was a long awaited reversal in the economic trends of the borough, which was still recovering from the 1970's when the Bronx lost 21% of its population. Despite continuous growth since the 1980's, the population has not yet returned to 1970 levels. With this recent influx of resources and development residents and small businesses owners started demanding tangible benefits for the communities where new projects were being constructed. Focused organizing responses to these projects put forward demands concerning local

hiring, living wages, funds for community development projects, locally owned and small businesses, community space, etc. Recent large development projects in the borough include the Bronx Terminal Market, Yankee Stadium, the Target Center, the Kingsbridge Armory, and the Crotona Filtration plant. Most of these met contentious fights with different factions of government, organized labor, and community organizations supporting or opposing the project. Underlying many of these fights is the complicated issue of land use and the control of land use through zoning. Over the last several decades, the City has been converting industrial land to use for more valuable commercial and residential uses. Meanwhile some argue that these industrial lands offer the best opportunities for creating good working class jobs.

The Kingsbridge Armory, the most recent episode in the contentious fights surrounding development in the Bronx, ultimately pitted the Bronx political establishment, local community based organizations and some of the cities more influential unions against the Bloomberg administration and the multinational real estate developer, Related Companies.

From 2003-2005 I was the lead organizer on the Kingsbridge Armory project for the Northwest Bronx Community and Clergy Coalition (aka the Coalition). When I joined the Coalition, the organization had been campaigning for the development of the Kingsbridge Armory for nine years. Originally the organization had campaigned for creating four new public schools inside of the Armory. Over time the proposal morphed into a mixed-use development proposal that would include shops, schools, a movie theatre, recreational and community space. In 2003, the development was projected to cost \$200 million and include 660,000 square feet of space (not including the schools). The Coalition had partnered with a nationally recognized developer (the Richman Group) and several major labor unions. Additionally the Coalition brought together an array of Bronx-based organizations and elected officials in an effort to build

¹ Dolnick, "Voting 45-1, Council Rejects \$310 Million Plan for Mall at Bronx Armory."

a broad base of Bronx stakeholders who supported an armory redevelopment that brought greater benefits to the community.

Though the Northwest Bronx Coalition had campaigned for the redevelopment of the massive hulking structure, in the months leading up to a final vote in the City Council, they decided to oppose the project unless a stipulation was added to the development proposal, which required retail tenants of the proposed mall to pay living wages. In the end, the Bronx “won” by getting the City Council to reject the proposal and deal an unprecedented loss to Bloomberg who had championed the project. Soon after the excitement of “defeating Goliath” had subsided, a sad reality settled in to many of the leaders involved in this project. After 14 years of campaigning for the redevelopment of this vital asset what did they have to show for it? One interesting outcome of this experience is the emergent center of political power that grew out of the community organizing around the Kingsbridge Armory. Although too early to tell if this locus of political organizing will become influential in the Bronx, considerable potential exists.

One significant goal of the Kingsbridge Armory campaign was to move beyond a strategy of extracting benefits and mitigating the negative consequences of economic development to one of working with the developer and labor unions to design a project that was inherently beneficial to the community, workers and the developer. In the end, the Coalition and its allies reverted back to a strategy of extracting benefits when faced with seemingly irreconcilable differences between the interests of the City, developer and the community, local government, and parts of organized labor. One challenge is that the strategy for economic development that has been pursued pits groups against each other, because the costs and benefits seem inequitably distributed and mechanisms for collective decision-making are limited and ineffective.

It is in this context that I have written this thesis. Here, I explore the challenge of identifying an alternative path for economic development. More specifically I ask: how

can a collection of locally based organizations build the network and civic infrastructure necessary to coordinate their activities to build democratic economic institutions and reorganize local economic activity?

I began this inquiry by looking at past experiences of developing worker cooperatives. The story of worker cooperative development is one of many efforts but few successes. Initially inspired by the negative consequences of industrialization and increased urbanization, efforts have been made across the globe to build local, regional, national and global worker cooperative sectors. Few cooperative development initiatives have reached a significant scale (in terms of numbers of firms created, people employed, or revenue generated) to have a meaningful impact on the geographic area the effort focused on. In the U.S. efforts that did reach a significant scale (e.g. the O&O Supermarkets in Philadelphia and the plywood cooperatives in the Northwest) were unable to maintain their success over a long period of time and eventually failed.

The obvious question is why. Why has this alternative to privately based enterprise development largely failed to produce meaningful and tangible results for a significant number of people? A number of scholars have written on this topic, all with varying opinions, typically focused on organizational form, cultural and political incompatibilities, and lack of access to capital². Yet in Europe there are two highly successful examples: La Lega in Italy and Mondragon in Spain. Many cooperative development leaders cite the Mondragon experience (see chapter two) as a significant inspiration and a source of strategic and organizational direction. They each point to various aspects as examples of ideas and strategies that they replicated or learned from. Like scholars, many practitioners identify common elements as critical to

² Smith, "Network Externalities and Cooperative Networks: A Comparative Case Study of Mondragon and La Lega with Implications for Developing and Transitional Countries"; Whyte and Whyte, *Making Mondragon*; Ammirato, *LA Lega*.

developing a successful cooperative strategy (building a financial institution and developing an organizational network being some of the most frequently cited) (Smith, 2003). However, there seems to be an incomplete understanding of what was critical to the success in Mondragon and to a large extent La (Ammirato, 1996; Smith, 2003).

I believe many of the explanations for the limited successes of worker cooperative development are partially correct, but they do not provide a complete picture. The purpose of this thesis is to articulate a framework that describes what I believe is a more complete understanding of the components of a successful cooperative economic development strategy. In the concluding chapter, I use this framework to begin to develop an economic development strategy for the Bronx.

Chapter 1: Building the Platform

This thesis is not about worker cooperatives. That statement may come as a surprise to any reader who has skimmed this paper. The second chapter is about the Mondragon Cooperative Complex in Spain, widely held as one of the world's most successful examples of scaling the creation of worker cooperatives. The third chapter is a brief case study of the Evergreen Cooperative Initiative in Cleveland, the latest cooperative development project in the U.S. designed to scale a local worker cooperative sector as a strategy for job and asset creation in low-income communities. The fourth chapter describes a conceptual framework for cooperative economic development, largely based on the creation of worker cooperatives and partly based on the engagement with Bronx stakeholders (chapter five), a Bronx based cooperative strategy is presented in the sixth chapter. In many ways, this thesis seems to be an argument for creating many worker cooperatives in a place. However, as the title of this chapter suggests, the overarching purpose of this thesis is to develop a framework for building an organizational "platform". This "platform" is a mechanism for configuring a civic infrastructure that can foster an alternative development path based on principles of economic democracy; that is, building democratic economic institutions, broadly distributing wealth and the ownership of productive assets, and reorganizing local economic activity.

The Platform

Chapter 4 lays out a conceptual framework for this idea of "building a platform" to support an alternative approach to urban economic development. Briefly stated, the "platform" is an organizational network (a cooperative network) made up of a broad set of local organizations (e.g. community, government, business, anchor institutions, and

organized labor), cooperatively owned for-profit firms, and support organizations (finance, business development, technological research and development, and education). This “platform” is situated in a geographic area that is of an appropriate scale, has a clear need for place-based economic development, and has a diversity of assets and challenges (physical, social, and economic). Finally, the cooperative network pursues development policies that are connected to an endogenous (internally driven) economic development model focused on replacing goods and services that are currently imported from outside of the local economy and fostering a diversified economy of interdependent firms.

Economic Democracy

In this thesis, economic democracy refers to a socio-economic arrangement where local economic institutions are democratically controlled by those engaged in the local economy. These economic institutions include business, finance, research and development, and education. Here, economic democracy also refers to the cooperative ownership of the local economy by all who participate. For many, this is a radical notion, one that carries unfortunate political baggage that has stymied a healthy debate about the merits of this type of economic organization. Economic democracy does not reject the role of markets, but because of the wide ownership structure, it alters the primacy of the profit-maximizing motive among economic decision makers. Proponents of this form of economic organization argue that the realignment of interests that takes place begins to reconcile conflicts between the owners of productive assets and laborers, while rooting wealth in local communities. Cooperative businesses are one of the more natural firm types fitting within the model of economic democracy, be they worker, producer, consumer, or housing cooperatives.

Worker Cooperatives

Worker cooperatives are typically for-profit businesses that are owned and democratically controlled by the employees of the firm, often referred to as worker-owners. Although the form of organization varies dramatically between firms, the majority of worker cooperatives generally adhere to a set of principles set out by the International Cooperative Alliance (ICA). These principles are: open, voluntary membership; democratic governance; limited return on equity; surplus belongs to members; education of members and public in cooperative principles; and cooperation between cooperatives. The ICA established this set of principles by revising the Rochdale principles³, set out in 1844 in England to guide the development of cooperative firms. Studies on the efficiency of worker cooperatives and their success rate vary considerably. One argument is that if properly supported, worker cooperatives are highly efficient and have an incredibly low failure rate. In the Mondragon experience, one study found that the cooperative firms were achieving greater efficiencies than comparable traditional firms, and between 1956 and 1985 of the 103 firms started only 3 failed.⁴

Recent Trajectory of Cooperative Development in the US

There have been several waves of cooperative development throughout the US beginning in the late 19th century.⁵ Reports of the Mondragon experience and the economic recession in the 70's and 80's inspired the latest phase of efforts at cooperative development and the creation of support organizations (secondary cooperatives).⁶ While worker cooperative development efforts struggled to reach a significant scale, an alternative model of employee ownership, known as ESOPs

³ Thompson and David Thompson, "Cooperative Principles Then and Now."

⁴ Whyte and Whyte, *Making Mondragon*.

⁵ Lich, "The U.S. Experience with Worker Cooperation."

⁶ Whyte and Whyte, *Making Mondragon*.

(employee shared ownership program) took off and became the dominant form of employee ownership in the U.S. ESOPs enjoy specific tax benefits that do not apply to other forms of business ownership, which has aided their growth. The challenge with ESOPs has been that the majority provides workers little control over the decisions of the firm. This undermines a salient feature of worker cooperatives, which is that they align the interests of the workers, managers and owners of a firm by putting firm ownership and to a large extent firm control in the workers hands. Recently worker cooperatives have gained renewed interest as a means for stabilizing local economies, creating jobs, and increasing manufacturing in the US. The most recent example is the 2009 alliance between the United Steel Workers union and the Mondragon Cooperative Corporation to build manufacturing worker cooperatives in the US based on the Mondragon model.

Rationale for the Case Selection

There are hundreds of cooperative development efforts throughout the world. A small number of those have scaled to a significant size and have demonstrated a long-term sustainability and resiliency. Unfortunately there is a limited literature carefully documenting many of these cases and none of the “successes” are within the U.S. Given these constraints and the needs of this study, I focused on selecting a large success case that was well documented (Mondragon) and a case that had a context that was partially transferable to the Bronx (Cleveland), despite being in an early stage of development.

Mondragon

The Mondragon cooperative experience is recognized as one of the most successful efforts at building “globally competitive, worker managed cooperatives” in the world (Smith 2001, p202). Aside from La Lega, the cooperative experience in Northern Italy, few cooperative development efforts have achieved similar numbers of jobs created or

firms developed; incorporated such sophisticated technologies, or had a similar impact in developing the local economy.

Cleveland

The reason for including the Evergreen Initiative as a case study is two fold: the first is the particular model of cooperative development implemented, and the second is the similarities between Cleveland and the Bronx. The Evergreen Initiative appears to be the first effort in the US to link worker cooperative development to an anchor institution economic development strategy. Their approach is deeply committed to scaling worker cooperatives and has linked together a number of organizations in its efforts. The combination of elements in the development approach proved to be a unique domestic model that had similarities to a concept I had been considering for a Bronx development plan.

The economic context of Cleveland and especially the Greater University Circle neighborhoods draws parallels with the Bronx. Although the City of Cleveland could not be more different from the City of New York, the borough of the Bronx has suffered from similar levels of disinvestment, poverty, and job loss similar to Cleveland. Like the Bronx, Cleveland has also made many attempts to turn the City around with limited success.

Chapter 2:

Mondragon Cooperative Experience

Mondragon is located in the Basque region, a semi autonomous zone of Spain on the northern boarder, adjacent to the Southwest corner of France. The Basque region is made up of three provinces; Guipuzcoa, Vizcaya and Alava with the city of Vitoria serving as the capital. The two large cities in the region are Bilbao and San Sebastián. The Basque people have a strong nationalist orientation that has developed over centuries. One quarter of the Basque (half in the province Mondragon is in) speak an indigenous language, called Euskara. The region is generally mountainous and until the last few decades Mondragon was relatively isolated, with limited roadways connecting the city to the outside world. In the 1940's Mondragon had a geographically isolated population of little over 8,000 people, limited industry, lack of an educated populace, and intense class divisions. This small city did not seem a likely candidate for dramatic regional economic development but, as it turned out, many of those conditions were important ingredients for an experiment in economic democracy that came to be known as the Mondragon experience.⁷

Background

In 1936, a priest named Don Jose Maria Arizmendiarieta (also referred to as Don Jose Maria or Arizmendi) joined the Basque military forces fighting Franco during the Civil War. He was subsequently captured, but due to a technicality, his life was spared. He arrived in Mondragon in 1941 after finishing seminary school but showed little talent for

⁷ Ibid.

the pulpit. During Don Jose Maria's studies, he displayed a strong interest in social issues and movements. These interests led him to organize social support services, athletic leagues and a medical clinic through defunct organizational bodies of the church. His success of developing these programs created a base of support that allowed him to continue building institutions in the region for the rest of his life.⁸

The School

The first project that led to the Mondragon cooperatives was the founding of a technical school in 1943. The dominant employer in Mondragon, the Union Cerrajera, operated an apprenticeship program but limited participation to children of current employees. In response to the company's refusal to open its ranks, Don Jose Maria organized a parents association and started a fund-raising campaign for creating a school. The school was organized as a cooperative, with each individual who contributed (approximately 600 people) receiving one vote for electing the members of a general assembly that in turn elected the members of the school board. Once chartered, the school was officially named the Escuela Politecnica Profesional (Professional Polytechnic School). The school initially accepted teenage boys between the ages of 14 and 16 and expanded as students completed each level. The school was critical to the building of the cooperative complex, not only for the technical skills students gained but also because Don Jose Maria used the school as a means to impart his social vision.⁹

The First Worker Cooperative

In 1956, five graduates of the Escuela Politecnica started the first worker cooperative in Mondragon. The new cooperative was named Ulgor, which was composed from the

⁸ Ibid., 29.

initials of the last names of the founders. A few years earlier these five graduates approached Arizmendi with their idea for building a firm. Using a similar technique as they had with the Polytechnic School, they raised seed money from the local community. The firm, which initially manufactured paraffin stoves, became the model for future Mondragon cooperatives.

The Bank

The Caja Laboral Popular, established in 1959 served as the first secondary cooperative within the Mondragon network. Although the polytechnic school was organized as a cooperative, the members were parents and other interested community members. The Caja's principal members were three worker cooperatives and a consumer cooperative, forming the first organization to structurally link together other cooperatives and begin building a cooperative network. Arizmendi was convinced that relying on private investors or private banks would either constrain or ultimately undermine the cooperative movement he was trying to build in Mondragon. He believed that building a cooperative financial institution and integrating it into the project, was critical to the success of building a cooperative movement. Structured as a credit union, and established for the principle purpose of creating and expanding worker cooperatives, the bank acquired capital for financing projects by providing both savings deposit accounts for members and social security (paid for with member payroll deductions).¹⁰

As the bank grew, the role of the Caja Laboral expanded beyond finance, later providing an anchoring and coordinating force to maintain a tightly integrated cooperative network. In order for a cooperative firm to utilize the banks financial, analytical, and business development services, the firm must enter into a contract of

⁹ Ibid., 25-30.

¹⁰ Ibid., 49-53.

association, which provides the bank significant control over the internal organization of the cooperative. This arrangement dictated requirements over the internal organization of cooperative firms and governance, capital-to-debt ratio requirements, norms and policies regarding hiring and non-discrimination, and a commitment to expand employment opportunities.

Cooperative Groups

During the 1960's the Mondragon complex leaders began exploring new ideas to support firm growth while also stemming the creation of large, bureaucratic, corporate like structures. They adopted a policy of creating a new spinoff firm whenever a product line in one firm matured to the point of being self sufficient in terms of marketing and manufacturing. With the expansion of interrelated firms as a result of this policy, the leaders needed a way to maintain some coordination and mutual support among these firms. They developed the idea for a cooperative group that would have a shared governance structure, would pool profits and losses, and would allow for the movement of worker-owners within different firms should one firm need to contract and another have room for expansion. The first cooperative group was named ULARCO and was made up of the first cooperative firm Ulgor, as well as two other firms, Arrasate and Copreci, which made machine components and tools for Ulgor. Over time all of the cooperative firms in the Mondragon complex were members of this organizational innovation, known as the cooperative group.¹¹

Technology Research and Development

Emerging out of an effort to strengthen industrial research in the Escuela Politecnica, Ikerlan was founded in 1977 with the support of several industrial cooperatives and the Caja Laboral, an applied industrial research cooperative. The purpose of Ikerlan was to

create internal capacity to maintain a high level of technological advancement within the industrial cooperatives. Arizmendi's rationale for developing this capacity was to remove the dependency from private capital and the need to import advanced technology.¹² As a secondary cooperative Ikerlan has a managing board that is made up of representatives of the employees, industrial cooperatives and the other participating secondary cooperatives, the Escuela Politecnica and the Caja Laboral. Although originally created to support the Mondragon cooperatives, in 1982 the Basque government began providing significant funding to make services available to traditional firms as well.

Measures of success and growth

Beginning in 1956 with five former students of the polytechnical school and the equivalent of 350,000 dollars, the Mondragon Complex had grown by 2008 to include 243 companies, holding 33.5 billion euros in assets, 16.7 billion in revenue, and employ 92,773 individuals. By that same year, the Caja Laboral (the bank) administered just under 14 billion euros, and the complex was operating twelve technology centers, 7,311 students were enrolled in Mondragon educational centers, and 891 worker-owners were sitting on governing bodies.¹³

Although the Mondragon complex has experienced several waves of growth, much of it has taken place over the last 20 years. In 1988, the Caja Laboral administered 1.3 billion euros, the complex employed 20,818 individuals and had sales of 1.2 billion euros. In the following 20 years the Caja's holdings experienced a 953% growth, the collective sales of the complex grew by 1200%, and employment grew by 346%.

¹¹ Ibid., 58-62.

¹² Ibid., 64.

¹³ "MONDRAGON Corporation."

Mondragon divides the cooperative firms and secondary cooperatives into five categories: Industrial, Retail, Finances, Knowledge, and Corporation. Industrial has five subsectors, including capital goods, consumer goods, construction, industrial components, and enterprise services. The knowledge sector is split into two subsections: research and training. Besides the significant growth, the diversification of firms has been an enviable characteristic of the Mondragon experience. Though originally planned to only develop industrial firms, the Mondragon leaders quickly adapted to incorporating firms in other sectors. In 2008, retail firms accounted for the majority of revenue generated and people employed, though not by a large margin.

Mondragon Innovations

The success of Mondragon was due partly to the significant number of organizational innovations made by the Mondragon cooperatives. Two broad areas of innovations of particular interest in this paper are drawn out below.

The Cooperative Network

One area that has received particular attention from scholars and practitioners who have studied the Mondragon experience is the establishment of a cooperative network. This concept of a cooperative network is an organizational innovation, credited, simultaneously, to both Mondragon and La Lega.

For all of the virtues of a worker cooperative, the cooperative business form suffers from several strategic challenges when operating independently in a market-based economy. Smith argues that the development of a cooperative network of firms that can support the creation of secondary cooperatives (or support organizations) and facilitate the coordination of activity amongst these firms is critical. This social innovation is what made both Mondragon and La Lega possible. In other words, one

worker cooperative on its own is most likely doomed for failure in a highly competitive global economy, but an ecosystem of worker cooperatives and support organizations creates the infrastructure and platform for the growing and expanding of cooperative firms.¹⁴

The cooperative network that exists in Mondragon is possible because of several arrangements. The strong role of the Caja, with its mandate to oversee and enforce norms, organizational structure, and governance, is able to facilitate close coordination of the worker-owned firms. Along with the Caja, all of the secondary cooperatives provide a broad range of support services and functions, critical to the operation and survival of individual firms. Finally, the cooperative group allows for organizational divisions within the full network, creating sub-networks and a more manageable organizational environment to collectively manage and coordinate.

Import Replacement, Diversification, and Endogenous Development

In addition to the creation of a cooperative network, the Mondragon leadership followed a set of policies that encouraged the creation of firms that produced goods and services that were previously imported by other Mondragon firms for use in the production of other goods and services or for consumption. These import-replacement policies encouraged the creation of an increasingly diversified set of interrelated firms as the Mondragon complex developed. Both of these outcomes closely relate to a theory of regional economic development and growth articulated by Jane Jacobs in 1969. In *Making Mondragon*, Whyte describes the relationship between the development of the Mondragon regional economy and the rather unorthodox Jacobs

¹⁴ Smith, "Network Externalities and Cooperative Networks: A Comparative Case Study of Mondragon and La Lega with Implications for Developing and Transitional Countries."

theory of urban growth as such:

The leaders were applying a policy that on a national scale is called import substitution. One way for a nation to expand its industrial production and develop its human resources is to manufacture products that previously have been imported. The same logic applies to city economies (Jacobs 1984). The economy of a city or area does not grow simply by adding unrelated manufacturing and commercial organizations. Jacobs argues that the base for the healthiest and most sustainable growth is the development of increasing numbers of firms that buy from and sell to one another as they create a labor market with increasingly skilled workers and technical and professional people.¹⁵

The two ideas that are most relevant to Mondragon are the interrelated concepts of import replacement and growth through diversification. When a city or region imports goods and services, there is an opportunity for a firm or entrepreneur to utilize their local knowledge of the city or region to determine if there is an economically feasible way to produce that good or service locally. If local production is feasible, that import is replaced, the local economy grows and the firm that now produces the good or service may also begin to export to other markets.

Jacobs argues that development itself is inherently about the differentiation and diversification of goods and services as opposed to increased specialization. As Jacobs is prone to do she begins this argument with a simple and commonsensical example:

Our remote ancestors did not expand their economies much by simply doing more of what they had already been doing: piling up more wild seeds and nuts, slaughtering more wild cattle and geese, making more spearheads, necklaces,

burins and fires. They expanded their economies by adding new kinds of work. So do we. Innovating economies expand and develop. Economies that do not add new kinds of goods and services, but continue only to repeat old work, do not expand much nor do they, by definition, develop.¹⁶

This concept of development as a form of diversification has come to be referred to as “Jacobs externalities” or “Jacobs spillovers”, where the interaction of industries in close proximity produces “knowledge spillovers” resulting in ideas for new products and methods of production.¹⁷

Although counter to traditional theories of urban growth and development and largely ignored, Jane Jacobs concept of growth through diversification has been largely empirically substantiated by the Harvard economist Ed Glaeser.¹⁸ In a paper titled “*Growth in Cities*”, Glaeser and colleagues compared Jacobs theory to two other more dominant theories of economic growth (Porter and Mars-Arrow-Romer) through empirical analysis of 170 cities and concluded that Jacobs theory was the most consistently accurate.¹⁹

The Mondragon experience has disproved the long held belief that cooperative enterprises ultimately either fail or devolve into privately held companies. Mondragon has not only demonstrated that worker or producer cooperatives thrive in a capitalist economic system, but has shown that when organized within a network, worker cooperatives can contribute to a profound transformational development of a place based on principles of social equality and justice. In the history of capitalist

¹⁵ Whyte and Whyte, *Making Mondragon*, 59.

¹⁶ Jacobs, *The Economy of Cities*, 49.

¹⁷ Desrochers, “Cities and the Economic Development of Nations,” 116.

¹⁸ Ellerman, “Jane Jacobs on development.”

¹⁹ Glaeser et al., “Growth in Cities.”

development, this is a remarkable advancement in the forms of economic organization. Unfortunately, few places have been able to benefit from this successful experiment despite numerous efforts. This history has led to claims that Mondragon's success is founded upon a unique historical circumstance, and therefore a non-replicable model. However, something new is happening in Cleveland, which may prove otherwise.

Chapter 3: Evergreen Initiative Case Study

Context

The City of Cleveland, once an industrial economic power house in the late 19th and early 20th century, has followed the pattern of decline experienced by many post industrial, rust belt cities. At its peak the City had a population of 914,000 which has declined to 433,478 according to the 2008 U.S. census. The Great Depression initiated the decline of the manufacturing industries in the City. Foreign competition and the 1980's recession continued to erode the economic base of the city. Dubbed the "mistake on the lake" for its economic difficulties, Cleveland today continues to struggle with population loss, high levels of poverty and unemployment, and business stagnation. Much of the population decline is a result of both African-American and White middle and upper class families fleeing for the outlying suburbs. This pattern has left an increasingly impoverished population in a city with a shrinking tax base, and limited resources for infrastructure investment or public services.²⁰

University Circle

One part of the City that has experienced significant growth is an area that is a thirty-minute drive East of downtown. University Circle is a small area with a concentration of major cultural, educational, and medical institutions. In recent years these institutions have invested billions of dollars in construction of new facilities that are as striking in

their architectural aesthetic as they are in contrast to the built environment of the surrounding neighborhoods. Some of the Institutions within this area are Case Western Reserve University, the Cleveland Clinic, University Hospitals, the Veterans Administration Hospital, the Cleveland Botanical Gardens and the Cleveland Museum of Art. These are Cleveland's preeminent institutions and some of the City's largest employers.

Immediately surrounding University Circle are some of the poorest neighborhoods in the City: East Cleveland, Wade Park/Heritage Lane, Eastern Hugh/Upper Chester, Eastern Fairfax, Buckeye/Shaker, and Little Italy. Combined these six neighborhoods have a median household income of \$18,500 and a poverty rate of 30%. These neighborhoods suffer from rampant foreclosure, abandoned and vacant properties, water shutoffs, tax foreclosures, and unsound building conditions.

Becoming Greater University Circle

In 2004, the Cleveland Foundation, the largest community foundation in the country, undertook an ambitious effort, which came to be called the Greater University Circle Initiative. The initial goal of the project was to engage the leadership of these anchor institutions and identify projects that could be collaboratively undertaken. Prior to this, these institutions had little coordination in their investment or development.²¹ They successfully put together proposals for four physical development projects (three transportation and one mixed used development). With this accomplishment the foundation and the institutions agreed to expand their efforts to the Greater University Circle (a term that until that point had not been in use), and developed what was titled the “Program for the People”. Recognizing that their initial work had focused on physical development, moving forward they refocused their attention on five socially

²⁰ Miller and Wheeler, *Cleveland*.

²¹ Pierce Lee and Kuri, “Interview with India Piece Lee and Lillian Kuri.”

driven areas including: education, employer assisted housing, community safety, community building, and economic inclusion. As Cleveland Foundation program director India Pierce Lee recounted, at the time no one was sure what “economic inclusion” would entail.

In September of 2006, at a conference in North Carolina on Community Wealth building, Ms. Pierce Lee, met Ted Howard, the Executive Director of the Democracy Collaborative, a non-profit based at the University of Maryland. The Democracy Collaborative focuses on community wealth-building strategies and the role of anchor institutions in local economies. One area that Mr. Howard analyzed closely was the significant procurement resource that anchor institutions (such as universities and hospitals) spend that often leaks out of the communities where these institutions are located. These procurement dollars present an opportunity for communities to partner with anchor institutions to play a role in stabilizing the local economy. Listening to Mr. Howard's presentation, Ms. Pierce Lee began to envision the economic inclusion component of their “Program for the People”.²²

An Emerging Relationship

The Evergreen Initiative grew out of the new relationship between the Cleveland Foundation, led by India Pierce Lee and Lillian Kuri and the Democracy Collaborative, led by Ted Howard. With these two organizations working together they began a process of developing a proposal for redirecting the nearly three billion dollars spent annually in procurement by the anchor institutions into the surrounding neighborhoods. This proposal called for building employee owned businesses that were designed to target procurement needs of the anchor institutions, thereby not only redirecting the procurement resources into the local economy, but also building wealth and productive assets that would be owned by local residents and anchored in their communities.

Putting this proposal into action involved building consensus with the anchor institutions, demonstrating that the project was in their interest and had a reasonable chance of success. The anchor institutions viewed the Foundation as a fair arbiter, without an alternative agenda, and a sophisticated and competent partner.²³ Based on past work the Cleveland Foundation had done with these institutions, and the significant influence the Foundation held within the City, they agreed to the proposal despite admitted skepticism. The Cleveland Foundation had the political, financial, and human capital to be a convener and facilitator (especially in the eyes of the anchor institutions), and the Democracy Collaborative provided the intellectual capacity to legitimize the employee ownership and anchor institution approach, as well as the use of public funds. The Democracy Collaborative played a crucial role in convincing the anchor institutions that the proposal was both in their interest, plausible, and provided a concrete means for working with the neighboring communities that was mutually supportive and beneficial.²⁴

Building the Leadership Team

Implementing the proposal also involved putting together a leadership team that could bring a wide range of skills and experience to begin shaping this effort. One of the first organizations included was the Ohio Employee Ownership Center at Kent State University (OEOC). Initially OEOC encouraged the Cleveland Foundation and the Democracy Collaborative to model their effort off of the Mondragon experience. OEOC was critical in providing business planning and development, recruiting managers, and providing guidance on the appropriate ownership structure for the future firms. Early on in the project, Jim Anderson, a long time staff member of the OEOC, joined the

²² Ibid.

²³ Wheeler and Carney, “Interview with John Wheeler and Margaret Carney.”

²⁴ Ibid.

Evergreen team and took on the role of CEO for the first business to launch, the Evergreen Laundry Cooperative.

The emerging leadership team determined that if the project was going to be successful, a financial organization needed to be involved. For this, they approached Shorebank Enterprise, the non-profit arm of Shorebank, the largest community bank in the country. Shorebank Enterprise provided the capacity to manage a loan fund, identify and access capital for investment into the cooperatives, assist with the financial management of the businesses once firms began operating. In addition, a former business consultant and private equity manager, Stephen Keil, joined the leadership team to provide additional business development capacity. Keil eventually came to manage the second cooperative launched, Ohio Solar.

In 2007, Catherine Hall, a diversity and human resources specialist, joined the leadership team. Today, the team also includes Alayne Reitman, a board member of the Cleveland Foundation, who is currently responsible for developing the third cooperative to launch, Green City Growers. Although not part of the core leadership team, Jill Rizika, the executive director of Towards Employment, provides recruitment and training for many of the employees that come to work at the Evergreen cooperatives. Towards Employment is a non-profit that specializes in job readiness for people who face barriers to employment.

The leadership team is responsible for daily management of the Evergreen Initiative as well as short and medium range planning. A secondary leadership group is composed of senior management of the anchor institutions and the City. The City, especially the Economic Development department, has been an important partner in this process, providing access to the lion's share of startup capital for the cooperatives. This secondary group meets with members of the leadership team on a regular basis to coordinate, assess challenges, and plan. This active involvement of senior members of

the anchor institutions and the City was reiterated throughout my interviews as critical to the success of this effort.²⁵ A tertiary group that is engaged in the process but not actively involved is made up of the CDC housing network, and a number of civic and non-profit organizations.

The leadership team will take on new members to expand the knowledge and expertise that is available to the Evergreen Initiative. The process that Evergreen is going through right now might be thought of as the creation of an organizational environment that provides the civic infrastructure to incubate, develop and grow these employee-owned firms. This infrastructure provides a mix of technical, intellectual, convening, financial, and organizing capacity.

Visiting Mondragon

Encouraged by the OEOC, the Evergreen project has now taken two trips to visit the Mondragon Cooperatives, and by the time this paper is published a third trip will have been undertaken. The trips expose a wide range of Evergreen stakeholders to the large scale potential of worker-owned firms. At Mondragon, they learn about the experience and current challenges of operating in a highly competitive globalized economy.

For the majority of the interviewees I spoke with, visiting Mondragon was a dramatic and critical experience. Some referred to it as “life changing”.²⁶ Most spoke of the shock they experienced when first visiting some of the businesses and realizing that it was not a collection of artisan, food, and craft producers, but rather a collection of firms in a diverse range of industries operating at high levels of sophistication. This

²⁵ Pierce Lee and Kuri, “Interview with India Piece Lee and Lillian Kuri.”

²⁶ Keil, “Interview with Stephen Keil.”

convinced the visitors that this was a complex of modern businesses.²⁷ Many interviewees remarked upon the level of financial knowledge and sophistication that line workers had in the factories and the conviction and commitment that senior management had to these firms despite the salary spread cap of 5 to 1 (a few cooperatives have a higher permitted spread) given the significantly more lucrative opportunities at traditional firms.

The impact these trips have had on those most closely involved in the project was two fold. First they came back with a sense of possibility, and changed perceptions about worker cooperatives not being limited to simple, craft-based businesses. Second the trips created strong bonds within the group around the idea of engaging each other in this new pursuit. This second aspect is important because this project has brought together some unlikely allies with considerably different experiences, backgrounds and perspectives on society and economic life. Many interviews expressed that building strong relationships around this common experience was important for maintaining a strong sense of group cohesion and individual commitment to the project.²⁸

The Evergreen Model

The Evergreen model (or Cleveland Model as it is increasingly being called) is an approach to job creation and neighborhood economic stabilization with an emphasis on sustainability. Combining the procurement spending of large anchor institutions with the creation of environmentally responsible worker cooperatives, the model channels significant economic resources into disinvested and impoverished neighborhoods around Greater University Circle, creating wealth and ownership of productive assets that are broadly shared among low-income individuals.

²⁷ Stropkay, "Interview with Mary Ann Stropkay."

²⁸ Keil, "Interview with Stephen Keil."

It is also an effort to channel significant public resources towards equitable and sustainable economic development. Instead of investing in large corporations that may relocate after several years, public investments are made into firms that have a self-interest in remaining in their communities, anchoring wealth in the City and supporting a stable economy. The Evergreen model uses the anchor institutions procurement needs as a primary economic driver, thereby utilizing the public resources that flow through these institutions as the principle support for the initiative. The Evergreen leadership argues that this is a more stable source of funding than relying only on privately financed businesses as the customer base. Additionally, these institutions spend the majority of their procurement dollars outside of Cleveland and often outside of the Northeastern region of Ohio.²⁹ By targeting those resources with local businesses, these cooperatives are essentially replacing goods and services that are currently being imported, utilizing the procurement spending as an internally generated economic driver.

One particular challenge with past worker cooperatives is that individual firms face many challenges both in startup and expansion. Learning from Mondragon, the Evergreen Initiative is attempting to create a network of firms that can share services and maintain mutual agreements about methods of governance and operations. Within the literature of worker cooperative development, there is an acknowledged challenge of “cooperative selfishness”. For example, during stages of firm growth, the existing members of the firm will tend to vote against creating ownership positions for new employees, but instead hire traditional wage laborers. Cooperatives in Mondragon avoid this challenge by placing limits for non-owner employees at 10% of the firms’ workforce. Although nothing has been decided, Evergreen is considering such strategies.

In order to provide an overarching membership structure for each Evergreen

²⁹ Howard, “Interview with Ted Howard.”

cooperative, the leadership team is in the process of designing an organizational entity to act as a holding company. The entity would have representatives elected by the workers to perform planning and coordination functions for the Evergreen network. The holding company would also potentially set rules and/or guidelines concerning some management policies.

The Evergreen Development Fund

Critical to the creation and success of any of these businesses is the necessary access to capital. Access to capital is one of the core challenges that has plagued previous efforts at worker-owned firm creation, not to mention small businesses in general. Mondragon organizers determined that the only way for them to achieve any kind of scale was to create their own bank and capitalize it with the deposits from the region's inhabitants. In Cleveland, the Cleveland Foundation, the City and the anchor institutions have all seeded the startup capital for a development fund that is being managed by the non-profit arm of Shorebank. These initial funds are used to secure additional financing to provide startup and working capital for the new businesses. Once the firms have broken even, a portion of each firm's profits will be contributed to the Development fund to support the creation of additional businesses. Presently, the fund has raised \$10-12 million, which is anticipated to leverage close to \$40 million.³⁰

Expansion

Over the next 5 years, Evergreen plans on starting ten worker cooperatives that employ, on average, 50 worker-owners each when operating at full capacity. Already, managers have seen that predicting firm size and growth is imprecise, therefore these numbers are seen as a reasonable goal. However, if the Solar cooperative is an indication, they may exceed expectations. Although creating the opportunity for 500

³⁰ Howard, *The Evergreen Cooperative Initiative*.

worker-owners is a significant accomplishment, the real goal is to scale this effort to have a significant impact on the six targeted neighborhoods and eventually on the City as a whole. The Evergreen leadership expects the most significant challenge to be growing from 10 to 100 businesses, employing roughly 5000 worker-owners under the Evergreen umbrella. At this scale, roughly 10% of the population of the targeted neighborhoods would be owners of an Evergreen firm.

Cooperative Firms

Each worker-cooperative is designed to employ approximately 50 worker-owners. Initially, each worker is hired for a six-month probationary period. After the successful completion of a performance review, the employee is offered the opportunity to become a part owner of the firm. The membership cost to “buy in” to the firm is \$3000, which is paid for by levying .50 cents an hour from the employee’s wages. The employee is then fully vested in the company after three years. Additionally a portion of the firm’s profits will be invested into a patronage account and after 7 to 8 years it is expected that each employee will own roughly \$65,000 in assets. The first performance review took place for the first two firms launched, the Evergreen Laundry Cooperative and Ohio Solar (see below), in March. All of the employees were accepted as new worker-owners, and will begin paying the membership fee until they are fully vested.

Two businesses have been launched and two others are being developed for launch in 2010. The first business to open was the Evergreen Cooperative Laundry. Opened in the fall of 2009, it is believed to be the greenest industrial laundry in Northeastern Ohio. At full capacity the facility can process 12 million pounds of laundry annually. Presently, ten employees work at the laundry but within 4 years the firm expects to grow to fifty members. Similar to other businesses being developed, the laundry is designed to handle the needs of medium and large organizations. Although some of

the anchor institutions were not able to enter into laundry contracts with the cooperative because of existing long term contracts, the laundry has found medium sized nursing homes to be an increasing source of contracts. Still the laundry has struggled to meet the initial projections for revenue as expected in the business plan.

Ohio Solar was launched a few months after the laundry. The firm was initially developed to install solar panels onto the roofs of large institutions and provide renewable energy. Because the anchor institutions are non-profits they cannot take advantage of the tax credits program established to incentivize the installation of solar panels. In order to create an economically viable transaction, the cooperative leases the roof from the institution and then sells the energy back to the institution. The rate is guaranteed for a long term, stabilizing rising energy prices for the institution, and at the end of the lease period the institution has the opportunity to purchase the solar panels. Even though the business is less than six months old, it has already expanded its services into weatherization. This development has caused the Evergreen team to anticipate that the business could employ upwards of one hundred people in the next three to four years, doubling the original expectation.

Two additional firms in development are expected to launch within the year. The first is Green City Grocers, a five-acre greenhouse, which at full capacity is expected to produce four million heads of lettuce annually, as well as 300,000 pounds of herbs. The business plans to sell to the food vendors contracted by the University and the hospitals. The second firm will be a community newspaper. Initially the newspaper will employ less people than the other firms. It is not designed to serve the needs of the anchors but is rather targeted to serve residents of the surrounding neighborhoods.

Additional Evergreen businesses are under consideration. Some include: rehabilitation, recycling, home care, janitorial services, records retention, medical kit assembly, and a

consulting firm focused on cooperative development.³¹

Intersecting Ideologies

During my interviews I had a number of exchanges that touched on the ideologically neutral nature of this project. Two interviewees remarked that they felt the underlying ideas of the initiative merge disparate ideologies and in doing so offer a path towards resolving deep social conflicts that many believe are irreconcilable.³²

Although serving a social and environmental purpose, Evergreen firms are fundamentally for-profit small businesses. This is one of the quiet strengths of the approach. Because these businesses are neither non-profit employment programs nor based on some other socially driven business model, they garner a level of respect from unlikely sources in the business and banking community.³³

Gar Alperovitz has observed for years that the political baggage employee ownership garners in academia and in high-level policy debates is limited at local levels, especially where there is a pressing need to deal with chronically distressed urban areas. Ultimately, the notion of hard work, small business, entrepreneurship, and ownership are not particularly divisive issues.³⁴ Although there are individuals who will be skeptical of the capacity of very low-income people with limited work experience being able to own and run a business, the prospect does not contradict their ideology, but rather presents a path forward.

³¹ Ibid., 3.

³² Wheeler and Carney, “Interview with John Wheeler and Margaret Carney.”

³³ Stropkay, “Interview with Mary Ann Stropkay.”

³⁴ Alperovitz, *America beyond capitalism*.

Remaining Questions

After leaving Cleveland, and finishing the interviews, I was left with a few questions regarding race and the role of local actors, organized labor, the evolving role of the anchor institutions, and the role of education and technology based R&D. Many of these questions are partially a result of the Evergreen Initiative being a relatively new effort, but I believe these questions are important to consider not only for the Evergreen leadership but for other places considering a cooperative development approach to economic development.

One challenge the effort has faced is addressing the role of race and class. While the worker-owners of the cooperatives that have been created so far are almost all African-American and lower-income, the managers of the cooperatives and the leadership team (except for two members) are white and all are middle to upper class. In discussing this issue with different members of the leadership team, many different views were expressed. Respondents focused on two main areas. The first was the difficulty of identifying capable managers for these businesses in Cleveland that are people of color. The second concerned the relative significance of having more racial similarity between the leadership and the workers. Although many felt that this was a challenging issue that needed to be addressed in order to build a strong sense of collective ownership, one member of the leadership team said that as long as there was a high level of mutual respect between management and worker-owners then racial and class dynamics did not matter as much.

A few questions emerge from this dynamic. One, in this effort to build a more equitable and inclusive economy, can historical race and class patterns of power and marginalization be altered? Two, can greater focus be placed on the skills sets within these communities and then attempt to match those skills to viable business opportunities? And three, will the social and psychological challenge of building a strong sense of collective ownership among the workers be undermined by the

pragmatic decisions taken to develop these firms and create jobs?

Intimately related to the issue of race and leadership in the Evergreen initiative is the role of local leadership. Currently the Evergreen leadership does not include leaders from the targeted communities. There are a number of reasons for this, one of which is that this project was initiated by organizations that are not local to these communities. This contrasts with the Mondragon experience, which was driven completely by community leaders and local resources. This dynamic also raises a question around the long-term legitimacy of the effort. If the project is ultimately an experiment in economic democracy, can it move beyond a philanthropically guided project with a benevolent leadership team? The project may be successful for a time in creating jobs and assets but will it ultimately struggle to create a genuine culture of community ownership (regarded by scholars as critical for long-term success)? The initiative is currently designing a community engagement strategy but it is too early to tell the direction and goals of this effort.

Regarding labor, presently Evergreen is not partnered with any unions. Although there has been a historical tension between worker cooperatives and organized labor, much of the theoretical work that underpins the Evergreen model is predicated on the decline of the labor movement and a search for new institutional models that can support labor's struggle.³⁵ There is also an increasing interest in worker cooperatives within the labor movement. Although there has been no opportunity for an Evergreen-labor partnership the question remains if labor will become a partner as the Evergreen network expands. It also remains a question as to how this type of development would impact the initiative, and what opportunities it would bring.

So far, the Evergreen partnerships with anchor institutions have focused on capturing the procurement spending of these institutions. The question remains if the

relationship between the Evergreen cooperatives and these institutions will evolve. The Democracy Collaborative has discussed the possibility of coordinating investments, and encouraging some of the institutions to make program related investments from their significant endowments into the Evergreen Fund to support the further creation of businesses. The educational institutions could also provide Evergreen with capacity for training, management education, business development and planning, and technological research and development. At present these are not issues under active discussion.

Related to the expanded role that educational institutions could play is another question. Will the Evergreen initiative ultimately attempt to build a robust educational program and a technological R&D program? Although these were critical components to the Mondragon experience it has not been accomplished in the US. It remains to be seen if Evergreen will determine that these programs are feasible and necessary for their success. I believe if the Evergreen project plans to scale to a significant size and develop manufacturing and advanced industry based firms, R&D and education organizations will be necessary.

³⁵ Ibid.

Chapter 4: A Cooperative Economic Development Framework

The framework presented in this chapter provides a planning and strategy development tool for use by organizations interested in designing a cooperative development strategy. This framework can also be used to analyze other experiences at cooperative development in relation to the model utilized by Mondragon and to a large extent, the Evergreen Initiative. In writing this chapter, I have considered not only the cases described in chapters two and three but also other domestic and international examples, including the Arizmendi and Wages cooperatives in the California Bay Area, the O&O Supermarket cooperatives in Philadelphia, the plywood cooperatives in the Northwest, the GreenWorker Cooperative in the South Bronx, and the La Lega consortium of worker cooperatives in Italy. The majority of these cases are intentionally from the U.S. and by no means are they exhaustive or meant to be fully representative of the cases documented.

What we learned from Mondragon

The success of the Mondragon Cooperative Complex offers both a historical phenomena and a careful and thoughtful intentional approach to organizing firms and developing a regional economy based on principles of economic and industrial democracy. It would be absurd to believe that the specific historical context of the Basque region could be replicated, but the tactics, organizational innovations, and development strategies used offer important lessons. Some authors claim that the historical context of Mondragon was so critical and unique to the success of the experiment that looking to the Basque region for lessons in alternative economic

development is a lost cause. Others are not so easily dismayed, Smith and Whyte among them. They claim that although the historical context is significant and has shaped many of the decisions made by the leadership, there are clear lessons from this experience that can guide others. To strengthen this point Smith conducted a comparative study of Mondragon and La Lega. In this study he finds that both experiences in cooperative development utilized similar techniques for addressing common challenges with worker cooperatives.

The Framework

The framework can be distilled into three interconnected components: the establishment of a cooperative network (“the ecosystem”); an appropriately defined geographic area; and the use of an endogenous (internally driven) economic development model. Pictured below is a diagrammatic outline of this framework (see diagram 1).

Cooperative Economic Development Framework

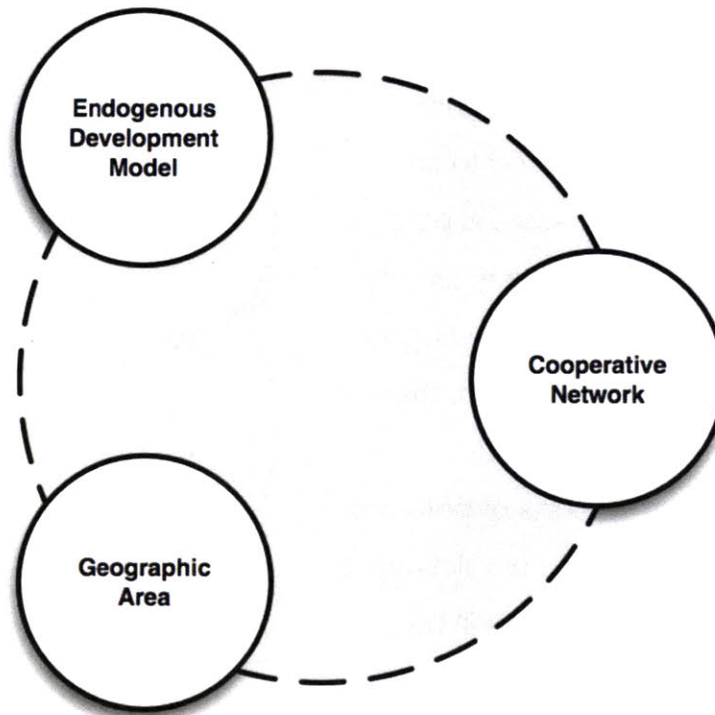
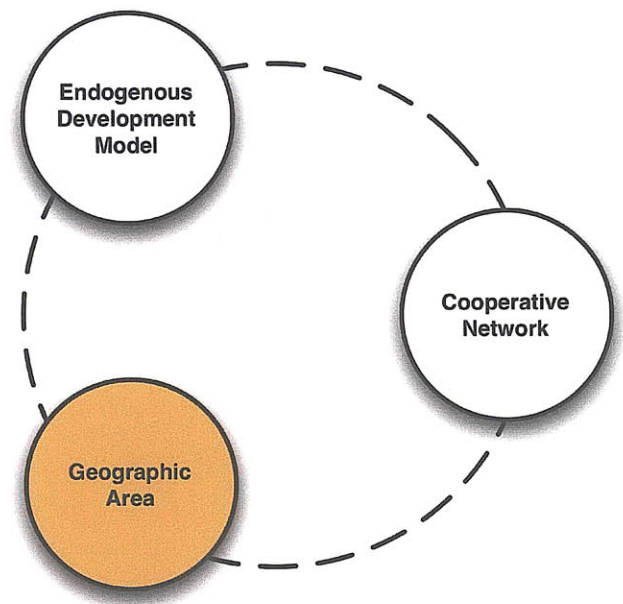


DIAGRAM 1

Geographic Area

Identifying an appropriate geographic area where there is a clear need for cooperative based economic development is a recurring theme in successful efforts and has been followed by the Evergreen Initiative. Although Smith suggests the network could be organized either by geography or industry, others such as Whyte, focus on the geographic nature of the network, arguing that the physical proximity of the firms and secondary cooperatives is important. Besides the appropriateness of the geographic scale, the social bonds stemming from a common culture and identity has been argued as critical for both the Basque and Northern Italians.

Developing a rationale behind the geographic area identified can be conceptualized in three broad categories: the appropriateness of the scale, the need for place-based economic development, and the assets and challenges encompassed in the defined space. Efforts in the U.S. and internationally at developing cooperative networks have focused on a wide range of geographic scales from a single neighborhood to an entire nation. Assessing the scale is partly a question of the cohesion that exists among the people within the area based on history, identity and governance. In addition, there are limits of capacity that firms and organizations may have in terms of potential impact on a given area. If the area defined is too large, the impact of the effort will be insignificant because the resources of the firms and support organizations will be too widely distributed.



The second consideration concerns the state of the local economy and the need for economic development within the defined geographic area. Is the local economy weak and underdeveloped? A cooperative development effort should be equally about supporting the economic development of an area as well as creating opportunities for area residents. Both the WAGES and Arizmendi cooperatives are focused on improving work places, and WAGES specifically aims secure good work opportunities for women. These efforts are based in a geographic area but that area has a highly developed local economy. As a result these approaches focus on the creation of good opportunities for individuals but not the economic development of the area. In contrast, Mondragon and La Lega started in regions that had underdeveloped

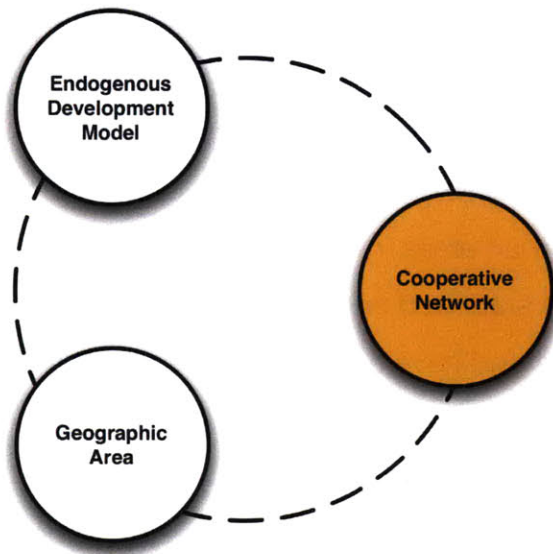
economies with large working poor populations. The approach with Mondragon was intentionally about both developing the local economy and improving the conditions and opportunities for people living in the town of Mondragon and surrounding region. The Evergreen Initiative and GreenWorker Cooperatives embody a similar approach in their relationship to the geographic area in which they are focused. Evergreen is targeted in the Greater University Circle, an area made up of six adjacent neighborhoods that are highly impoverished but surrounding several large anchor institutions. GreenWorker requires that any cooperative they support and develop be located in the South Bronx, one of the poorest urban areas in the country. Again the belief is that both the local economy needs to be stabilized and developed, and people need good jobs where they can both build assets and have a direct ownership stake in the local economy.

The last consideration is the diversity of needs and assets of a place. If the area does not have a sufficient diversity of skills, income, educational attainment, and potential partner organizations, the effort will struggle to develop successful cooperative firms and support organizations. Though Mondragon had a fairly poor and under educated population, the area did have enough diversity to begin developing cooperatives. It is important to remember that Don Jose Arizmendi was operating a school for ten years before the first worker-owners emerged.

Cooperative Network

As discussed in chapter 2, scholars and practitioners have recognized the cooperative network as one of the most important components to developing and supporting worker cooperative firms. The network is generally understood to be composed of worker cooperatives, support organizations (often organized as secondary cooperatives) and typically a central anchoring institution, which might be made up of a single or multiple organizations. In the case of Mondragon this role was filled both by

the Caja Laboral (the financial institution secondary cooperative) as well as the overarching governing bodies established by the Mondragon Cooperative Complex (MCC).



The creation of support organizations in both Mondragon and La Lega is a critical component to allow worker cooperatives to grow and succeed in an economy dominated by privately held enterprises. The MCC developed secondary coops focused on education and training, finance, insurance, business development, and technological research and development. Although there is a broad acknowledgment of creating support organizations among

leaders of cooperative efforts, many have tended to value particular support organizations (typically finance and business development) over the others. I believe one of the most instructive lessons in Mondragon is that they built a school years before they built a bank. Though I agree that building or partnering with a financial institution is critical, I believe a successful effort must recognize the eventual need for a range of support organizations, and leaders need to carefully consider the appropriate timing and investment of resources for each.

The Evergreen model has expanded on the traditional understanding of a cooperative network and incorporated institutional partners, including anchor institutions, foundations, and government. In this expanded framework, organized labor is another potential institutional partner.

Below is a brief description of the different types of support organizations that have

been developed in both Mondragon and La Lega and should be considered in developing a cooperative development strategy.

Secondary Cooperatives (Support Organizations)

Education

The functions of an educational secondary cooperative are to provide skill-based training, education in management, and an orientation for all workers in workplace democracy. In addition the education cooperative can play a significant role in nurturing a culture of collective ownership and local solidarity. Skill building is often critical for workers in regions that have suffered from a poor public education system. Education cooperatives provide a pipeline for entry into the cooperative firms for both young adults with little work experience and older more experienced workers, potentially in need of retraining. Here local residents develop management capacity that is tailored to the needs of a cooperative. The education secondary cooperative can also be an appropriate organization to foster a research and development capacity that can later spin off as its own organization.

Finance

Financing startups, and sufficiently capitalizing them has always been a great challenge. Lending to startup businesses is considered one of the riskiest investments amongst lending to businesses. Additionally, the alternative form of ownership for most traditional lenders is a significant obstacle. Typically efforts to build worker cooperatives originate from potential owners who do not have sufficient savings or assets to invest as equity or to securitize a loan. The issue of finance is discussed in almost every study of worker cooperative development. Both Mondragon and La Lega developed a financial institution, as a secondary cooperative, that could provide financing and manage savings and capital contributions by worker owners for future

expansions and cooperative development. According to interviews conducted by Smith with officials at Mondragon, no cooperative today experiences capital constraints.³⁶ In fact during the 1980's the Caja Laboral (Mondragon's bank) had to look for additional investment opportunities outside of the MCC network because they were only able to use 45% of their lending capacity on existing cooperatives.

As discussed in chapter 3, the Evergreen Initiative has created the Evergreen Fund and has partnered with a financial institution to both manage and grow the fund. In interviews with the leaders of the Initiative, several acknowledged that they believed their most significant challenge in growing beyond their first ten businesses was identifying innovative methods to finance the cooperatives and access capital.

Business Development

A role that is tightly coupled with finance is the provision of business development services that can support both startup and existing firms. A business development secondary cooperative conducts feasibility studies of new cooperative firm proposals, including developing and evaluating business plans, conducting market research and assessing supportable financing. For existing firms this support organization provides support, evaluation, and planning for firms that are struggling or considering expanding. Additionally, this type of support organization, by working with both the finance and the R&D secondary cooperatives, can identify, design and incubate new startups.

Similar to finance, worker cooperative development efforts have focused on building capacity for providing business development services. For decades this function was housed within the Caja Laboral in Mondragon. Of the U.S. cases, Arizmendi, WAGES and GreenWorker are in many ways established as business development entities. Of

³⁶ Smith, "Network Externalities and Cooperative Networks: A Comparative Case Study of Mondragon and La Lega with Implications for Developing and Transitional Countries."

these three, GreenWorker may be in the best position to seed a broader network and engage other organizations to fill the other roles in a cooperative network as articulated in this chapter. In chapter six, some of these possibilities are explored.

Research and Development

The success of both Mondragon and La Lega was supported by the ability of the firms to continually upgrade the technology they used, allowing them to remain sustainable as they experienced increasing international competition. A technology research and development secondary cooperative accomplishes a number of technology related tasks. An R&D organization can build locally based technological know how to improve the efficiency and operation of existing cooperative firms, as well as identify new areas for firms to expand into. This support organization can also identify technologies to import into the region for firms to take advantage of, which match the needs and capacities of local firms and workers. Finally through monitoring, evaluation and independent research, the R&D organization can act as a center of innovation for the cooperative network.

Few if any US worker cooperative efforts have developed an explicit technology based support organization. The absence of this development in the worker cooperative experience in the US is probably a result of few efforts to create manufacturing or advanced-industry based cooperative firms. Most U.S. cooperative firms have been in service, food and craft related industries.

Organizing the network

Finally, the process that is employed for organizing these networks should be considered. From the cases considered in this paper there is significant variation depending on the context of the place and the institutions and organizations involved. Questions to consider are: Who are the decision makers and what is their relationship

to the local community? How is coordination and governance structured? Which institutions are or could be partners? And, is there a local political organizing element within the network? Considering the cases previously discussed there are no clear answers as to a “best practice”, but there are implications that should be carefully considered.

In Cleveland, the Evergreen leadership team is made up of individuals who, except for one, all live outside of the focus area, and have professional backgrounds in management, public policy, finance, and business development. The Evergreen process is also highly centralized so that nearly all decisions from broad strategic decisions to management issues within the cooperatives are all handled within the leadership team. This allows for a group of highly skilled individuals to tightly coordinate an operation where the possibility of small mistakes at this early stage could be disastrous for the initiative. As discussed at the end of the third chapter, Evergreen also faces a number of challenges because of the current strategies they have employed in organizing their network, including building a strong cooperative ownership culture, developing leadership among worker-owners, and moving beyond a philanthropically led initiative.

In the Bronx, GreenWorker has taken a more decentralized approach and created a program in which any collection of individuals can participate. If they are able to successfully complete the program, GreenWorker will support them throughout their startup phase where it is expected that they would become part of the GreenWorker network. Decision making regarding individual firms is completely devolved to the workers of the firm, and GreenWorker functions as a support organization.

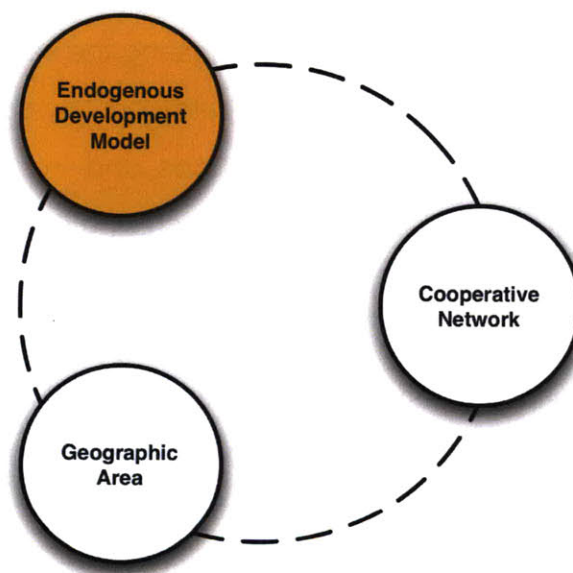
Potential institutional partners can include locally based anchor institutions (e.g. educational, medical, arts and cultural institutions), philanthropic foundations, governmental entities, and organized labor organizations. The Evergreen Initiative is a

philanthropically led model that is largely based on its anchor institution partners and a strong partnership with the City. Union partnerships are few (the O&O Supermarkets case is an example), but recently, worker cooperatives, as an idea, are beginning to gain significant traction in the labor movement. The best current example of this is the recent (October 2009) announcement of a strategic partnership between the Mondragon Cooperative Complex and the United Steel Workers labor union to build manufacturing worker cooperatives based on the Mondragon model but modified to incorporate the union.³⁷

Endogenous Development Model

If the intention is to stabilize and develop a local economy, the policies of the development initiative need to draw from a theory of economic growth and development. In chapter two there is a brief outline of the alternative theory of urban growth and development made by Jane Jacobs (urban growth through diversification and import replacement). I have drawn on this theory for the reasons explained in the first chapter of this thesis.

This model of urban growth and development has implications for the policies of a cooperative economic development effort that is attempting to transform a weak local economy. The connection between the model and cooperative development is found in the Mondragon experience.



³⁷ “Steelworkers Form Collaboration with MONDRAGON, the World’s Largest Worker-Owned Cooperative.”

The Mondragon Cooperative Corporation (MCC) is composed of a diverse range of industries including, manufacturing, finance, construction, food production, information technology, and retail. This diversity of industries is often referenced as one of the significant accomplishments of Mondragon. If the goal is to stabilize a region for the long term, basing all firms in one industry jeopardizes the longevity of these firms since a change in the national or international economy could cause irreparable damage. Whyte suggests that what the MCC did was utilize an endogenous (internal) development model based on import replacement and diversification.³⁸

Many cooperative efforts (almost all of the US cases considered in this paper) have utilized a different approach. Except for the Evergreen Initiative and GreenWorker, the other cases considered here have specialized in developing worker cooperatives in a single industry (typically replicating the same business model). The rationale behind this approach is easy to understand. By specializing, they can constantly refine and master the techniques, methods, and strategies employed, to create and grow these firms. This essentially is a franchising model but has significant limits for both scaling a place-based cooperative network, and developing a local economy.

Developing a significant technology and education capacity is critical in implementing a strategy that is based on the concepts of import replacement and diversification. Research is needed to identify emerging opportunities within firms for spin off cooperatives, either as a result of product innovation or further import-replacing (opportunities along the supply chain of existing firms). Once identified these opportunities will be difficult to implement without access and knowledge of the necessary technology, and trained and skilled managers and workers to operate the new firms. The education and R&D organizations within Mondragon permitted the Mondragon leadership to research firm activities and begin to identify new opportunities based on the work and discoveries of existing firms.

³⁸ Whyte and Whyte, *Making Mondragon*, 59.

One of the significant innovations in the Evergreen model is the use of large anchor institutions as the primary source of demand for goods and services. There are two reasons for this. One is that these anchor institutions represent one of the largest flows of financial resources that would otherwise be directed outside of the city and region, essentially robbing the surrounding area of badly needed economic activity. The second is that these institutions act as intermediaries to public resources which allows the cooperatives to begin targeting the use of public funds.

The last consideration in the Endogenous Development Model component of the framework is that although an endogenous model focuses on local drivers, the national and global economy is undergoing significant changes, which provide a window of opportunity for significant growth in new businesses. Both the green and knowledge economies have been referred to as the next industrial revolution and both offer interesting opportunities for locally driven development efforts. The green economy inherently encourages local sourcing and procurement of goods and services as well creating the need for new manufacturing firms. Firms related to the knowledge economy can have considerably low capitalization rates, and flexible economies of scale, allowing knowledge-based companies to support the needs of local businesses. As strategies are developed around worker cooperative initiatives there is a great need to understand the opportunities that these macro economic changes bring.

The Evergreen initiative has begun to engage with some of these changes by incorporating strict green business practices for all of their cooperatives. The logic behind this is two fold. First, the approach is ultimately about sustainable economic development that includes environmental as well as social and economic sustainability. The second is that the green economy (like healthcare and the public sector) is a significant area of expanding economic activity.

Summary

The three components articulated in this chapter (geographic area, cooperative network, and endogenous development model) are an attempt to capture a broad and holistic understanding of the direction taken in Mondragon and other successful cooperative efforts, for the purpose of guiding other efforts. These components should be considered in their entirety and collectively, not as a list to chose from. The framework is designed to be useful and relevant in different local contexts and not highly prescriptive, but to separate aspects of this framework would ignore the intent and purpose of this chapter.

Chapter 5: Engaging The Bronx

Approach

My motivation for writing this paper has been to develop an alternative method for economic development in the Bronx that would target borough-based organizations. I sought to provide a mechanism for these organizations to coordinate their activities in pursuing a long term project to develop the borough economy anchored by worker owned and controlled businesses. In developing the proposal, I presented research findings and my ideas about a cooperative development framework (see chapters 2, 3 and 4) to local Bronx organizations. I did this in order to connect an abstract concept to the ground and get feedback how to further refine proposal.

To begin identifying how to approach Bronx stakeholders, I started with who and what I knew in the Bronx; community organizers and leaders connected to my former Bronx employer, the Northwest Bronx Community and Clergy Coalition. There are a broad range of actors in the Bronx who would be appropriate to engage initially in pursuing this project. These include: community development corporations (CDCs), community development financial institutions (CDFIs), community based organizations (CBOs), anchor institutions, community colleges, elected officials, and labor leaders. Finding an entry point with borough leaders that were interested, generally trusting, and open to an alternative approach to economic development was necessary before engaging an exhaustive list of all relevant actors.

In discussing this project with friends and former co-workers, they identified the Bronx Green Jobs Roundtable as a good place to start. The roundtable had been in existence for less than a year and was an effort to bring together community,

education, business and labor based organizations to build capacity for green economy related opportunities. Their goals are to ensure that jobs are created in the Bronx and that they are good jobs that provide career pathways. The roundtable had an expressed interest in developing a vision of economic development in the borough and the member organizations represented areas covering both the North and South Bronx.

They also identified non-roundtable organizations that would be important to involve early on and a second layer of organizations were identified as important to engage once an initial conversation had been started.

Engagement Process

At a regular meeting of the Bronx Green Jobs Roundtable, I requested a few minutes on the agenda to present the basic idea of this project and request that the organizations attend a presentation of my research findings and engage in a dialogue on possibilities for the Bronx. The regularly occurring meeting, which is hosted by a rotating member of the group, was on that day, coincidentally, hosted by Omar Freilla of GreenWorker Cooperatives, a nationally recognized organization that is focused on developing worker cooperative startups in the South Bronx. The proposition I presented to these organizations was to identify how to learn from the kind of work GreenWorker is doing and to begin to scale the development of cooperatives by collaborating with a broad set of Bronx organizations.

Based on the suggestion of one of the Roundtable members, we set the presentation of my research for the second half of their next meeting, in the hope of getting the highest member attendance.

Representatives of advocacy, community development, labor and workforce

development organizations attended the next meeting. Participants included executive directors, program directors, project coordinators, board members, and community leaders. I presented my research on the Mondragon Cooperative experience and the Evergreen Cooperative Initiative in Cleveland, the development framework and a broad, general proposal of how the framework, could be applied to the Bronx. I also asked Omar Freilla from GreenWorker Cooperatives to speak about his experience in cooperative development in the South Bronx over the last seven years. Omar's talk provided a local context, and helped others understand how Mondragon and other cooperative experiences in the US have informed his experience.

Outcome

Originally I had planned to engage attendees in a dialogue after the presentation to hear their reactions, concerns, and ideas about applying these concepts and scaling cooperative development in the Bronx. The dialogue, though, emerged throughout the presentation as participants posed detailed questions. Some of the questions focused on the Mondragon experience of building a university, the impact that had on the development of cooperatives and the capacity of the school. Other questions and comments focused on the Evergreen Initiative. They asked if foundations were increasingly becoming interested in cooperatives and anchor institution strategies and how there were clear points of transfer between Evergreen and the Bronx. By the end of the presentation, it was clear that I presented too much information for a first viewing. Looking back, a more ideal scenario would have been to hold two presentations. The first could cover the Mondragon and Evergreen cases and the second would present the framework and its application in the Bronx. The second presentation would then have been an ideal venue for engaging participants in a detailed dialogue on the possibilities for the Bronx.

That said, the general response from those who attended was positive and most

supported of continuing a dialogue. Participants at the meeting discussed how some of the Bronx anchor institutions had begun to meet on their own, which presented an opportunity to take an Evergreen-inspired proposal to them. Others thought that the Borough President might be a potential partner to a Bronx initiative based in cooperative development, and a few people suggested traveling as a group to Cleveland and possibly Mondragon. It was clear there was a need to dig into further specifics of what a Bronx-based program might look like. Some participants suggested that over the summer the Roundtable organize another meeting to engage in this conversation and invite other organizations who were not present. Provided continued interest from Bronx organizations, I will continue to work with leaders and staff of organizations to continue this dialogue, and begin planning and organizing.

Chapter 6: A Bronx Proposal

At this moment, there is a unique opportunity in the Bronx for setting an alternative development agenda, a community driven agenda, that can begin to shake the yolk of economic marginalization that has repressed the borough for decades. This opportunity will pass without a concerted effort to develop, organize and implement a new initiative. This chapter proposes a starting point for that initiative, a broad proposal for cooperative development to begin the process of planning and organizing. The following section expands on the components of the framework from chapter four, and depicts how they could apply to the Bronx. The proposal is based on ideas generated at the presentation of the cooperative research and framework (chapter five), the Evergreen experience (chapter three), and original ideas of my own. The purpose of the proposal is to articulate a broad vision of what a cooperative development strategy could look like in the Bronx. By applying the cooperative development framework to the borough, I hope to provide ideas of how to move a cooperative development agenda forward. This proposal, however, is limited in that it should not be assumed to serve as a roadmap for Bronx actors to attempt to implement as is. Any serious effort at developing a detailed plan would involve a level of analysis, stakeholder engagement, and planning that is beyond the scope of this thesis. My hope is that this paper will aid those organizations and leaders, interested in these ideas, to take on the task of developing a detailed plan and implementation strategy.

Analysis and Rationale for the Bronx

This is a proposal for an alternative economic development platform for The Bronx. I could have chosen a smaller area, such as the South Bronx, the Northwest Bronx, or

even smaller, the neighborhood of Crotona. Or I could have considered all of New York City. There are certainly arguments for each, but I believe, based on prior cooperative experiences and the institutional, social, and political context of the Bronx, that including the entire borough is appropriate for this type of effort. This does not mean that physical development would necessarily be targeted in all neighborhoods but that organizations, civic and community leaders, and workers from throughout the Bronx would be engaged.

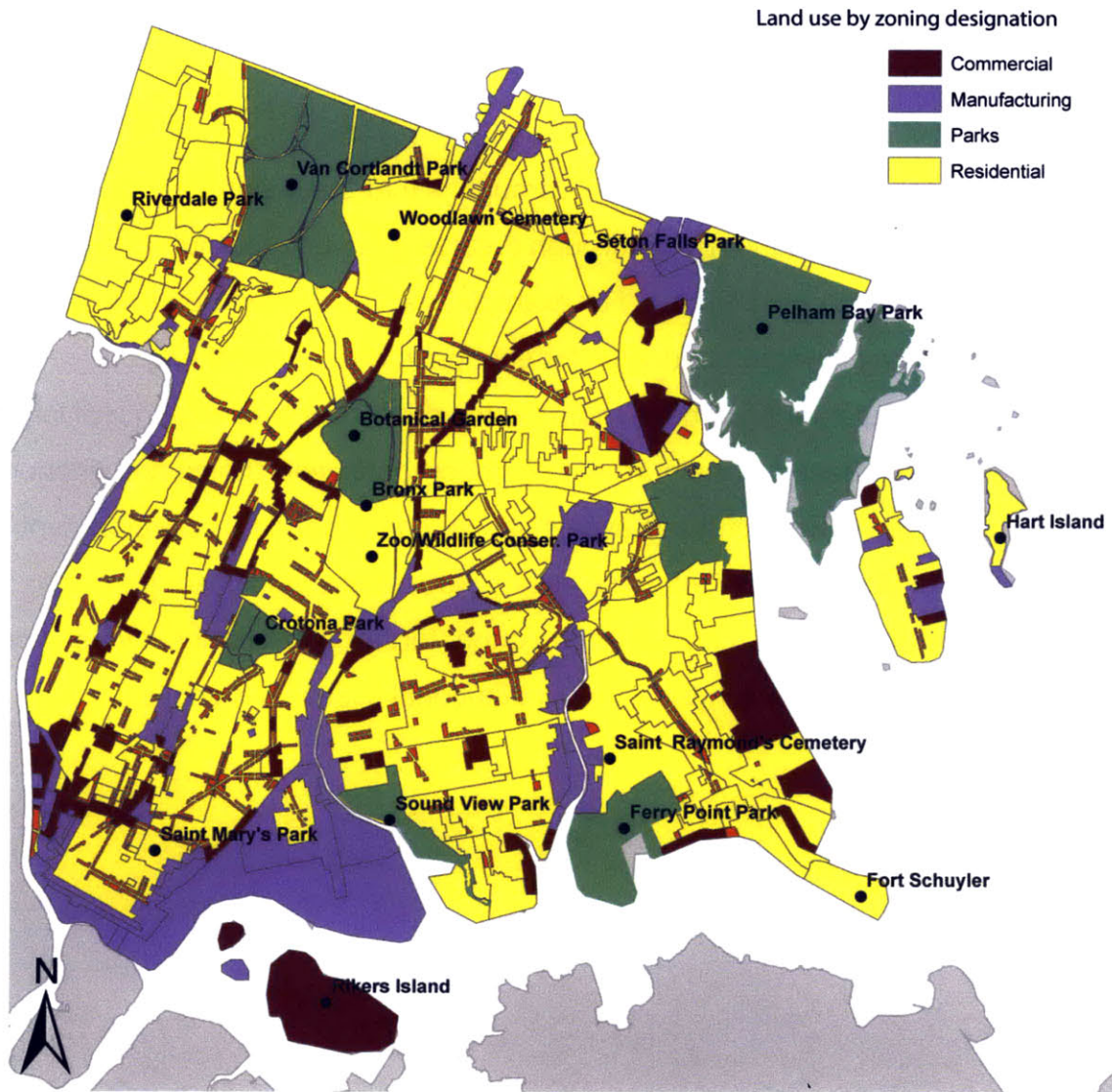
The strong identity and common experience of the Bronx creates a commonality that has the potential to overcome other divisions within the borough. This experience is based on a common history, governance, shared challenges (disinvestment, high poverty, failing schools, crime, neglect from the City, etc.), and strengths (cradle of urban art forms, social innovations in community and environmental activism, the Yankees, etc.). The borough provides a connection, and for many, a solidarity among residents and organizations that is important for a broad cooperative development effort.

Additionally the Bronx is of an appropriate scale. Although the borough has a large population, 1.4 million as of July 2008 (US census), because of the significant need (jobs and wealth-building opportunities), and concentration of large anchor institutions and organizations, initial modest successes will be noticed, garnering the political, social and financial capital to further the development of the effort.

Beyond scale, the motivation for implementing a cooperative development initiative is rooted in the significant economic marginalization the borough has experienced. According to the US Census as of 2009 the Bronx was the poorest urban county nationally. Despite three decades of efforts by the public, private, and non-profit sectors to develop the Bronx out of the wreckage of the 1970's, the borough has been unable to advance significantly relative to the region and the rest of the country. Any

economic development strategy must not only focus on creating opportunities and improved working conditions for individuals but on developing the strength and stability of the Bronx economy as a whole.

The last rationale for focusing on the entire borough is that the distribution of challenges and assets throughout the borough creates a context for mutual support among different sections of the Bronx. For example, sections of the South Bronx have land use patterns that are more conducive for economic development (e.g. concentration of manufacturing zoned land). On the other hand, the majority of large anchor institutions are based in the northern neighborhoods (see zoning and anchor institution maps below). Both of these assets should be included in a development strategy, and the exclusion of one of these assets would pose significant planning challenges. Below are several maps of the borough, further detailing the diversity of social, economic, educational, physical, and institutional assets and challenges.



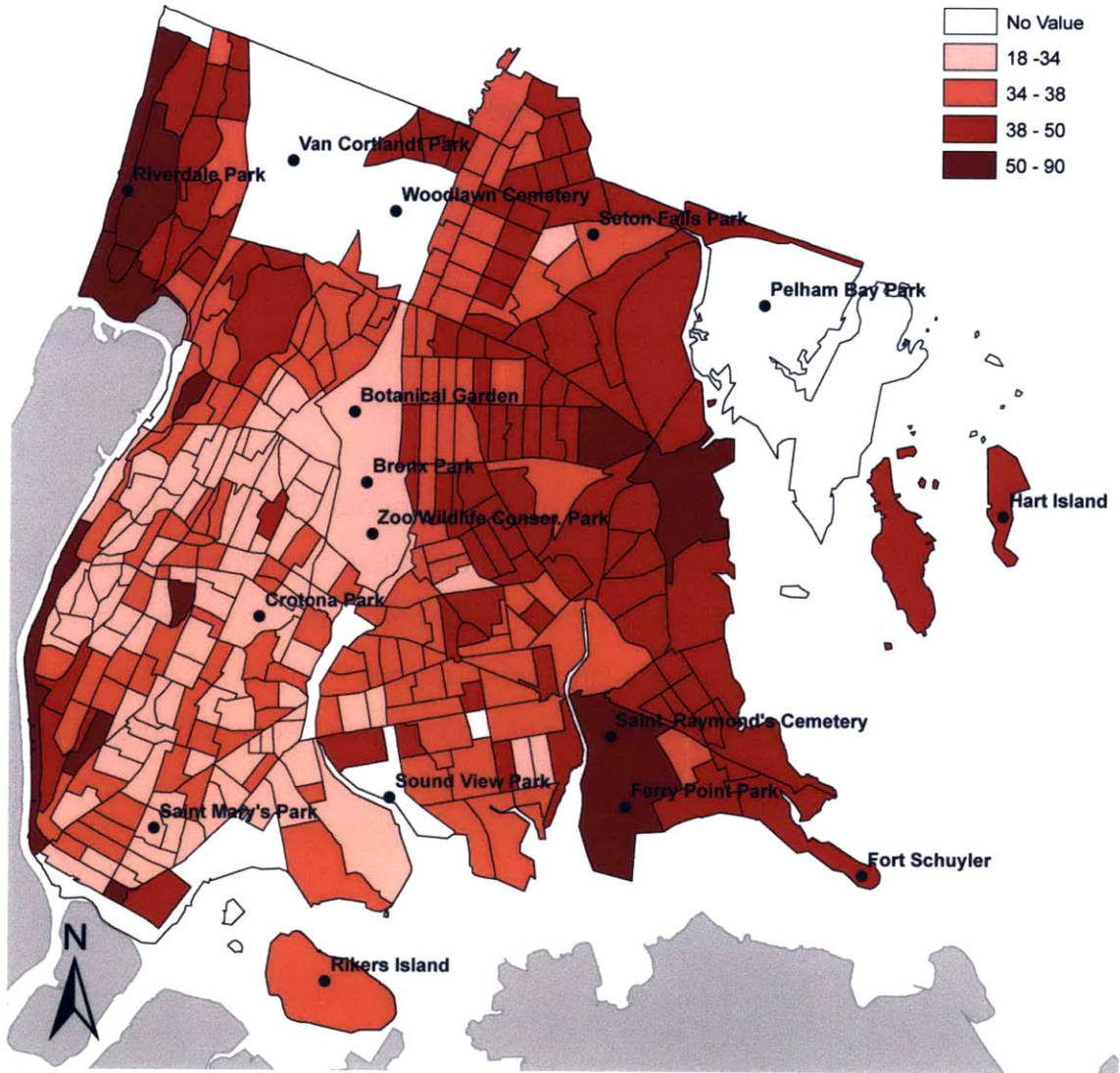
Bronx Land Use

Source: NYC Planning Department (nyc.gov/html/dcp/home.html)

Note: Zoning designations were consolidated into generic land use types. Special overlay zones are not displayed.

The Bronx zoning map shows the distribution pattern of land use within the borough. The map shows that the highest concentration of land zoned for manufacturing and commercial use is in the South Bronx. There is little industrial land in the North Bronx. As the City has been rezoning manufacturing land to residential and commercial uses the South Bronx will continue to loose its access to land for industrial development. This is an issue that should be of concern to not only organizations in the South Bronx but the North as well because this land offers the entire borough the potential for creating well paid manufacturing jobs that are badly needed in the North Bronx as well as the South.

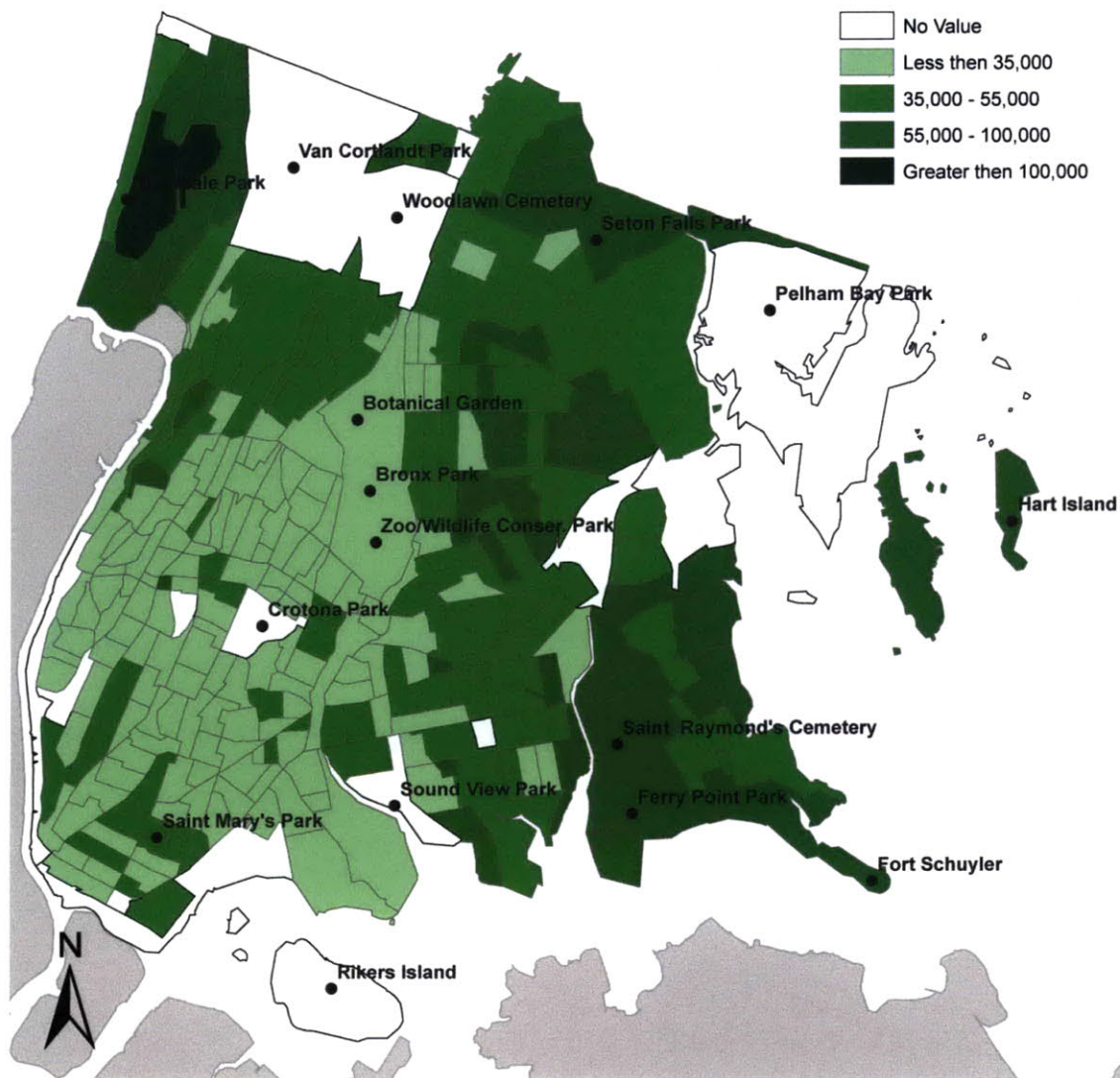
The next map depicts the pattern of median ages throughout the Bronx. In the southwest and mid-west neighborhoods of the borough the median age tends to be significantly younger then the east and northern neighborhoods. In order to have laborers, managers, and leaders of firms and organizations there has to be a diversity of age groups. Therefore, an area consisting of a dominant concentration of old or young residents would struggle.



Bronx Median Age

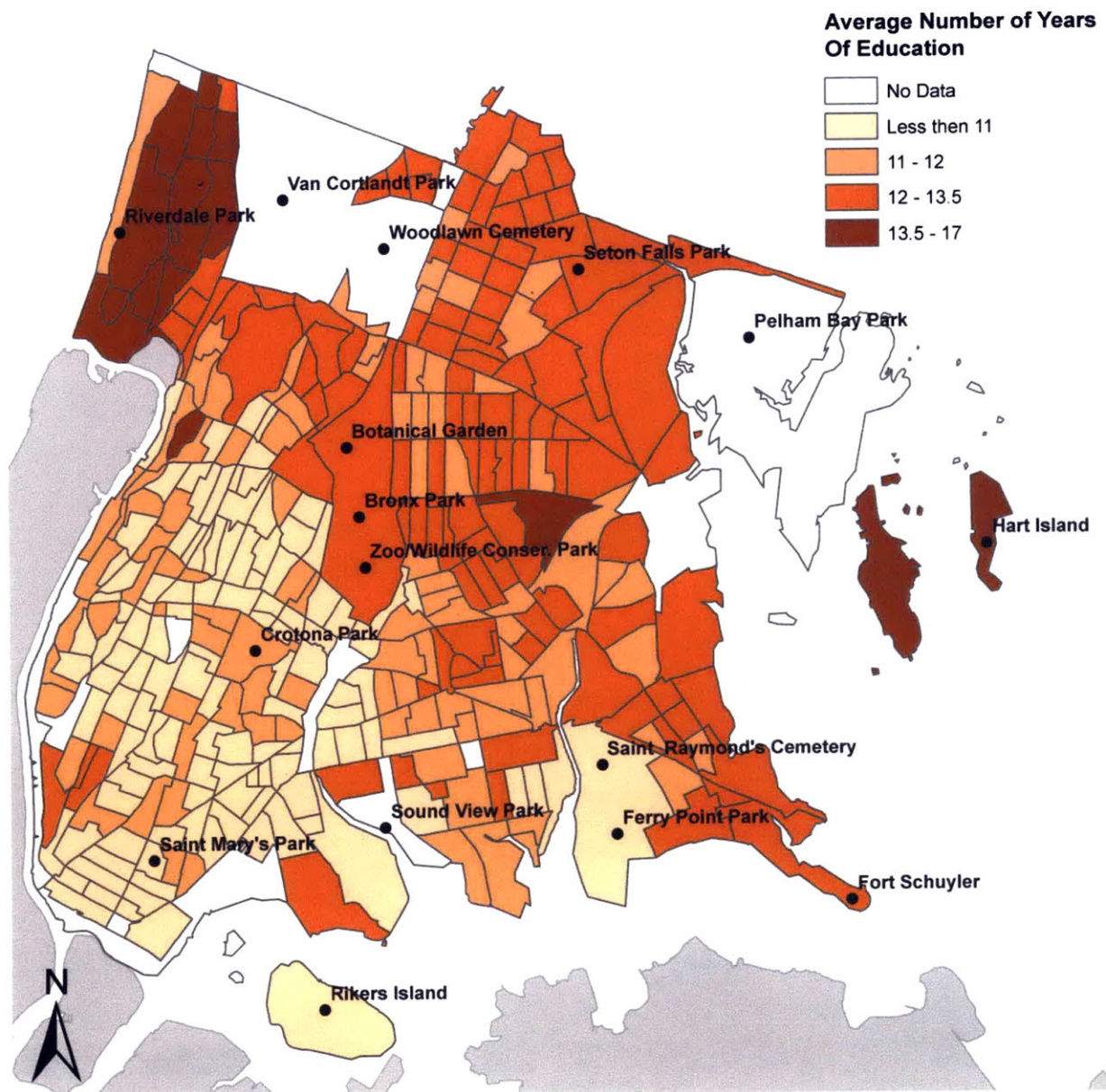
Source: Geolytics, Bronx Median Age Estimate 2009 by Census Tract

The following map depicts the distribution of median household income. Similar to median age distribution patterns, there is a pattern of a concentration of lower income households in the south and mid-west section of the Bronx. Drawing on a population with a diversity of income levels provides a corresponding diversity of prior work experiences as well as the potential to partially raise startup funds among residents.



Bronx Median Household Income
Source: Geolytics, Bronx Median Household Income 2009 by Census Tract

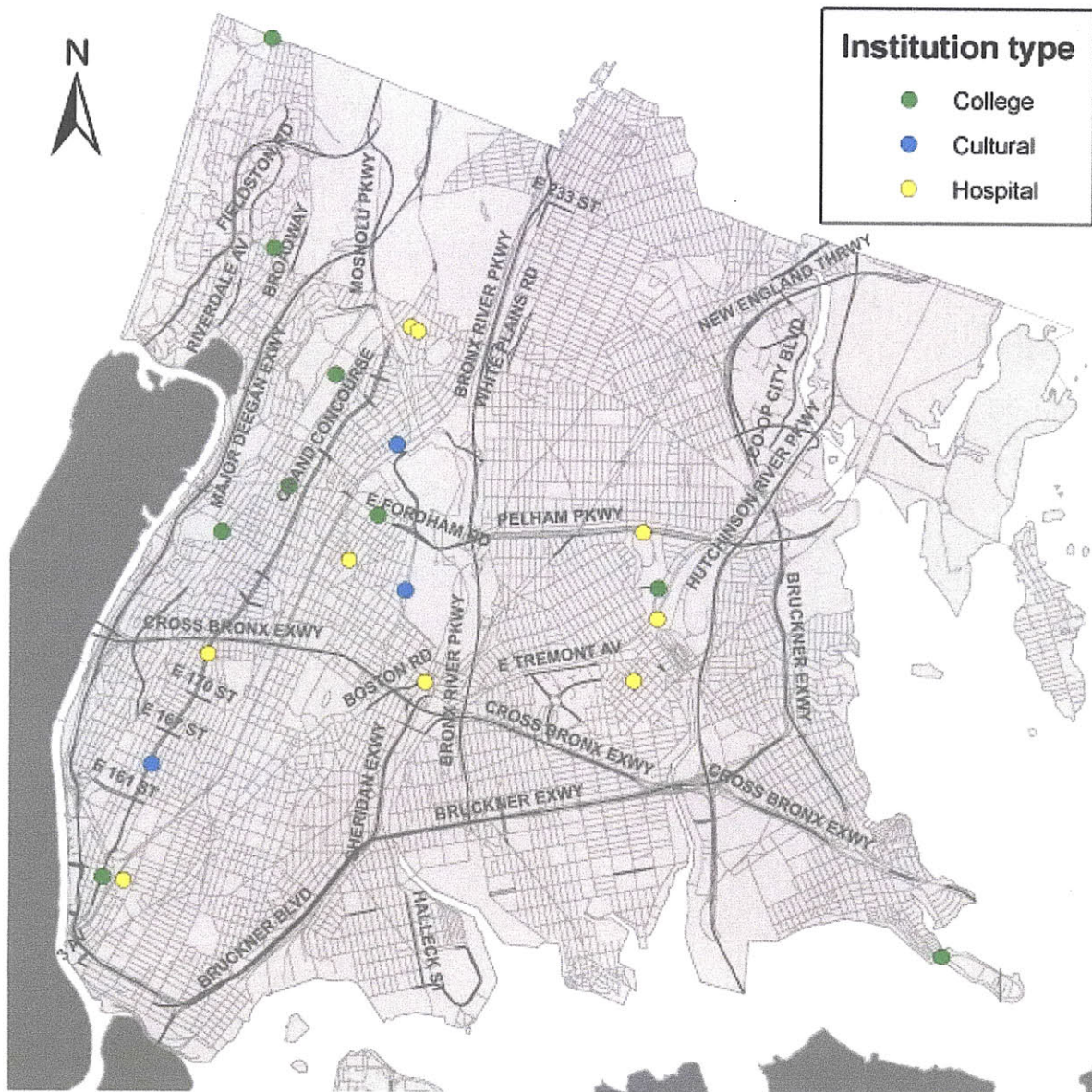
The map on the following page depicts educational attainment. In a similar pattern to the previous two maps, the southwest and mid-west Bronx have a high concentration of individuals with low levels of educational attainment. This socio-economic indicator may be one of the most important for assessing the challenges of a cooperative development strategy. A community that is predominantly undereducated will face considerable obstacles trying to implement a cooperative development effort because individuals will lack basic skills needed for operating and owning the cooperative firms. It is certainly not necessary that the entire community be highly educated but individuals with a diversity of educational attainment is needed to successfully build cooperative firms.



Bronx Educational Attainment

Source: Geolytics, Bronx Educational Attainment 2009 by Census Tract

Note: Average number of years of education were calculated based on tables of graduation counts for each grade level. Each grade level or higher education level was assigned a numeric value associated with the number of years of study. Averages were then calculated based on population count for each level and the total population accounted for. All grades under 8th were grouped together and assigned the value of 6 for calculating averages. GED or equivalent was assigned the value of 12.5.



Bronx Institutions

The map above depicts the spatial organization of educational, health, and cultural institutions in the Bronx. These are all potential anchor institutions and as well as important institutional partners generally. The far majority of institutions are located North of the cross Bronx expressway leaving many sections of the Bronx disconnected from these institutions.

From the maps presented on previous pages, some distinct patterns emerge regarding the distribution of assets and challenges throughout the borough. The South Bronx has a clear advantage when it comes to land use for industrial, and to some extent, commercial development, but is confronted with the challenges of a concentration of low levels of educational attainment and median household income, and a strong concentration of a young population. The east Bronx shows higher levels of household income and greater levels of education but an older population. The northwest Bronx generally depicts a pattern of falling in between the south and east, except for the high income and education levels in Riverdale, in the furthest northwest corner of the Bronx. As a whole the Bronx presents a geographic area that has a diversity of assets and challenges. Separately, each section of the Bronx would struggle to successfully launch a cooperative development effort but acting as a whole, each section of the borough becomes mutually supportive of the other.

Building a Cooperative Network

The cooperative network has four basic layers of organizations: the leadership team, cooperative firms, support organizations, and institutional partners. Given these distinctions, it is likely that some organizations will play multiple roles (i.e. an organization may be member to the leadership team and also act as a support organization). Establishing the basis for a cooperative network involves accomplishing four basic goals: establish a leadership team, build institutional partnerships; develop the governance structure for both the individual firms and the cooperative network, and plan the development and phasing of the support organizations.

Establish a leadership team

The leadership team is the core entity that will both develop and guide the cooperative

development effort and act as an anchoring body for the developing network. It provides a sense of longevity, capability, and capacity that is critical for building partnerships with larger institutions.

The leadership team should consist of a fairly diverse and broad set of organizations. As a Bronx based initiative, the majority of organizations should be based in the Bronx and focused primarily on the borough. That said, there should be several established City wide organizations included that have experience working in the Bronx and hold relationships with other organizations. Including non-Bronx based organizations provides a healthy “outside” perspective that is partially detached from the daily struggles and politics of the borough; it also provides a mechanism for transferring the experience to another borough in the future.

The members of the leadership team need a diverse set of skills and a range of cross-sectoral relationships. Skills needed on the team include: economic development finance and planning, business development and planning, cooperative firm development, training, business management, community organizing, policy development and advocacy. As for relationships, amongst the team there should be strong relationships with anchor institutions, community organizations, the banking community, foundations, the business community, government, and organized labor.

The current Bronx Green Jobs Roundtable contains a set of organizations that would provide a good basis for a leadership team but a careful evaluation should be undertaken to identify the missing skill sets and relationships. Then the Roundtable should reach out to organizations that could fill those gaps.

Build institutional partnerships

Potential institutional partners fall into four broad categories: anchor institutions (e.g.

health, education, and cultural institutions), government, organized labor, and foundations. Each type of institution influences significant political and financial capital that through partnerships can be channeled and coordinated to anchor and support the development of the network. Potential institutional partners are generally going to be risk averse, and considerable effort and thoughtfulness will be needed to develop those relationships. For each partnership, the leadership team needs to consider the interest of the partnering organization, the plausibility of the proposal, and a realistic role the organization can play. Beyond building relationships between the leadership team and institutions, the leadership team needs to consider the relationships among individual institutional members and where they do not exist, consider building them.

Recent developments with some Bronx-based anchor institutions offer opportunities for building institutional partnerships. The four largest anchor institutions in the Bronx have started meeting with each other to coordinate some of their activities. This includes the Fordham University, Montefiore Hospital, the Botanical Gardens and the Bronx Zoo. Similarly, the Bronx CUNY Colleges have been regularly meeting together for the past year. Bronx borough president Rubin Diaz, Jr. has been seen as supportive of Bronx community organizations working together on developing a green Bronx economy. Although recently there have been tensions between community and civic leaders in the Bronx and the City administration, the New York City Economic Development Corporation (NYCEDC) leadership has shown an interest in working with communities to develop innovative approaches to economic development, primarily through NYCEDC hosted community roundtables. City Council, State Assembly and Senate, Congress (Rep. Jose Serrano is currently a member of Bronx Green Jobs Roundtable), and the US Senate members all could play constructive roles in appropriating financial resources, developing and enacting supportive legislation, and providing political support.

Develop a democratic governance structure for individual firms and the overall network

Establishing a governance structure for cooperative firms early on will provide a clear understanding of roles and relationships among employees, managers, and representative boards of the firm. The structure needs to establish how managers are selected, how board members are selected, and who has decision authority over issues regarding operations, management, hiring, firing, compensation, investments, and strategy. While developing this structure a careful balance needs to be struck between ensuring worker-owners have real control and authority over their respective firm but that the firm will be able to operate efficiently. One method for balancing these two goals could be to break the development of a firm into phases. In a startup phase, the worker-owners would have less decision making authority, placing more authority with a manager and support organizations. After a set period, more authority would be transitioned to the firm owners. There are challenges with this approach, least of all building a strong sense of worker ownership within the organizational culture of the firm. However governance is established, developing a clear, transparent firm structure needs to be a priority early on.

Beyond the individual firm, a governance structure for the network needs to be established as well as terms that define principles and practices to which all firms belonging to the network must adhere in order to retain membership and network support. The governance structure needs to define the representative board that will govern the network and a process for selecting members for the board. The structure also needs to define the formal role of the leadership team and support organizations, including how they will participate in decision making over time. For instance, if the leadership team is composed of independent organizations, they are making decisions for the network without a mechanism for members of cooperative firms to have any control or influence over these organizations. One solution is to develop a phasing

strategy for the leadership team – where the organizations agree to transition the leadership team structure into a democratically elected board with both organizational membership and cooperative firm members, acting as a coordinating body. Similar consideration needs to be made for institutional partners. Depending on the role they are playing, there could be a conflict in developing a cooperative network that is democratically governed. This is a challenging problem that needs to have an evolving solution as the network develops, but these issues should be addressed early on.

Some of the practices of individual firms that need to be considered are pay differentials between highest and lowest paid workers; permitted percentage of wage laborers; profit and loss sharing; debt to capital ratio; and contributions to member capital accounts, a common loan fund, and a social programs fund. The network can also mandate adherence to the cooperative principles set out by the ICA.

Because the network should provide a framework for establishing norms, practices and policies for individual firms, it is critical that the governance of the network is strongly democratic for worker-owners. Otherwise the effort will create a false sense that individual workers have real control of their firms, undermining the creation of a culture of collective ownership.

Development and phasing of support organizations

Support organizations can be either new secondary cooperatives or existing organizations that dedicate resources towards providing a support service to the cooperative network. The Bronx is rich in organizational capacity, and if supported by both the financial resources and political will, existing organizations could fill the roles of most of the support organizations. As mentioned above, having independent organizations as members to the cooperative network raises the challenge of accountability and governance.

One approach is to incubate support organizations inside of existing organizations with the relevant skills, capacity and resources. As part of the incubation process, the governing bodies of the cooperative network would select an advisory or oversight board. After a set period of time (maybe five years for education, finance, and business development, and ten years for research and development) these support organizations would become independent secondary cooperatives and full members of the cooperative network, with a democratically elected board, and an appointed manager.

However support organizations are structured into the network, each area of support (finance, education, business development and research and development) needs to be planned. The question for each one of these roles should be “when” and not “if” .

Below find considerations for each support role area described.

Finance

Success at scaling the network will depend on sophisticated and innovative approaches to financing. It is one of the most straightforward and concrete challenges worker cooperatives face. As mentioned in chapter four, financing cooperatives with traditional sources of capital is a challenging and ultimately an unsustainable approach on its own. There are mechanisms for taking on outside investments without losing control of the firm (e.g. preferred stock that is non voting) but generally these instruments are attractive to social investors that are supportive of the overall effort. In the Mondragon experience, the financial resources to establish the cooperative bank were raised through small and medium sized contributions by the members of the community. Thanks to modern information technology, it may be possible to replicate the underlying idea of the Mondragon experience and create a financial vehicle that allows Bronx residents to organize their financial resources and invest them in the local

economy. Adapting the technologies used by peer to peer lending applications such as prosper.net and kiva.org could serve as the technological infrastructure for this type of approach.

The support of foundations, elected officials and government programs will also be an important source of funding but unless there is a significant change in public funding of community economic development these sources will be limited and time intensive to acquire.

Education

The role of education in supporting the development of the cooperative network has several elements. Basic skill training, advanced training for higher level jobs, democratic workplace preparedness, education of managers, leadership development, and the education of leadership. These tasks will not all be performed by one organization or one type of organization. A community college may be best suited for basic and advanced skill training, but leadership development may be handled by a community organization.

The initial challenge will be developing educational capacity before there are a significant number of potential jobs. One solution is to have educational institutions begin to teach cooperative based courses, at a limited scale, and then plan for an expansion as firms develop. Courses on cooperative business models, workplace democracy, and the general theories behind cooperation may be appropriate. The purpose of this activity should go beyond preparing individuals for becoming a member of a worker-owned firm but also to begin to instill the ideals and possibilities of cooperative development in emerging workers, entrepreneurs and citizens.

Business Development

Either a business school or a partnered financial institution could incubate a business

development secondary cooperative. Although there are a number of small business development organizations in the Bronx that could provide valuable expertise and experience, for the purposes of the cooperative network the role of business development will need to expand beyond the traditional services that are provided by these organizations.

Research and Development

Technological research and development probably represents the most difficult type of secondary cooperative to develop as a standalone organization. The Mondragon research and development cooperative was not created until they had reached a significant scale and the resources could be acquired by the participating industrial firms and the Caja Laboral (the bank). Similar to education, and business development, the R&D organization could be incubated by a university with sufficient technological research capacity. If an appropriate institution could not be identified within the Bronx or New York City, then the leadership team should consider universities in the wider region, such as Rensselaer Polytechnic Institute or SUNY University at Albany.

Below is a table listing types of organizations and the potential roles and resources they could contribute to the cooperative network.

Organizational Roles and Resources for the Cooperative Network

Organization Type	Roles and Resources
CBOs	Coordination, community support, recruitment, training
CDCs	Incubation, physical development, accessing capital, project management
CDFIs	Accessing capital, managing loan funds and resources, business development
Policy Advocates	Analysis, design and advocacy of federal, state, and local policies
Universities	Education, business development, and technological research and development
Community Colleges	Training and education, incubation
Government	Identifying and accessing financing, economic development strategy and policy, implementation
Labor unions	Funding(programatic), capital access (pension funds), political capital, policy support, training
Foundations	funding(programatic), capital access, policy analysis and research, institutional coordination, political capital

Development Model

As articulated in chapter four, the cooperative network needs to follow a set of policies that implement endogenous economic development. These policies should be based on a locally oriented development model that promotes the diversification of economic activity, exploits import-replacing opportunities, and grows using internal assets as opposed to importing most financial, human, and technological resources needed.

Economic Drivers

No one strategy should dominate decisions made regarding firm development. Below is a set of strategies that should all be pursued:

Develop firms that target the procurement needs of anchor institutions. This strategy accomplishes two goals; bases the business off of a steady demand source and internalizing the economic activity of the anchor institution.

Develop firms based in the emerging Green Economy; alternative energy, transportation, product manufacturing, recycling and reuse, energy-efficiency, local food production and distribution, etc. The Green Economy is still a fairly new idea with regularly emerging opportunities. Both government and business will continue to increase their commitment to invest in this sector.

Identify opportunities in emerging technologies and new business models based in information and knowledge economies. As information technology develops, new business models emerge that have low capital intensity, high skill and knowledge based, and escape traditional economic laws such as diminishing returns.

Identify import-replacing opportunities. These opportunities may be either final goods that are imported and sold to consumers or businesses, or component goods that are imported and used in the supply chain of producing other goods. As the network creates more firms, an expanding number of import-replacing opportunities will emerge; as each new firm opens, new input demands are created.

Thinking about Import Replacement and Diversification

One method for considering import replacement and diversification opportunities is to look for industries that have low location quotients, that is industries that make up a disproportionately small percentage of the local economy relative to a larger regional economy. A low location quotient suggests that many of the goods and services produced by that industry are being imported. A location quotient with the value of one means the industry holds the same percentage of employment in the local economy as

the regional economy. A location quotient over one suggests that the local industry is exporting outside of the local economy.

A second method is to analyze the dominant industries in an economy and identify the goods and services that these industries are importing from outside of the local economy. In the Bronx both health care and retail trade are the largest major industries by employment.

Either of these methods involves a detailed level of analysis and for the second method a considerable level of information is needed regarding the needs of the dominant industries. Beyond the initial analysis to identify potential opportunities, each needs to be evaluated to determine the economic viability of producing the good or service locally. Ultimately any import replacing activity must be competitive with other suppliers.

Performing a detailed analysis of either of these methods is beyond the scope of this paper but to begin to get an understanding of the structure of the Bronx economy and some potential opportunities the rest of this section will apply a cursory approach of the first method. Broken down by major industries (what is referred to as 2 digit industries in the NAICS classification system), the largest industries in the Bronx by percentage of employees are healthcare, followed by retail. See the chart below.

Bronx Employment Share by Industry

Industry	% of total
Health Care and Social Assistance	39%
Retail Trade	11%
Educational Services	8%
Accommodation and Food Services	5%
Wholesale Trade	5%
Construction	5%
Real Estate and Rental and Leasing	4%
Other Services (except Public Administration)	4%
Manufacturing	4%
Transportation and Warehousing	3%
Administrative and Support and Waste Management and Remediation Services	3%
Information	2%
Professional, Scientific, and Technical Services	2%
Other	5%

Source: 2007 Economic Census

This breakdown provides an analysis without any context for the larger regional economy that the Bronx exists within. When calculating the location quotient of these industries for the Bronx using the New York Metropolitan Statistical area as the reference regional economy the industries with the highest location quotients are somewhat different. See the chart below.

Location Quotients by industry of NYC Boroughs (ordered by the Bronx)					
Industry	Bronx	Brooklyn	Queens	Staten Island	Manhattan
Mining	0.14	0.20	0.06	0.33	0.26
Management of Companies and Enterprises	0.19	0.15	0.19	0.22	1.16
Forestry, Fishing, Hunting, and Agriculture Support	0.21	0.09	0.09	0.00	0.44
Finance and Insurance	0.22	0.51	0.43	0.41	1.86
Professional, Scientific, and Technical Services	0.22	0.36	0.29	0.53	1.56
Administrative and Support and Waste Management and Remediation Services	0.39	0.65	0.75	0.59	1.09
Information	0.52	0.44	0.45	0.96	1.76
Manufacturing	0.70	1.01	1.03	0.25	0.29
Transportation and Warehousing	0.73	0.93	3.15	1.19	0.29
Accommodation and Food Services	0.74	0.69	0.95	1.20	1.21
Wholesale Trade	0.76	0.89	0.87	0.32	0.76
Arts, Entertainment, and Recreation	0.92	0.58	0.52	0.61	1.59
Construction	1.02	1.18	1.91	1.70	0.34
Retail Trade	1.02	1.07	0.98	1.51	0.60
Other Services (except Public Administration)	1.22	1.53	1.66	1.56	0.01
Utilities	1.55	1.49	1.11	1.43	0.70
Real Estate and Rental and Leasing	1.77	1.23	1.14	0.52	1.38
Educational Services	2.06	1.42	0.78	1.26	1.46
Health Care and Social Assistance	2.42	2.02	1.39	1.83	0.66

Note: Location quotient calculated for each 2 digit level NAICS industry using the NYMSA as the reference economy.

Source: 2007 Economic Census

Although healthcare has the strongest location quotient retail trade has a location quotient that falls further down the list and in fact suggests that the industry makes up the same percentage of the local economy as it does in the regional economy. Healthcare, educational services, real estate and utilities all suggest that they are exporting their goods and services.

In terms of industries with low location quotients (less than .9) there is a considerable number that fall into this category some of which we are probably safe to eliminate (e.g. mining). Others such as wholesale trade, accommodation and food service, manufacturing, and information may present opportunities. A thorough location quotient analysis should consider recent industry growth and use a more granular industry classification (three or four digit NAICS code). The two-digit analysis presented above categorizes industries broadly and does not provide significant detail.

Manufacturing has often been raised over the years as an industry that the City generally needs to encourage and bring back. In the Bronx manufacturing has a location quotient of .7. Although not incredibly low, it is low enough to suggest that there could be import-replacing possibilities. It is also considerably lower than the manufacturing location quotients for Brooklyn and Queens (1.01, and 1.03 respectively). As mentioned above, this level of generalization obscures what types of firms make up the dominant segments of manufacturing in the Bronx. At a more detailed level, manufacturing's largest components in the Bronx are fabricated metal product manufacturing and food manufacturing. Within those industries, the largest segments are architectural and ornamental products, and bakeries respectively. Although manufacturing might be an appropriate target, food manufacturing (or at least bakeries) would not be a diversifying business type, and likely would not be highly import replacing.

Research, Education, and Technology

The strategies above are dependent on the research, educational, and technological

capacity of the cooperative network. To take advantage of emerging business models that rely on new technologies, there needs to be internal capacity to harness those technologies, train workers and managers, and develop firms. Similarly, to identify spin-off and import replacement opportunities, there needs to be active research and development capacity to monitor existing firms and deploy technologies that allow for internal developments in firms to result in the creation of new businesses and for imported goods and services to be replaced by locally based firms.

Conclusion

Developing and implementing this strategy will not address all of the challenges the Bronx faces and should ideally act as an economic development strategy connected to a larger framework that is also focused on efforts concerning transportation, education, housing, environmental improvement, community health, food access and distribution, energy efficiency, and waste and reuse. Ideally a well-developed cooperative network would engage organizations that are involved in these other areas and overtime would serve as a mechanism for coordinating the activity of these organizations.

A Concluding Thought

In the end, any effort for positive social change is limited by the extent of our faith in the capacities of others. The strategies outlined in this thesis are no different. If I cannot accept that a corporate leader will stand shoulder to shoulder with a struggling mother supported by welfare; and you cannot accept the ability of young men and women living in poverty to lead companies and their communities, then any transformative effort will ultimately fail. Visions, strategies and tactics are all necessary but our faith in each other is paramount.

Further Research

During the course of writing this paper many new inquiries emerged that I attempted to put aside in the pursuit of finishing on time and with my sanity intact. Below I've included a brief description of some of these questions that I believe are relevant and critical to moving forward the viability of cooperative development in the pursuit of a society based on economic democracy.

First, related to the Bronx, given sufficient interest, there is a need to articulate a detailed cooperative development plan for the Bronx. The purpose of this study was to provide a broad framework for that work. As part or in addition to that plan, a detailed economic development study of the Bronx that considers endogenous forces and cooperative economic organization is needed.

The immediate motivation for pursuing cooperative development often relates to job creation and economic stability but there is also the potential for a considerable political dimension to take form within a cooperative initiative. With this perspective there is a need to better understand the role cooperative economic development can play in progressive social movements. Related to this is the question of the role politics can play in organizing a community across ethnic and racial divides to support a cooperative development initiative, harnessing an economic solidarity.

Labor and community organizations continue to struggle to find viable mechanisms for long term and stable coalitions. If labor and community organizations are willing to play active economic development roles, what does the worker cooperative model of economic development offer towards building stable and long-term coalitions?

Although worker cooperatives are designed to be more equitable and egalitarian forms of business organizations, they are not guaranteed to meet these goals. There are a number of experiences where traditional patterns of marginalization and exclusion have emerged as cooperative development efforts have grown and scaled. Is this inevitable? Do cooperatives offer a more but limited egalitarian model of economic organization or can traditional roles of race and class be transformed in developing cooperative networks, and if so what allows for these transformations to take root?

Finally, there is anecdotal evidence that at a local level, worker cooperatives are seen as pragmatic solutions to confronting economic dislocation, neighborhood stabilization and unemployment. The concept does not suffer from the ideological baggage that is often associated with worker cooperatives at higher-level policy debates. My interviews began to confirm this but also pointed to an intellectual and psychological impact this model of development had on local leaders. From very limited data, there seemed to be a process whereby this model of development provided a path for beginning to reconcile deep social conflicts that had previously seemed irreconcilable. I believe it would be highly worthwhile to pursue an inquiry that could carefully examine the intellectual and mental changes leaders experience working through cooperative development efforts, especially in areas with strong racial and class divisions.

Bibliography

- Alperovitz, Gar. *America beyond capitalism : reclaiming our wealth, our liberty, and our democracy*. Hoboken N.J.: J. Wiley, 2005.
- Ammirato, Piero. *LA Lega: The Making of a Successful Cooperative Network*. Dartmouth Publishing Group, 1996.
- Desrochers, P. "Cities and the Economic Development of Nations: An Essay on Jane Jacobs' Contribution to Economic Theory." *CANADIAN JOURNAL OF REGIONAL SCIENCE* 30, no. 1 (2007): 115-132.
- Dolnick, Sam. "Voting 45-1, Council Rejects \$310 Million Plan for Mall at Bronx Armory." *The New York Times*, December 15, 2009, sec. New York Region.
<http://www.nytimes.com/2009/12/15/nyregion/15armory.html>.
- Ellerman, David. "Jane Jacobs on development." *Oxford Development Studies* 32, no. 4 (2004): 507.
- Glaeser, Edward L., Hedi D. Kallal, Jose A. Scheinkman, and Andrei Shleifer. "Growth in Cities." *Journal of Political Economy* 100, no. 6 (January 1, 1992): 1126.
- Howard, Ted. "Interview with Ted Howard of the Democracy Collaborative."
— — —. *The Evergreen Cooperative Initiative*. The Democracy Collaborative, February 11, 2010.
- Jacobs, Jane. *The Economy of Cities*. Vintage, 1970.
- Keil, Stephen. "Interview with Stephen Keil at Ohio Solar," February 9, 2010.
- Lich, Peter. "The U.S. Experience with Worker Cooperation." *The Social Science Journal* 23, no. 1 (1986): 1-15.
- Miller, Carol Poh, and Robert Wheeler. *Cleveland: A Concise History, 1796-1996*. Second Edition. Indiana University Press, 1997.
- "MONDRAGON Corporation." <http://www.mondragon-corporation.com/language/en-US/ENG.aspx>.
- Pierce Lee, India, and Lillian Kuri. "Interview with India Piece Lee and Lillian Kuri at The Cleveland Foundation," February 10, 2010.
- Smith, Stephen. "Network Externalities and Cooperative Networks: A Comparative Case Study of Mondragon and La Lega with Implications for Developing and Transitional Countries." In *Ownership and Governance of Enterprises : Recent Innovative Developments.*, edited by Laixiang Sun. Basingstoke :: Palgrave,, 2003.
- "Steelworkers Form Collaboration with MONDRAGON, the World's Largest Worker-Owned Cooperative," October 27, 2009.
http://www.usw.org/media_center/releases_advisories?id=0234.
- Stropkay, Mary Ann. "Interview with Mary Ann Stropkay at Shorebank Enterprise," February 9, 2010.
- Thompson, David. "Cooperative Principles Then and Now." #53 (August 1994).
<http://www.cooperativegrocer.coop/articles/index.php?id=158>.

Wheeler, John, and Margaret Carney. "Interview with John Wheeler and Margaret Carney at Case Western Reserve University," February 11, 2010.

Whyte, William Foote, and Kathleen King Whyte. *Making Mondragon: The Growth and Dynamics of the Worker Cooperative Complex*. Cornell University Press, 1991.