European Economic Democracy

A new path out of the crisis

Neil Warner, Adriano Cozzolino, Michele Fiorillo,

Lorena Lombardozzi, Alejandro Olmos

Political Economy working group

FEPS YAN 6th Cycle

June 2019

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ABSTRACT

This paper discusses the challenges that the EU faces in relation to economic democracy and work. The first part of this paper looks at the need for political alternatives against the background of the failure of current strategies to tackle the increasing social and economic inequalities that have been exacerbated by the financial, economic and social crisis that started in 2008. It proposes that fostering ´economic democracy´ should be a cornerstone of the social democratic strategy in Europe, tracing the history and theory of the concept as well as its possibilities and limitations. The second part of the paper looks at the existing situation of different tools for economic democracy in Europe, with a particular focus on cooperatives. It firstly explores the empirical implications of economic democracy through the example of cooperatives. It then looks at what policies could be pursued on a European level to support cooperatives, and also briefly looks at the policies that could be implemented to expand economic democracy beyond the development of the cooperative sector. It then discusses the limitations in theory and practice to this policy solution. Finally, it highlights some initiatives which a progressive European political movement could put on the agenda in order promote social justice and democratic accountability at the work place.

AUTHORS

Adriano Cozzolino holds a Master degree in Law and a Master degree in European Studies. He recently received the PhD in International Studies from the University of Naples L'Orientale, Italy, with a thesis entitled 'The political economy of State transformation in Italy from the crisis of Keynesian welfare state to the crisis of the neoliberal paradigm'. Already visiting researcher at The University of Manchester, Politics Department, and at The School of Management, Radboud University (The Netherlands), Adriano is currently a member of the Critical Political Economy Research Network. His recent publications include 'Reconfiguring the state: executive powers, emergency legislation, and neoliberalization in Italy' (*Globalizations*), and 'Trumpism as nationalist neoliberalism. A critical enquiry into Donald Trump's political economy', (*Interdisciplinary Political Studies*).

Michele Fiorillo is a PhD candidate in Philosophy and Political Thought at "Scuola Normale Superiore", Pisa. He works especially on theories of democracy and critical theory. Alumnus of the "College of Europe", he recently developed research interests on IR theory, geopolitics and theories of global justice, being also member of the Council of WFM-IGP (World Federalist Movement-Institute for Global Policy) and ideator of the UN World Citizens' Initiative concept. He established journals of cultural and political debate such as "ilcontesto" and "il Pensiero Democratico", and he collaborates with "Micromega" and "The Federalist Debate". He is among the contributors of the project “Charta 2020- A Charter of European Public Goods” and one of the initiators of “CIVICO Europa”, a civic platform for transnational deliberative democracy which recently developed the paneuropean consultation “We Europeans”.

Lorena Lombardozzi is a Lecturer in Economics at the Open University. She holds a PhD in Economics from SOAS, University of London, a MSc in Political Economy of Development from SOAS and a previous Masters in Development Economics from University La Sapienza of Rome, Italy. Before returning to academia Lorena worked as development economist in various international institutions in Latin America, in Central Asia and in Brussels. Her research interests focus on international political economy, growth, distribution and gender relations.

Alejandro Olmos works at the European Central Bank since 2014. Prior to that, he was an assistant to members of the European Parliament Committee on Economic and Monetary Affairs and of the Committee on Budgets (2008-2014). Alex graduated by The University of Hull with a BaHons on European Government and Politics. He holds a MSc on Security Studies and is a PhD candidate at UNED, where he researches about the relationship between economic openness and political stability. He also studied International Political Economy at the London School of Economics, finance at the Goethe Universität Frankfurt a.M., and Political Science at the Universidad Complutense de Madrid. Alex is an alumni of the International Visitors Leadership Programme of the U.S. Department of State and of the Bertelsmann Foundation’s Congressional European Parliament Initiative as well as a proud member of the Political Studies Association.

Neil Warner is a research assistant at the Max Planck Institute For the Study of Societies in Cologne. He has particular research interests in contemporary European political economy and economic policies, the history and political economy of ideas, and the history and politics of socialist and social democratic ideas, movements and partes. He holds an M.Litt from Trinity College Dublin with thesis on unemployment policy and ideological change in the British Labour Party, 1979-1997. Neil is also a Vice-President of the Young European Socialists (YES) and a co-ordinator of the YES-International Union of Socialist Youth (IUSY) Political Economy Working Group.

Executive Summary

The financial, economic and social crisis that started in 2008 has revealed the limits of contemporary neoliberal capitalism. The imbalances, instability and inequality that it demonstrated have been followed by growing levels of disaffection with our current economic and political system. While it is difficult to understate the risks that these developments pose to the peace and prosperity of our continent, the aftermath of the crisis has also showed the lack of effective alternatives to the existing system. This stalemate offers an opportunity to put the struggle for economic democracy at the center of the political agenda. This paper suggests that **the broad principle of 'economic democracy' – understood as the direct and effective participation of workers into the management of enterprises, and, accordingly, a more equal distribution of profits** – along with the specific policies that could be implemented on a European level to develop it, could serve as a new basis for an alternative.

This paper is divided into four sections. Firstly, it outlines the current impasse which politics and economic policy in the European Union are facing. Secondly, it outlines the theory and history of economic democracy. Thirdly, it focuses on cooperatives as an example of economic democracy. It looks at the current situation and performance of cooperatives in Europe, and outlines policies that could be pursued on a European level to encourage them. Finally, it briefly outlines areas beyond the encouragement of cooperatives where economic democracy could be pursued.

1. Introduction: The Need for an Alternative

Europe is suffering from a long-lasting crisis of confidence in both its political and economic systems. More than ten years since the start of the global financial crisis, the economies of many EU member states have still not recovered. The crisis undermined the legitimacy of neo-liberal political and economic strategies based on deregulation and liberalization of financial capital in particular. But with no comprehensive alternative strategies emerging, in practice these models have actually been already consolidated. The main solution to the decline of the legitimacy of such models seems, so far, to have been an acceleration of the neo-liberal project and austerity measures to reduce the political control over the economy. Thus the permanent austerity and neoliberalizing programmes – imposed by EU governance and domestic elites – have worsened already-existing systemic macroeconomic imbalances, unemployment (especially in the Southern European countries), precarity and growing social and economic inequalities (Piketty, 2014; Stockhammer, 2015). This in turn has led to increasing social unrest, manifested in the establishment of a series of right-wing, nationalist and xenophobic government across Europe. Indeed, the outcomes of the social unrest have been so far capitalized upon by populist and nationalist forces, with many social-democratic forces literally flattened by their remissive acceptance, or indeed embrace, of neoliberalism, and thus unable to develop a politically autonomous vision of society and societal progress. The series of collapses of social-democratic parties in recent years, paralleled by the rise of Eurosceptic and populist forces, testify to the crisis of the European project and the rising nationalism which is enabled by the lack of alternatives to the existing system.

In such a framework, this policy brief seeks to tackle to this lack of alternatives, focussing, through an analysis of cooperatives., on a problem which seems central to the crises of both our politics and our economies, namely our inability to have a democratic say in how the fundamental economic structures which affect our daily lives are managed and function.

Europe therefore needs a double strategy able to fuel both democratic institutions and social justice. These dimensions, we think, co-exist and sustain each other. In such respects, this policy brief suggests that such as strategy should be based around the promotion of economic democracy. By this we mean the principle that for democracy to be complete it must include our direct participation and control over the management and direction of the economic structures which fundamentally affect our lives – mostly obviously our workplaces, but also the firms which we buy from, systems of finance and the macroeconomy as a whole. An agenda for economic democracy based on (especially workers') cooperatives, and the empowerment of workers and consumers in decision-making within the production process (and ultimately also within finance), could help to overcome the stalemate outlined above.

This paper is therefore going to address the following research question: can this economic democracy be a viable solution against the social unrest and the rise of nationalism, being also a viable alternative to capitalist firms? **Our key argument is that such a model could serve as a meaningful alternative to the scandalous economic inequalities and democratic crisis which the current system produces**.

2. History of Economic Democracy

The principles of economic democracy have been consistently present in the theory and practice of socialism since its origins. It is, indeed, fundamental to the whole basis on which socialism justifies itself. However, while never going away, it has in practice regularly been marginalised by more state-based approaches.

The history of the term itself is at the same time both shorter and more multifaceted and ambiguous than the concept as understood in this paper. The term first gained prominence with the growing power of European workers' movements in the early 20th century, and has ebbed and flowed in and out of discussions in different contexts since then. The notion of *Wirtschaftsdemokratie* was adopted as a guiding concept by the General Federation of German Trade Unions (ADGB) in 1925, and elaborated by Fritz Naphtali, the director of the ADGB's Research Institute for Economic Affairs, over the following few years. Naphtali understood it as the institutionalised participation of workers in economic decision-making (Moses 1978; Naphtali 1977; Zwicky 2015). Elaborations as specific as this were rare, however, and the term continued to be often used to refer to vaguer and broader notions such as enhanced worker power, greater democratic control over the economy as a whole, and policies for greater equality of income and wealth (Albrecht 1983; MacPherson, 1942). Concepts such as 'industrial democracy', which continues to often be used interchangeably with 'economic democracy', were similarly broadly defined (Webb and Webb, 1897).

At the same time, the concept of 'economic democracy' as it is used in this paper overlaps with numerous other terms which have been used to capture many of essentially the same principles. Early elaborations of the concept such as Naphtali's were themselves in certain respects catching up with practice – both in the sense of workers' power and militancy after the First World War, including the actions which they took to assume control over and run businesses themselves, and in the sense of the long-standing principles and views of justice that have preceded the term itself.

These principles might be summed up firstly as the understanding that 'democracy', 'freedom' or 'self-government' is incomplete if is not extended to the systems of production and finance through and from which people live on a daily basis, and secondly that any form of freedom will be undermined by the domination which arises from a concentration of economic wealth or power, which therefore requires that these economic resources be subordinated to labour and democratic control.

These principles are as old as, and intrinsically connected to the evolution of, the modern principle of political democracy. Indeed, ´economic democracy´ has precursors as long as political democracy, in the frequent egalitarian sentiments of ordinary people that have intermittently emerged in the historical record over centuries. When the Levellers called for universal male suffrage during the English Civil War, Gerrard Winstanley and the 'True Levellers' extended, as Christopher Hill puts it, 'the Leveller justification of political democracy to economic democracy', supporting self-organised socialist communities on the grounds that, in Winstanley's words, 'true freedom lies in the free enjoyment of the earth' (Hill, 1991).

Though rejecting Winstanley's socialist conclusions, a much broader range of ideologies and identities have also been built around this understanding of the fundamental and guiding role that economic conditions and structures play in enabling or preventing freedom and self-government, which was understood ultimately to rest on control of one's own labour and ability to use this labour without external domination. Elements of these ideas have consistently surfaced in communal religious sentiments and practices. The republicanism of 17th century England which developed at the same time as Winstanley's ideas, and the 18th and 19th-century American republicanism which drew inspiration from these English traditions, was partly based around these principles (Pocock, 1975). Much of nineteenth-century American 'free labour' ideology was built not only on opposition to slavery but on 'a widespread hostility to wage labor, as well as to the "non-producers" who prospered from the labor of others' (Foner, 1995). The growing contradiction between this principle of free, unalienated and undominated labour, and the expanding states and markets of 18th-century commercial society, remained a problematic theme for Scottish Enlightenment writers such as Adam Smith and Adam Ferguson, torn between this inheritance and what they saw as the benefits of commercial society (Pocock, 1975). It then became a central contradiction that drove the impulses of the young Marx (1988).

These are in essence principles to which most forms of socialist ideology owe an inheritance. The long history of these principles comes with an equally long history of different approaches for putting it into practice, however. Since, for most of political history, states provided neither the political democracy nor material capacity to be vehicles for these principles of economic democracy themselves, until the latter half of the nineteenth century efforts at their implementation were more often left to the self-organisation of workers and communities themselves.

One approach within this tradition has been for workers to take over, or be granted, ownership or greater control over decision-making in already-existing capitalist organisations. This was the driving aspiration of syndicalist and anarchist strands of socialism as they emerged and grew in the 19th century, briefly put into practice by workers' revolts across Europe in the aftermath of the Russian Revolution and First World War, and theorised more extensively by Rosa Luxemburg and in ideas such Council Communism and Guild Socialism, whose popularity peaked with the brief era of worker power and militancy that followed the war (Cole 1920; Luxemburg 1970; Pannekoek 1950; Schecter 2007). By very directly challenging existing structures of power and wealth, worker occupations have been historically undermined by that structural power—and by the people who hold it especially in terms of political, ideological and structural-economic leverage; furthermore, this occurred particularly when lacking adequate corresponding political support.

At the same time, trade union strength and more reformist approaches were able to incrementally establish elements of workers' participation and democratic control over decision-making within companies even as their ownership continued to be privately controlled, thus with hierarchical steering. The most fundamental and extensively practiced form of this power is trade union recognition and collective bargaining. Much more rarely, economic democracy has been extended more directly into actual company decision-making by 'co-determination' by workers with managers on company boards, as adopted, for example, in the German Federal Republic for the coal and steel industry in the 1950s, and for all companies with more than 500 employees since the 1970s (Mueller-Jentsch 2008; Streeck 1995). Both 'worker buyouts' and unilateral takeovers of companies also have a long history that, while they often face severe structural pressures, have shown remarkable examples of individual success (Azzelini, 2015).

A second approach has been to set up entirely new economic units which are run differently from capitalist or other hierarchical organisations, basing themselves on the principle of common and equal ownership. This was central to the guiding philosophies of the projects of the 'Utopian socialists' of the first half of the nineteenth century, such as Robert Owen and Charles Fourier (Taylor, 1982). Ultimately the most lasting and internationally extensive example of this approach can, however, be seen in the cooperative movement.

The historical record shows an accelerating number of examples of cooperative-type organisations in Europe and European colonies from the eighteenth century, but the classically agreed starting point of the international cooperative movement is the formation of a consumer cooperative in Rochdale, England in 1844 by a group of twenty people, dominated by weavers who had experienced a number of failed strikes. Cooperatives based on the Rochdale model, and parallel models such as the credit unions established by Friedrich Wilhelm Raffeisen, expanded rapidly on an increasingly international scale in subsequent years (Mayo, 2017; Shaffer 1999). The principles of the Rochdale cooperative became the basis of the seven principles of the international cooperative movement: voluntary and open membership, democratic member control, member economic participation, autonomy and independence, provision of education and training, cooperation among cooperatives and concern for community (ICA, 1995).

Marx was one of a large number of later-nineteenth century socialists who had an ambivalent view of cooperativism. In his inaugural address to the International Working Men's Association in 1864, he described workers' cooperatives as 'great social experiments' whose value 'cannot be overstated'. At the same time he argued that 'cooperative labour, if kept within the narrow circle of the casual efforts of private workmen, will never be able to arrest the growth in geometrical progression of monopoly, to free the masses, nor even to perceptibly lighten the burden…To conquer political power has, therefore, become the great duty of the working classes' (Marx, 2000.) This ambivalence has continued to be a feature of attitudes towards cooperativism, and most other practical forms of economic democracy, within socialism. At the same time, these various approaches towards economic democracy have all, in turn, had a complicated relationship with the state and the potential role the state could play in enabling it. The 'libertarian' wing of the International Working Men's Association, most closely associated with Bakunin, revolted against Marx's prioritisation of political power, and insisted that workers' emancipation should mean liberation from both the state and capitalism (Katz, 1992).

Suspicion towards the state has tended to be both on a strategic level, in terms rejection of the potential for socialism to be pursued through the arena of state politics as opposed to more direct kinds of action, and a philosophical one, in terms of the degree to which greater state involvement in the economy could actually bring liberation for workers. Yet the flip side of this is that where economic democracy has been pursued, it has often remained detached from, and consequently undermined by, strategies that are needed to tackle the structural constraints of capitalism on a national and international level: in other words, from the realms of politics,government and the macroeconomy.

In practice, this manifests itself in the tendency of many independent experiments in democratically controlled ownership of companies to be undermined by their vulnerability to fluctuations in the wider economy, and the dependence which the capitalist system creates on the ability to raise capital, a requirement which in itself tends to undermine the principles of equal participation and self-government. Even Yugoslavia, a rare case of an entire national economic system based around self-management, was, while successful in many senses, ultimately undermined by international economic pressures, debt, regional divisions and competition between different worker-owned firms (Robertson, 2017). In other words, self-managed enterprises could not keep up, especially from late

1970s, with increasing international market pressures; furthermore, financial exposure with international lenders under the direction of the IMF led to a series of austerity programmes throughout the 1980s that undermined the social fabric of the country (clealry, favouring ethno-nationalist forces) (Woodward, 1995; Lydall, 1989).

In theoretical elaborations on how systems of economic democracy could function, this disconnect has often been more effectively addressed through sophisticated models that combine worker ownership with systems for managing the economy as a whole and providing democratic systems of finance (Cole, 1921; Roemer 1994). Yet proposals such as these have at the same time generally been undermined by a level of abstraction which makes it impractical as a basis for more short-term action (King, 2003; Thompson, 1996).

Economic democracy has resurfaced again and again throughout the history of the modern labour movement, and before it, as an aspiration which is in some ways almost organically re-emerges as long as the structures which it critiques persist. Yet they continue to be undermined by persistent problems of practical viability and sustainability. On the one hand, when implemented on a 'micro' level without supporting systematic changes, their development tends to be limited by a hostile, or at least unsupportive, wider environment. On the other hand, they are in turn likely to have a limited impact on the rest of society.

In the meantime, as state capacity grew over the 20th century, state-based policies such as redistributive taxation and spending, social programmes, public sector expansion, employment programmes, or counter-cyclical macroeconomic policies, have shown the ability to mobilise material and coercive resources that bottom-up approaches simply do not have. While the resources to enable and reinforce sustainable forms of economic democracy have also increased, many more strictly state-oriented, unlike programmes for true economic democracy, also have the political benefit of not directly challenge control within system of production and finance themselves. The form of bottom-up mobilisation that has been able to most effectively establish its own independent capacity, achieve institutional success and embed itself as a structural element in the economy, is the labour movement. However, the bargaining power of trade unions remains also ultimately dependent on a healthy capitalist economy, thereby undermining their capacity to fundamentally challenge and alter that system by themselves alone, outside of the rarest and most fortuitous of circumstances.

At the same time, two lessons have emerged from the experiences of state-focussed socialism and social democracy of all kinds in the second half of the twentieth century. Firstly, the limitations of the state's ability to direct capitalist economies have become apparent. Secondly, the limitations of the emancipation which state control over sectors of the economy, when it does happen, can provide, have also become clear. Economic democracy can help to resolve both of these flaws. However, in order to be effective, the flaws which these self-organising approaches have demonstrated must themselves be addressed. For this to happen, i day-to-day economic policies and strategies, not simply on a national but also European and international level, need to be combined much more concretely with bottom-up aspirations to develop economic democracy on the industrial level.

Before going back into the political discussion of the possible solutions to strengthen economic democracy as a whole the next session will briefly outline the current situation and contributions of of one example of economic democracy: the cooperatives in Europe.

3. The Cooperatives Landscape in Europe: Contributions and Limitations

In this section, we consider cooperatives as a example of the possibility for economic democracy to be pursued in the here-and-now as part of broader economic and social strategies. Secondly, that cooperation and self-management also have advantages in terms of general and individual wealth production and distribution, step by step. We review the structure and configurations of cooperatives, and discuss the strengths and limitations put forward in the academic and policy debates.

According to the International Labour Organisation (ILO) 'a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.' (International Labour Organisation, 2002). Whilst this definition could also suit other forms of enterprises, the fundamental difference between cooperatives and other form of enterprises is that, instead of investors or shareholders, the members who have the control and share the profits can be employees, producers or clients themselves depending on the kind of cooperative (Cooperatives Europe, 2018). Cooperatives are thus organizations with a dual nature: business enterprises on the one hand, and membership-based associations organized for collective action on the other (Cousin & Martelloni, 2017).

It is estimated that around 100 million people around the world are employed by co-operatives, whilst 800 million are members. Cooperatives range in size from micro enterprises to large companies working at the international level. In fact, cooperatives are competitive players and in some cases market leaders in a wide range of economic areas. The 2017 World Co-operative Monitor collected data for 2,379 organisations from 8 sectors of activity, of which had a turnover of more than USD100m. According to the International Cooperative Alliance, the world´s top 300 report a total turnover of 2,164.23 billion USD. Per sectors, 300 co-operatives operate predominantly in the insurance business (41%), agriculture (30%), wholesale and retail trade (19%), banking and financial services (6%), industry and utilities (1%), health, education and social care (1%) and other services (1%) (Bazzana & Catturani, 2017).

If we turn our attention to Europe, cooperatives are said to represent over 140,000,000 members, 4,707,682 employees and 180,000 enterprises. Between 2009 and 2015, cooperative enterprises have increased by 12% and cooperative members have increased by 14% in Europe. In the EU alone, there are 127 million members, meaning that 1 citizen out of 5 is a member of a cooperative. In other words, people are twice as likely to be a member of at least one cooperative as a shareholder in a listed company. By country of origin, Italy (39,600), Turkey (33,857), France (22,517) and Spain

(20,050) have the largest number of cooperatives in Europe. However, France (26 million), Germany (22 million), the Netherlands (16 million), United Kingdom (14 million) and Italy (12 million) are the countries with the most cooperative members in Europe. As of 2015, Industry & Services was the largest sector by number of cooperatives with more than 36% (61,964) of the total number of cooperatives in Europe. Agriculture with more than 30% (51,392) and Housing with more than 22% (37,570) are in second and third place (Quintana Cocolina, 2016).

The case of banking cooperatives (4,200 cooperative enterprises; 850,000 employees; 60.5 million members; EUR 7,000 billion in annual asset) is a remarkable one given the fact that banking activities are not often associated in the common imaginary with alternative business model and ownership structures. A recent report published by the Foundation for European Progressive Studies and Mutuo (Hunt, Willetts, Billingham, & Stetter, 2017) builds on the success stories of European cooperatives in the fields financial, retail, housing and renewable energy.

Four main types of cooperatives can be identified: a) worker cooperatives where the members of worker cooperatives are the cooperative's employees; b) user cooperatives where the cooperatives are formed by the users of the goods or services produced by the organization and can range from social housing cooperatives to consumer cooperatives; c) financial cooperatives where members are the depositors, borrowers or insured counterparties; and d) producer cooperatives (also called entrepreneurial cooperatives) composed of individuals or firms that want to engage in some activities in common, such as supply management, distribution or marketing.

Notwithstanding the above classification, two remarks ought to be made. First, recent trends show more and more cooperatives are adopting mixed approaches where members can play more than one of the above-described roles. Second, and contrary to common belief, cooperatives often provide services, employ or engage in cooperation with both members and non-members.

The European Commission highlighted in its Communication on the promotion of cooperative societies in Europe (2004) that the cooperatives represent a successful force for economic growth and social cohesion in Europe. Cooperatives can be a practical response to adversity and market failures, adding diversity to the range of entrepreneurial models and providing innovative responses to needs that are often not met by other types of enterprises. In fact, many cooperatives proved to be more resilient than other types of businesses

Like with any other form of economic activity, assessing the impact solely in terms of the magnitude of business activity provides an incomplete perspective on the total impact of cooperatives (Deller, Hoyt, Hueth, & Reka, 2009). Cooperatives, in principle, spread ownership, power and wealth through the distribution of profits to their members in the form of dividends or lower pricings meaning that a bigger share of the society is able to benefit from the success of cooperatives and mutual business. For example, recent empirical evidence on the effects of democratic worker participation on the income distribution within firms has shown that worker cooperatives display lower wage inequality than traditional firms (Magne, 2017).

Notwithstanding these opportunities, the growth of cooperatives continues to face a number of structural obstacles in Europe and elsewhere that go beyond the limitations of the regulatory frameworks.

Indeed, as we have seen earlier on, cooperatives are and have always been an object of a contested debate. Cooperatives operate under the same commercial regime as other business and are subject to the same economic regime as others in regulated sectors such as banking or insurance (Hunt, Willetts, Billingham, & Stetter, 2017). In fact, in the market cooperatives can often operate like any other business, and are exposed to the mechanisms of price competition and cost minimization. When we think about cooperatives, most people think of worker cooperatives. However, as we observed, cooperatives may take many forms, which in turn could have different capacities to influence the management of the cooperative (Vienney, 1994). Very often the debate bypasses the analysis of the multidimensional axes of inequality intrinsic within the cooperatives itself, along the horizontal relations and lines of gender, race, and class.

Additionally, like other enterprises, cooperatives need to have sufficient, healthy and available capital to sustain themselves, including financing their need to grow, apply economies of scale, innovate, or simply survive market competitions. As Luxemburg put it, "in capitalist economy exchanges dominate production. As a result of competition, the complete domination of the process of production by the interests of capital—that is, pitiless exploitation—becomes a condition for the survival of each enterprise." (1986:80)

Access to finance remains particularly difficult for cooperatives. Since they primarily depend on their own member capital as well as member and bank loan finance to satisfy specific member needs, they tend to have no or limited scattered collaterals to access to venture capital on the capital markets. On the one hand, the capital supplied by members is withdrawable and thus non-permanent. In other words, cooperatives' capital is unstable causing them to look fragile in the eyes of investors and regulators (European Commission, 2015). This is a problem, in particular for financial cooperatives since regulators do not allow the recognition of "non-permanent" shares as core equity capital and thus face a natural disadvantage vis-à-vis their commercial peers. On the other hand, cooperatives are perceived to be less attractive for investors due to their strict internal governance and the lower return on equity for members. This is again the case in particular for financial cooperatives. Whilst other commercial banks remunerate their owners based on the amount of invested capital, the membership benefits in financial cooperatives are primarily related to transactions done with the cooperative and are not attached to additional property or decision-making powers (Bardswick, Chieh, & Chuin Ting, 2016).

Lastly, the literature has amply discussed a number of prominent cases where cooperatives end up moving away from the movement's original principles to develop into companies operating according to the ideals of a traditional capitalist company partly as a result of the progressive evolution of the cooperative and the internalization of production (Leite & Duaibs, 2017). In fact, it has been observed that over time some cooperatives increase their level of control over members, which means a loss of control over their own business model and becoming misaligned their original spirit (Storey, Basterretxea, & Salaman, 2014).

Nonetheless, the potential appeal of cooperatives remains. Core to the transformation of the global economy over the past decades has been the dominance of large multinational corporations. Despite the existence of state-owned enterprises in a number of economies, especially those characterised by strong government intervention and central planning, international market has been driven to a large extent by investor – profits maximiser-businesses. The identification of the shareholder-owned enterprise as the ideal company model and the prescription that firm efficiency be measured exclusively by the ability to create value for its shareholders – i.e. maximizing profits and short-termism – is perceived as one of the roots the financial, economic and social crisis that began in 2008 (Ferri, 2012; Lazonick 2014). This in turn has highlighted the threats and dilemmas that the lack of corporate diversity poses for states and societies regarding the distribution of wealth and inequality across and within countries and the political significance of this debate (Midford, 1993). It is in this context that a growing interest in cooperatives has reemerged from academia and politics (Virlanuta & Zungun, 2015).

4. Improving EU Policies for Cooperatives

A key failure of economic democracy as a principle in the past has been the gap that has often existed between its aspirations and the specific policies needed to move towards the goals which it envisions. For it to be a truly concrete and meaningful element of socialist and democratic politics on a day-to-day basis, this gap needs to be closed and specific policies need to be developed. This section elaborates on strategic areas in which cooperatives as one of the most important existing sites of economic democracy, are undermined by Europe's current economic, political and regulatory environment, and how they might instead be developed and expanded upon through changes in policy.

Cooperatives serve, to an extent, as a pre-existing kernel of economic democracy that can be expanded. This applies particularly to worker-owned cooperatives, but also to consumer-owned, producer-owned or 'general interest' variants, as well as similar democratic company structures such as mutual. Development of economic democracy through the pre-existing framework of cooperatives is possibly the least challenging to the existing political and economic system, but is for that very reason extremely important. Whereas the current market-oriented construction of the EU often serves as a barrier to strong socialist and progressive policies, when it comes to many areas of encouraging economic democracy this need not be the case. On the contrary, in some respects the EU's agenda of market integration and market creation can be fitted with this project. The expansion of cooperatives is in itself, after all, a form of market development.

For supporters of cooperatives to make a difference, they must not simply acknowledge them or provide them with the opportunities available to capital-based businesses, but must positively intervene in the economy to counteract the 'comparative disadvantage' which they face in competing within the existing system.

Cooperatives face particularly strong obstacles, to begin with when operating only within the structures of national market economies. These problems are exacerbated further when it comes to operating within the EU single market as a whole. Removing these obstacles would fit with the mission of EU treaties to provide equal competition within the market, as well as helping to provide a more concrete and coherent focus to its often articulated but often practically vague missions for social development and solidarity.

The environment for cooperatives and mutuals needs to change to give them higher and better opportunity to experiment progressive new model of market production and exchange in three connected ways. Firstly, and most simply, there is a lack of information and knowledge both about and within the cooperative sector. EU supported information-sharing and networks, including helping cooperatives and other forms of 'social enterprises' to adapt to the changes the rise of the digital economy, should be developed. The small amount that has been done in this direction, such as through projects supported by the Commission like TransfertoCoops, CoopStarter and iCareCoops, should serve as examples of what could be possible with even a moderate amount of more attention and resources (CoopStarter, 2015; iCareCoops, 2018; TransferToCoops, 2017).

Secondly, the legal and regulatory environment for cooperatives needs to be improved. Both hard and soft EU law, and the national legislation of many member states, have significant room for improvement in these areas. Recognition of the specific legal and management structures of cooperatives, mutuals and similar entities is often lacking .This undermines the opportunities for both their establishment and expansion. The case of Greece, where legislative structure on the social economy was developed in order to enable it to access available EU funding, provides an example for how EU and national action can work together in this area (Andor, 2018). The Study Group on European Cooperative Law has developed a set of model Principles of European Cooperative Law - based on the existing cooperative laws of Finland, France, Germany, Italy, Portugal, Spain and the United Kingdom – which can help as a model for cooperative law reform in many areas (Fajardo et al, 2017).

With respect to what has already been done in this regard on an EU level, the 2003 European Cooperative Society (SCE) Regulation recognises the specific nature of cooperative enterprises and outlines rules for their activities beyond national borders (Council of the European Union, 2003). However, there is a severe lack of information about how to set up an SCE, and indeed who is an SCE already, with the approximate number in Europe still stuck in double figures (European Commission, 2012; Cousin, 2018). The applicability of the SCE regulation also suffers from excessive complexity and needs to be supported by complementary policies on taxation and financing. Additionality, a corresponding Regulation for a Status for a European Mutual Society should be implemented (European Parliament, 2013). These alone will only amount to the most necessary surface changes however. Legislation and supporting funding should be explored to encourage employment based on cooperative membership, rather than on wage-relation based employment alone.

Lack of uniform EU regulations in turn also implies reduced access to funding. This is in a context in which the private financing options for cooperatives already tend to be more restricted than they are for capital-based companies. The financial environment and funding opportunities of cooperatives is therefore the third area of reform in which a more supportive environment should be developed.

Legal and financial supports for the transfer of businesses to employees under the form of cooperatives should also be pursued. This is again a glaring gap in current EU policy on business failure and insolvency. The Commission's Entrepreneurship 2020 Action Plan, for example, discusses options for transfers of failing businesses but makes no reference to the option of workers taking over the businesses under a different legal form. It discusses options for 'second starters', entrepreneurs who went bankrupt, to start businesses again but makes no reference to the possibilities for businesses themselves to have a second chance under the form of cooperatives (European Commission, 2013). Progressives also have the opportunity to open a debate in public opinion to develop innovative laws to support experiments of self-management by workers of firms forced into bankruptcy or delocalization – bringing together programmes for public reconversions of industrial structures and legal frames for collective ownership and entrepreneurship of labour-managed firms.

Although there are some opportunities for specific cooperatives and social enterprises to access funding from current European Structural Funds, the general approach of the funds tends to focus on 'investor-led models' rather than member capital or participatory innovation (Liger, Stefan & Brittan, 2016). Funding requirements often automatically exclude many small cooperatives from access (Cousin, 2018).This general framework should be re-assessed to fully accommodate cooperatives and other democratically run elements of the 'social economy'. There should also be specific EU funds dedicated to making grants and financial instruments available to cooperatives and other democratic enterprises. The recommendation of the Toia report, for a European mechanism, involving the European Investment Bank, to promote the development of cooperatives, should be adopted and enhanced (European Parliament, 2013).

A much wider array of grants and tax incentives can be provided for cooperatives on a national level in many parts of Europe – starting for instance from a possible special scheme in the framework of the Youth Guarantee Programme, in order to consolidate a "cooperative" culture in collaboration with new European generations (but not exclusively). Relatively small, recent new EU-funded projects such as ECOOPE and COOPilot could serve as useful models for more comprehensive action in this direction (ECOOPE, 2018; COOPilot, 2018).

There are also many possibilities, such as state regulations on profit and taxation, to vary the tax treatment of enterprises based on their internal composition and how their revenues are distributed, even though some of them might require the flexibilization of the state-aid rules in order to improve the ownership of the decision making process on how revenue is redistributed, investments are planned and benefits are shared.

The lack of resources provided by the European Commission to monitor cooperatives badly undermines the information that is available for and about the sector. A unit or directorate of the European Commission should be established to solely monitor and assist in developments in the cooperative industry, to help to oversee and promote new networks and information hubs, and to promote and develop new funding sources for cooperatives, and to provide advice and expertise.

The positive impact of such market-based development economic democracy would, however, be limited by the wider constraints and power structures of capitalism, as mentioned in the previous section.

5. Democratizing the European Economy: Workers' Participation Beyond Capitalist Power

There is therefore much that can be done to promote economic democracy through policy to improve the environment for cooperatives. However, but using the case of cooperatives to outline the opportunity and limitations of the existing capitalist system, this paper argued that for genuine economic democracy to be effectively pursued requires not merely the encouragement of potential agents for greater democratization, but also interventions to alter the existing system of resource access and redistribution but also the structures that enable the persistency of asymmetric power in the capitalistic system of production.

This is why, in a progressive perspective, there should also be additional policies to alter in those power dynamics. Work in this area could be directed, again without necessarily going against the basic tenets of EU market integration, towards two of the most defining elements of the anti-democratic structure of capitalistic economies: the corporate structure and distribution of financial resources.

Workers should be directly involved in corporate decision-making. Policies in this area should consolidate and build upon, but also expand upon, existing best practices in some European countries. Co-determination systems, in which workers are significantly represented on company boards, have already been successfully in place for several decades in countries such as Germany, Austria, Sweden and Denmark (Conchon, 2011; Shulten and Zagelmeyer, 1998; Streeck, 1995). There are no EU-wide regulations or mechanisms for worker participation in company decisions. This can leave national instruments for worker participation, such as co-determination in Germany, vulnerable to effects of Europe's integrated labour market and even to legal challenges based on some interpretations of the single market (Hans Boeckler Foundation, 2016; Lafuente-Hernandez, 2017). On the contrary, these national systems should be the model for the EU as a whole.

Co-determination, worker councils and other forms of workers' participation, should be extended and proposed by the progressives as a model for all the national economies on the one hand, and pushed forward also through the EU system, on the other – starting for instance from a re-launch of the Draft Fifth Company Law Directive, which never came into law after three revisions (European Commission 1972, 1983, 1989; Kolvenbach, 1990), and which was aimed to create in big companies a workers' voting rights on the boards of directors.

Initial fiscal incentives, to be followed by regulatory requirements, should be established to require that the wage inequalities in companies are limited by a just ratio between the highest and lowest earning individuals.

Secondly, however, it must be recognised that the ultimate sources of power imbalances and undemocratic structures within capitalism does not arise specific from the organisational structure of particular enterprises, but instead is a function of 'capital' in and of itself – in other words of the unequal distribution of assets and financial resources.

Cooperatives, for example, are perhaps most fundamentally restricted by limitations in their ability to raise capital in the existing economic system without changing their democratic character. This problem is fundamentally difficult to resolve without changing the overall manner of formation and supply of capital in the economy.

This should therefore be further, crucial, focus of reform. A strong proposal is the creation of an EU-wide levy on corporate shares (Blackburn, 2005). In future years, companies would be required to issue shares equivalent to a percentage of their profits that would go into social funds on a regional, national and EU level. Such funds would then be used to fund future social insurance expenses in Europe, such as pensions and unemployment funds. Representatives of these democratically managed social funds would, together with workers, also be given representation on company boards. Most fundamentally, they would serve to gradually alter the domination of the financial system by private capital, act as a social counterweight that could serve to mitigate the abuses of the financial system and could also be used to fund more democratic enterprise forms.

6. Conclusions and Policy Recommendations

This paper has argued that the limits of the current strategies to overcome the failures of the dominant economic system call for exploring, experimenting and advancing new forms of social production. It presented economic democracy, meaning the democratic control by workers over the businesses they work in and the democratic control over the economic structures and conditions which affect our daily lives, as an important basis for a new alternative political and economic strategy in Europe. These are principles and aspirations which have a long history, but have often been undermined by their inability to connect with the large-scale economic and political structures and strategies on a day-to-day basis. As we have shown using the example of cooperatives, economic democracy has a real value and relevance in the contemporary European economy. Policies can be pursued on a European level to expand economic democracy - both through the development of cooperatives and through the democratisation of our economy's wider systems of production and finance.

Based on the arguments put forward in this paper, we developed a number of **policy recommendations** :

- **Additional specific EU funds and grants should be allocated to cooperatives and other democratic enterprises**. The hypothesis of a dedicated European mechanism, involving the European Investment Bank, to promote the development of cooperatives, should be further explored and enhanced. A wider array of grants, requirements and tax incentives can be provided for cooperatives on a national level in many parts of Europe – starting, but not exclusively, by creating a special scheme within the framework of the Youth Guarantee Programme in order to consolidate a "cooperative" culture in collaboration with new European generations. Relatively small, recent new EU-funded projects such as ECOOPE and COOPilot could serve as useful models for more comprehensive action in this direction;

- **Co-determination, worker councils and other forms of workers' participation, should be extended and proposed by the progressives at both national and European Level**. In this regard, a priority should be the relaunching and adoption the initiative for Fifth Company Law Directive, which never came into law after three revisions and which was aimed to create in big companies a workers' voting rights on the boards of directors;

- **Progressives should struggle for the creation of an EU-wide levy on corporate shares: companies would be required to issue shares equivalent to a percentage of their profits**. The revenues from such levy could support social funds on a regional, national and EU level. Such funds would then be used to fund future social insurance expenses in Europe, such as pensions and unemployment funds. Representatives of these democratically managed social funds should, together with workers, also be given representation on company boards. Most fundamentally, they would serve to gradually alter the domination of the financial system by private capital, act as a social counterweight that could serve to mitigate the abuses of the financial system and could also be used to fund more democratic enterprise forms.

- The lack of resources provided by the European Commission to monitor cooperatives badly undermines the information that is available for and about the sector. **A unit of the European Commission should be established to solely monitor and assist in developments in the cooperative industry**, to help to oversee and promote new networks and information hubs, and to promote and develop new funding sources for cooperatives, and to provide advice and expertise;

- Progressives have an occasion to foster the debate in public opinion in order to develop innovative policies and **foster legislation that supports self-management by workers of firms forced into bankruptcy or delocalization** – bringing together programmes for public reconversions of industrial structures and legal frames for collective ownership and entrepreneurship of labour-managed firms.

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