

Transforming the Capitalist Sector into the Social Economy (prepared for Nelson Merentes, Minister for the Social Economy)

Michael A. Lebowitz

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Many of the initiatives currently underway as part of the process of building the social economy focus on the subsistence economy--- moving people out of unemployment, the informal sector (often disguised unemployment), and low-wage jobs in general into the social economy (cooperatives and micro-enterprises). For the creation of the sense of self-worth and dignity flowing from the growth of human capacities which comes from this activity, microfinance and training are the best means.

But, it must be acknowledged that the growth of activities on this scale does not make significant inroads into the dominant capitalist economy with its own logic. For the foreseeable future, other than in exceptional cases, this micro-sector will be the recipient of investment funds generated elsewhere rather than a major source of surpluses to finance new investment itself. If the social economy is to advance at the expense of the capitalist sector rather than draw only from the available revenues from PDVSA, some other initiatives are clearly required--- initiatives oriented toward the absorption of surplus-generating sectors into the social economy.

Given that some existing capitalist enterprises are not investing (and, in fact, have re-invested surpluses very little for years) and are experiencing in some cases difficulties as the result of both the economic assaults by the opposition and also the currency controls introduced by the government to protect the economy, the question of initiatives in relation to the capitalist sector is not an abstract theoretical matter.

Not only are there requests from existing capitalist enterprises for support, subsidies, etc from the government but there also are workers, who concerned about the future of those enterprises, non-payment of wages and benefits, etc turn to the government for support to turn these enterprises into cooperatives. What is to be done? In particular, is there a conception, a plan, that can both guide government responses to these immediate requests and also can initiate a programme to expand the social economy at the expense of the capitalist sector?

On the assumption that efforts in this direction have not been organised and coherent (an assumption that may be quite incorrect), an appropriate course may be the creation of a special team or task-force which has as its mandate the development of a strategy for the expansion of the social economy in this area and the identification of specific growth centres and nuclei for this purpose.

What forms might this expansion of the social economy take? Some examples are identified below:

1. In cases where particular capitalist enterprises are no longer viable without significant subsidy or government support, where it is seen as desirable that the enterprises continue to function and where there are no particular entrepreneurial/managerial assets associated with the existing ownership, these enterprises could be transformed into either co-operatives or self-managed state enterprises (with finance made available to upgrade plant and equipment). Although in practice, a cooperative form and a self-managed state enterprise might differ very little, there would be differences in the property right to dispose of means of production and such matters as the extent and structure of debt; accordingly, this determination could be a matter of

discussion and negotiation with the associated workers. In both cases, though, some form of local community link in operation of the enterprise might be seen as desirable.

2. Where capitalist enterprises are no longer viable without subsidy, continued functioning is seen as desirable but where there are particular ownership-specific entrepreneurial assets, this would be a case for government support for the existing enterprise. Rather than simply provide subsidies, grants and low-interest loans, however, the government might require in return for its support (a) an appropriate share in the equity of the enterprise and (b) a legal agreement stipulating enterprise investment. In this case, monitoring of the actions of the enterprise on behalf of the government would be the responsibility of workers and community representatives. (In some cases, this particular form would be a transitional step to the previous example of #1.)
3. There are some cases where capitalist enterprises appear to be quite viable but only seem so because they already receive substantial subsidies (eg., in the form of cheap supplies, energy costs, etc). In these cases, the extent of that subsidy could be calculated (and where existing legal arrangements are not prohibitive to alter), maintenance of that subsidy could be conditional upon the same conditions as in #2--- ie., an equity share, an investment agreement and monitoring by workers. It should be noted that in this case, determination of the subsidy might require transparency on the part of the enterprise (i.e., 'open books') and that its refusal to cooperate in this search for an equitable relationship might produce an atmosphere of education about the logic of capital.

4. Finally, the expansion of the social economy into the sphere currently dominated by capitalist enterprises could occur in sectors deemed critical for endogenous development and economic sovereignty, where existing enterprises are not prepared to undertake the investments which are seen as essential (e.g., in import-substitution, primary product processing, etc). In such cases, continued domination of these sectors by capitalist firms (Polar might be an example) is clearly not in the interest of a healthy, balanced process of economic and social development. The process of moving into this area could take the form of identifying what constitutes a 'good corporate citizen' (i.e., one which acts in the interests of the society)--- and what is not. The subsequent scenario could resemble that in #3 (although mere knowledge of the government's intentions could be sufficient to produce 'good corporate citizens').

If a task force or team were to be assembled for the purpose of evaluating specific cases and enterprises that might fall into these categories, it would be useful to draw upon the skills and experience of economists, accountants, lawyers and, perhaps, representatives from the Ministries of Work, Planning and Development, and Production and Commerce (in order to ensure necessary coordination).