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**Capital Anchoring and Co-operative Ownership: The Reality of the
Operation of a Co-operative Enterprise in a Globalising Economy.**

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28th July 2001

1. Introduction

This paper proposes that the notion of 'capital anchoring' at the regional level - through employee ownership and community enterprise, can play a key role in achieving the sustainable growth of indigenous capital. It is further contended that capital anchoring may also act as a means of challenging the processes of globalisation.

The argument developed is three-fold. Firstly, the paper contends that a co-operative enterprise does, through its practice, both broaden and localise the ownership of capital. This ensures that any wealth creation and value added realised, as well as any multiplier effects, benefit the local economy.

Secondly, it challenges the conventional idea of ownership and the employment relationship. This is because members of a co-operative are, conjointly, both owners and employees within the organisation. Thirdly, it considers the reality of the operation of co-operatives wherein the ownership, although *de jure* private ownership on the part of individuals operates *de facto* in a social manner. This involves decision-making based upon democratic structures within and strong ties with the local community without. These arguments will be supported through empirical work based on the first five years experience of the Tower Colliery workers' co-operative in South Wales.

The paper is broken down into four sections. The first section considers the political economy of globalisation and reviews the problems globalisation poses for the developed country economies, as well as one possible policy solution for ameliorating such problems. The second section gives a brief background to inception of Tower Colliery as a co-operative. The third section reports on the experience of the operation of Tower Colliery in its first six years and addresses two main themes; managing ownership, and co-operative capital and globalisation. The final section draws conclusions.

2. Globalisation and International Political Economy

The origins of globalisation in the twenty-first century lies in the institutional arrangements of Bretton Woods, set up in 1944, as a means of managing the post WW2 international political economy of the developed countries (Murphy and Tooze 1991). In essence, the arrangements were an attempt to impose a reciprocal conditioning between an industrial free-market system and a nation state system.

Cox (1994: 45) views the arrangements as an attempt to ‘...strike a balance between a liberal world market and the domestic responsibilities of states.’ This can be summarised as “Keynes at home; Adam Smith abroad”.

The Bretton Woods arrangements worked well for approximately twenty-five years with an unprecedented phase of economic growth in the world economy. Furthermore, it was this growth that also created the conditions for the subsequent globalisation of economic activity that characterises economic life today. By 1968 however, the Bretton Woods system was in crisis and over the next 15 years the compromise between Keynes and Adam Smith changed in emphasis. Keynesian demand management policies were abandoned in favour of “neo-liberal” monetarist and supply side economic

policies. This resulted in nation states' domestic economies becoming increasingly subordinated to the needs of a globalising world economic system¹.

Consequently, politicians across the developed countries were confronted with the fact that the amount of power they could wield had diminished. This power gap [democratic deficit] was justified to their respective constituents in terms of a new vocabulary including terms such as “competitiveness”, “efficiency”, “interdependence” and, of course, “globalisation” (Cox 1994). Increasingly, the economic system was being transformed and outstripping the very political institutions set up to manage it.

As early as 1975, the post-war economic order had been changed beyond recognition. The new structure of the economy that emerged transcended the old idea of an internationalised economic system. Initially the developed countries, and later other parts of the world economy, were confronted with a transnational², interdependent and globalised economic system. This new system is generated and sustained by global finance and globalised production. The end result of this new system has been the destruction or relocation of jobs and productive capital, accompanied by a crisis within the polity of the international political economy as the old political systems, institutions and certainties – based around the notion of the sovereign nation state able to control its economic destiny – have disappeared.

The major problems posed by these processes of globalisation are summarised into six areas by the Ford Foundation (1999):

1. Globalisation appears to be increasing the polarisation of income and wealth and increasing the concentration of wealth.³
2. Technology is allowing fewer workers to produce ever-increasing quantities of goods.

3. Competitive advantage – as such – seems to lie in exploiting a lack of social, labour and environmental legislation in other parts of the world.
4. The rising tide of productivity does not “lift all ships”, when low paid workers cannot afford to purchase the ever-increasing quantities of goods they produce.
5. Corporations are no longer anchored to the countries that once determined the rules for relations to social needs.
6. The global market system removes the connection, previously provided by national governments, between democracy and capitalism [the industrial market system.]

Furthermore, it subsequently lists the six consequences for the political economy that arise directly out of these problems

1. Many low paid workers cannot become consumers of what they produce.
2. Higher-wage workers, who can afford to be consumers, lose jobs, with a net result of fewer consumers available to purchase the output of ever more efficient corporate producers.
3. Surplus productive capacity continues to be built in ever-cheaper labour market countries, wasting both economic and environmental resources.
4. Globalisation of companies decreases the power of labour and governments – relative to multi-national corporations – to counteract such social negatives.
5. Developed countries face growing fiscal crises and decrease social spending as disappointing economic growth does not keep pace with increased costs of social programmes.

6. Global market competition requires that all the competitors move production continuously to seek the lowest costs in order to survive. This causes a race to the bottom social wage, even if the savings in costs to business wreak tremendous long-term social and cultural costs on the environment, society, justice and democracy.

To summarise the problems and consequences listed above arise out of the fact that transnational corporate power, through globalisation, has outflanked the ability of nation states to manage and control that power. The outcome is that it is causing widespread problems in both the developed and less developed countries across the economic, social, cultural and political spheres.

However, the problem should not necessarily be considered a macroeconomic one. It is perhaps better considered as a series of specific microeconomic problems. This is due to the way in which the consequences and problems impact upon nations. For instance in the United Kingdom, and other developed countries, the problem has impacted upon specific geographical regions and occupational categories, rather than the economy as a whole (Gilpin 1987).

For instance in many developed countries, the impact of globalisation has often involved the relocation of jobs across a whole manufacturing sector to “cheaper” parts of the world. Furthermore, these jobs have often been important for the local economy in terms of both the numbers employed and the fact that the jobs were often low to medium skilled type jobs that were relatively well paid. Moreover, such jobs once relocated, are either not replaced; or at best replaced by fewer low skilled and low paid service type jobs. The implications of this for the local economy in terms of wealth creation are stark. Indeed, this process has undoubtedly contributed to the problem of what Schwab and Schama (1999) refer to as ‘pockets of poverty’ developing in the regions of the developed countries.

This problem is one of capital flight. The consequences transcend the merely economic and impact upon affected regions socially, culturally and politically. Consequently, resolution of the problem requires policy initiatives that can counteract these adverse affects of globalisation in the world economy.

One possibility, suggested by the Ford Foundation (1999), is to attempt to broaden the ownership of capital within the developed countries and, particularly, in those regions of the developed countries adversely affected. One way of attempting to broaden ownership of capital is through encouragement of employee ownership. Employee ownership itself can take a variety of forms [e.g. Employee Share Ownership Purchases (ESOPs) and, in the UK, Employee Ownership in Privatisations (EOIPs)] but the particular form that concerns this paper is the worker owned co-operative. Yet, whatever form the employee ownership takes, the objective of such schemes is to broaden, and in the case of the co-operative localise the ownership of capital. If such methods are successful then they should realise some or all of the following benefits:

1. An opportunity to increase the income of working people and others participating in ownership in the community as well as empowering workers and their families
2. Creation of new streams of income that reduce the inequalities globalisation tendencies would otherwise tend to generate.
3. A Change in the basis for corporate decision-making by “anchoring” capital in a local region that removes or reduces the job-churn and cost minimisation through relocation approaches.
4. A fostering of enlightened workplace practices and enhanced education and training for workers.

5. Builds into the decision making processes democracy and representation of broader employee and community interests.
6. Initiate a localised economic multiplier effect as more of the wealth created and value added is retained locally.
7. Afford some degree of protection from the adverse effects of globalisation.
8. Create an incentive for environmental responsibility.

In the remaining section[s] of this paper it is the intention to look at the case of Tower Colliery in South Wales and evaluate its operation over the six years of its existence as a co-operative. The evaluation explores the operation of the co-operative, its relative success and the ambiguities, tensions and creativity that have characterised the past six years. The evaluation is based around two broad themes, managing ownership and co-operative capital and globalisation. The purpose of the evaluation is two-fold. Firstly, it intends to consider the real time experiences of the colliery while operating as a co-operative. Secondly, it will consider how the colliery's operations achieve or otherwise some or all of the seven potential benefits of broader capital ownership outlined by the Ford Foundation.

3. Tower Colliery: Background

Tower Colliery is the last deep mine in the South Wales coalfield. It is situated to the extreme north of the coalfield, just outside of Hirwaun and just above the watershed of the rivers Neath and Cynon. It is an area where the hard coal anthracite seams start. In 1994, after over 100 years of coaling it was threatened with closure along with the other few remaining working deep mines in South Wales.

However, unlike the other mines and despite a vote to accept the closure a campaign was started by the NUM members at Tower to use the new ability to purchase coalmines. This involved organising an employee buyout bid in

order to establish Tower Colliery as a workers' co-operative. A small executive group was elected by the workforce all of who had committed an initial £1000 of their redundancy payments to the project in order to prepare the tender for the mine. This group was known as the Tower Employee Buyout [TEBO] team.

Throughout most of 1994, the TEBO team, working from a small office donated by the local council, prepared all aspects of the bid. This not only required the development of a business plan, but also technical specifications, raising of bank loans and the establishment of a management team to fulfil the tender and legal requirements. It further required the raising of small, additional donations in order to sustain the work of the team. This was necessary, as the initial £1000 donated by each member of the workforce had been committed to equity purchase of the pit.

In November 1994, the Department of Trade and Industry [DTI] confirmed that the TEBO bid had been accepted and the colliery became the property of the workers from 1 January 1995. The heroic struggle to buy the colliery and all the attendant vicissitudes of fortune has been well told as a French feature film; an opera and, soon, as a UK feature film. One other academic work has covered this period and the first year of the co-operative (Waddington *et al* 1998) and made a useful contribution to developing an analytical framework.

From the start, the co-operative could only have come into existence once the then Conservative Government had introduced legislation to privatise the mining industry. Direct action resistance to the closure, organised by the union, did not take place and the subsequent success of the buyout was aided by the support of the then Secretary of State for Wales, John Redwood. The President of the Board of Trade, Michael Heseltine announced the success of the bid at that year's Conservative Party Conference. However, they were only able to provide this support because of the effective organisation of the TEBO team and the widespread support they had developed throughout South Wales.

At its inception as a co-operative Tower employed c230 people, it currently employs c400 – c300 of who are fully paid up members of the co-operative. The others are mainly employees employed in security and a recently acquired coal-bagging plant, or surface and underground contractors. Coal production was c380k tonnes per year in 1995 and currently stands at c600k tonnes per year. In 1995, the former owners, British Coal, claimed that the pit was uneconomic, yet the co-operative has turned in regular profits of around £4m per year since taking ownership.

4. Tower Colliery – Evaluation

a) Managing Ownership

In terms of managing ownership the first point to make is that the managing board of Tower are involved in what Putnam (1988) would call a two level game. At one level, they are serving the interests of their constituents [employee/shareholders] while at another level they are operating commercially in what is rapidly becoming a globalised energy market. This means walking an often fine line between domestic concerns and operational effectiveness. The nature of the colliery's product [high quality anthracite] helps militate against some of the commercial pressures but commercial vigilance is a constant requirement. Thus, the existence of this two level game gives rise to some interesting tensions and contradictions for both the managing board and the employee shareholders in the areas of participation and work organisation.

Participation at Tower is a complex issue where ambiguity often comes to the fore. Provisionally, a number of aspects seem important to explore. Firstly, 85% of the workforce are full co-operative members with a single vote. This has meant that one of the prominent themes to emerge has been the need to constantly renegotiate and redefine the relationship between the employment

contract and being a shareholder. For example all employees are union members [NUM, NACODS or BACM] and consequently the question “are we tackling this issue as employees or shareholders?” prefaces many debates. It permeates daily operations and informs the way power is exercised in the working relationships between managers and the workforce. Indeed, even those managers backed by statutory authority show some uncertainty about their role. Such tensions were at the heart of a well-publicised 48-hour strike. These factors have given rise to a new and more complex notion of an employment relationship that currently lacks a conceptual definition.

Secondly, many features of traditional participative management practice, open doors and collective bargaining exist at Tower. Respondents and other reports – such as one produced by ACAS – have at one level expressed disenchantment and cynicism with such practices. However, through interviews and observation it is apparent that confident and combative debate, often with considerable humour, is a persistent feature of working life at Tower. In some cases, the doors appear so open they possibly don't exist! One respondent described the colliery as a ‘holiday camp for adults’ and it is possible to see this aspect in the working relationships. This is further reflected in the degree of ownership and control that workers exercise within their workspace.

Thirdly, as shareholders, there is access to the processes of company democracy and control including the AGM and regular canteen meetings. Again, considerable scepticism and cynicism is voiced about these opportunities and the lack of information but practice defied such statements. One aspect of the strike settlement was a special shareholders’ meeting to discuss the general running of Tower. More recently, one of the original members of the TEBO team was voted off the Board and replaced by a non-establishment member. Two of the six board members are elected every year and these elections are a focus of considerable debate reflecting the considerable “political” context that characterises relationships within the co-operative.

Beyond the founders and trade union activists however, the majority of employees are less involved in the daily decision making, although not necessarily disinterested in the debates. Further fieldwork is required in this area but, to date, interviews observations and other surveys have indicated a degree of disenchantment with the way the co-operative is run. This is particularly borne out in relation to dissemination of information, contact with the Board and the perceived persistence of British Coal management attitudes. Consequently, there is a suggestion that a section of workers still see themselves as employees first and that the union is there to represent them as in the past. However, as the debates surrounding the strike suggest, once action results in this approach being articulated, collectively thinking through the complexity of striking against oneself could not be avoided.

From the fieldwork carried out to date, it is clear that working relationships at Tower have clear differences from those in workplaces that are more traditional. These differences are sustained by the nature of the ownership, control and democratic structures. They survive despite employment size, traditional employment relationships and the colliery operating and surviving within a highly competitive industry. Expectations about the future, the demands of production, survival and the distribution of revenues constantly create issues, fuelling debates throughout the co-operative. Despite the continuing centrality of the founders within Tower, a group that Mellor et al (1988) might regard as a political clique serving to exclude less politically able or aware members, this does not seem to have prevented the creation of a participative and emancipatory political environment in which democracy can, and does, flourish.

Work organisation at Tower is very traditional and varies little from how the colliery used to operate under British Coal. However, this is hardly surprising as deep mining operates under an extensive statutory regime with layers of mine management being required. The mine itself is semi-automated and therefore there is an element of technological determinism influencing work organisation. Yet, as Mellor et al (*ibid.*) argue job rotation is not the only form

of developing greater intrinsic value from work and they cite alternatives such as progression and the worker finding work rewarding in other ways.

In this area it has already been noted that at one level there is a 'holiday camp' view of working at Tower and yet, ambiguously, operational work has not and cannot change to a great extent. There is, however, concern to encourage workers to progress. For instance, ex-face workers staff a number of shifts in the control room. This is viewed as 'white collar' work and the ex-face workers were extensively retrained for this role. More recently, Tower set up a training scheme for potential Board members and it has even suggested that facilities are made available to allow the workers to progress into to more "professional" jobs such as financial management. Nonetheless it is also wrong to view the existing jobs and tasks as unrewarding. Given the intrinsic dangers of mining, virtually all roles and jobs carry a significant responsibility for safety and there are very few unskilled jobs in modern mining. Fewer than 50% of the workers are face workers and this work itself requires considerable skill and understanding.

Again, this is indicative of the level of discretion and emancipation engendered within the "owned" environment of Tower. This has enabled groups of workers to develop control of their own workspace – such as the security officers, the coal tip controller and the workers operating the washery. This point could be made about more traditional workplaces but, within the democratic context of Tower the workers do operate with a greater deal of autonomy. An important consequence of this is that, in the collective, it allows greater control of the economic space and provides a platform for political and democratic participation.

The final point to consider in this area is the dynamism. Over its six years of operations Tower has experienced problems in production that would have shut down the colliery in the British Coal era. These Crises served to recreate and remind people of the circumstances of the fight to save and buy the colliery and the whole workforce came together to solve the problems. In the most dramatic case – three years ago – the coalface collapsed and buried the

coal-cutting machinery. The whole operation of a mine effectively revolves around this crucial piece of machinery and it would of cost about £1 to replace. Consequently, methods were devised to dig the machine out, repair it and recommence coaling. More recently, there was a problem with methane gas, under pressure, seeping into the face from old workings. This closed the face for three months. To solve the problem, over four miles of domestic plastic waste pipe were secretly purchased from building stockists around the country [secrecy was necessary to prevent prices being raised against Tower] to help channel out the gas. The colliery just managed to recommence coaling before coal stocks were depleted and customers went elsewhere. Although these changed work circumstances only lasted during the course of these events they were collectively owned experiences that were often referred to in the interviews conducted. Individuals were clearly aware that Tower (and thus themselves) had overcome problems that would have defeated British Coal.

Finally, as indicated in the section above, that political support from the government of the day was essential for allowing the TEBO bid to go forward. Additionally, the TEBO team managed to gather great sympathy amongst the trade union movement and the population of South Wales. The bid was seen – in contrast to the political support already in place – as a final defiant challenge to pit closures and a last defence of the coalfields ravaged by the Tories. This general political support was essential in ensuring the whole project got started and has continued under the successor Labour government and has been reinforced by the creation of the National Assembly for Wales [NafW].

b) Co-operative capital and globalisation

As with the case of many co-operatives set up in the 1980's, Tower colliery was established primarily as an attempt to keep the mine working and thus preserve employment. In this aim, it has been more than successful as the initial workforce of c230 has expanded to 300 co-operative members with an additional 100 (non-member) workers over the six years. This same period

saw a rapid decline in mining employment in the UK with production of deep mined coal falling from 350m tonnes in 1995 to 210m tonnes in 1999. During this period Tower have recruited a small number of mining apprentices indicating an employment policy that is looking to the long term and to making a contribution to the industry beyond the immediate confines of the workplace.

At the periphery, the mine has maintained and generated additional employment directly in the service industries such as engineering, railways and tip maintenance. It has also created and preserved employment through growth through the purchase of a coal delivery and bagging facility. It has also assisted a manufacturer of solid fuel boilers and established an electricity generating plant using methane gas at the pithead.

Within the Hirwaun and Aberdare area, the impact of these employment creation and multiplier effects is significant and has improved the economic and social conditions of the local area. The colliery has survived as a co-operative for 6 years, so the employment created has been medium term with the potential to continue into the longer term.

Secondly, turning to environmental factors, coal cannot be considered a green product. Although Tower's product is less of a pollutant than other forms of coal, it does contribute to pollution and global warming. As yet, Tower has not embraced social auditing and still uses traditional accounting practices. This is largely as a result of cost pressures and internal budgeting requirements, where identification of what are acceptable costs and spending is a highly charged, political as well as a management issue. Nonetheless, the Board is aware of environmental issues and has negotiated an agreement with a local generating company to have turbines installed at the pit. These turbines use the waste methane gas generated by mining activity as a source of power. These currently generate £1m of electricity per annum, a sum that covers Tower's annual electricity bill.

Thirdly, the co-operative is also proactively involved with local community matters and sponsors and supports a variety of local initiatives. For instance

it is the main club sponsor of the local rugby club, Mountain Ash, has sponsored the Aberdare Motor Cycle road race and the South Wales based Opera Box opera company. Tower also promotes its role as a co-operative and this, combined with many years of NUM activist experience of the co-operative's leaders results in constant demands to provide advice and support. This involves working with community groups, community enterprise, credit unions, business, NafW and educational bodies. These activities can be viewed as the generation of valuable, but intangible, social capital and their contribution to the confidence of the local community and economy, as well as the more measurable multiplier effects, cannot be overstated.

This creative use of control over the company's activities, the extensive but localised nature of sponsorship and Tower's support for "alternative" groups and activities are again different from what would be expected of a more traditional private or public limited company. The source of such activities is bound up with the history of the co-operative and its founders but, nevertheless, has only become realisable with the inception of the co-operative and the commitment to creative recycling in the local community.

Such initiatives can be interpreted as localised attempts to anchor capital, both tangible and intangible in the local community. The purpose of such activities is to make assets and value added less vulnerable to the processes of take-over in a globalising world economy by simultaneously broadening and deepening the ownership. It is clear that the inception of co-operative ownership has enabled the colliery to survive in an intensely competitive energy market. Although state support, both political and financial was essential in ensuring the co-operative got started, it was the action and activities of the co-operative itself that ensured its success.

The fieldwork to date suggests that co-operative ownership has ensured the survival of Tower under circumstances that may have led to closure of the colliery under other forms of ownership. Furthermore, over the six years of its existence Tower colliery has shown higher rates of investment and reinvestment and higher levels of distribution to both employees and the local

community. This process of spreading ownership should ensure that any attempts to take-over and asset strip the colliery would be difficult, as selling shares would equate with selling work. Thus, co-operative ownership has bolstered the inalienability of the Tower capital and ensured its success into the medium term.

3. Conclusions

Over its six years existence as a worker owned co-operative, Tower colliery can be considered an economic success. Internally, the organisation and management can be considered as emancipatory and empowering to the workers and this has allowed them, collectively, to reassert some degree of control over their economic and social space. Consequently, over the six year period, where coal prices have been stable and the global market contracting, Tower has increased its sales and output, diversified its activities, created additional jobs, invested with a view to the long term and distributed part of its increased surplus to support local community initiatives. Furthermore, the continued existence of Tower has ensured that capital has effectively been anchored in the local community. In addition, Tower's activities have contributed to the economic security and well being of the local community.

All these achievements are in accordance with the perceived benefits of broader capital ownership suggested by the Ford Foundation (1999). Therefore, it lends support to the contention that such initiatives can act as a counter to the globalising pressures inherent in economic systems.

In this sense, Crossley's (1999) concept of 'working utopias', wherein resistance to the prevailing power structures [i.e. globalisation and the market system] can lead to a form of emancipated economic and social space, may usefully explain the operations of the Tower co-operative. The emancipated economic and social space enables a process, clearly demonstrable in the case of Tower, whereby employees/shareholders 'work at' a different cultural and political identity while simultaneously expanding their space through challenging the contextual contingent power. It is suggested that, at this time,

the Tower co-operators have managed to maintain such an alternative view and have developed a distinctive idea about the role and status of employee – owners.

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ENDNOTES

¹Cox (1994: 49) 'Its [globalisation's] common feature is to convert the state into an agency for adjusting national economic practices and policies to the perceived exigencies of the global economy. The state becomes a transmission belt from the global to the national economy, where heretofore it had acted as the bulwark defending domestic welfare from external disturbances.'

² As the term international is conventionally used to denote the relations among nation-states as individual units, the term transnational is intended to convey the notion of cross-border relationships of greater complexity [i.e. interpenetration of nation-state economies and societies that is not strictly limited to the formal notion of state to state relations].

³ de Soto (2000: 189) considers globalisation to be a private club concentrating wealth in the hands of the corporate few at the expense of the many