

---

The Community as Entrepreneurial Firm:  
Common Property Capitalism in Mexican Forest  
Communities Creates Jobs, Competes in Global  
Markets, and Conserves Biodiversity

Professor David Barton Bray

*This article was published previously by Americas Quarterly on February 15, 2010*

---

Imagine a business with a 384-member board of directors that governs using organizational principles predating the rise of modern capitalism. Imagine as well that this business has a 20-member executive committee that includes the town mechanic and newspaper vendor, and whose monthly meetings can last three days. The business also changes its CEO and other officers every three years, regardless of whether they have done a good job.

Sound impractical? In fact, such an enterprise has transformed hundreds of poor Mexican Zapotec indigenous farmers into owners of a multi-million dollar diversified forest industry. A sign posted at the entrance to the enterprise offices sums up its character succinctly: “In this community private property does not exist. The buying and selling of communal lands is prohibited,”

The Forest, Agriculture, and Services Communal Enterprise” of Ixtlán de Juárez, a forest community in the Sierra Norte of Oaxaca, an hour north of the city of Oaxaca, evolved from traditional forms of governance developed by the Zapotec ancestors of the people of Ixtlán that were later reinforced with agrarian governance structures mandated by the Mexican government.

The structures were designed to run community affairs, not businesses. Nevertheless, Ixtlán, along with many other forest communities in that region of Mexico, have successfully fused communal democratic traditions with the principles of competitive market enterprises to achieve economic equity. In the process, they have also acted as a strong force for conserving their region’s rich biodiversity.

The Zapotec villagers of Mexico, in short, have developed an innovative model of community capitalism that the rest of Latin America, and the world, might well emulate.

The model employs one of the few resources easily available to the poor: the social capital provided by deep community ties. The communal trust, experience and knowledge nurtured over generations create a novel institution that UC-Berkeley economist Camille Antinori has called the “community as entrepreneurial firm.” In the Zapotec case, the platform for the community enterprise was the body of laws created by the agrarian reforms of the Mexican revolution which created common property forests.

But the social capital which gives such enterprises their strength must be adapted to the needs of contemporary capitalism. The Ixtlan enterprise needed to find a way to align democratic community governance with the kinds of fast, bottom-line decisions made in the corporate world. Although their priorities are job-creation and reducing the need for villagers to emigrate to Oaxaca City, Mexico City and the United States, rather than maximizing profits, enterprise managers were faced with an increasingly competitive global market for timber and finished wood products like furniture.

How Ixtlan and other traditional forest communities of Mexico faced up to that challenge offers a valuable contribution to the fierce debates over international development policy currently underway.

Jeffrey Sachs, author of *The End of Poverty* and director of the Earth Institute at Columbia University, believes that the key to poverty alleviation and sustainable development is focusing on five central “development interventions:” agricultural inputs; investments in basic health; investments in education; power, transport, and communications services; and safe drinking water and sanitation. On the other hand, former World Bank economist and New York University Professor William Easterly argues for more bottom-up approaches. In his book *The White Man’s Burden*, Easterly disparages the Sachs approach

which he labels as a concentration on “Planners,” and calls instead for more attention to “Searchers,” that is, local people who are given the tools and resources to come up with their own entrepreneurial solutions to poverty

But neither Sachs nor Easterly touches on the powerful incentive offered by “common property.” The concept has returned to favor in intellectual and development circles since biologist Garret Harden’s landmark 1968 article in *Science* on “the tragedy of the commons”. Harden’s original argument cited the example of shepherds blindly pushing more livestock onto the village commons to extract the quickest possible gain before others did, and before the resource collapsed from overgrazing. The tragic result, he observed, is that “each person is closed in a system that leads him to increase his herd without limits—in a world that is limited.”

Critics such as 2009 Nobel Prizewinner (economics) Elinor Ostrom, said Harden’s analysis was incomplete. Ostrom demonstrated that local communities in common property settings can successfully set rules and monitor resource extraction. In the real-world village commons studied by Ostrom and others, community members talk to each other, build management institutions, establish rules, patrol boundaries of the resource, sanction people who break the rules, and can manage the commons sustainably under the right circumstances.

Ixtlan is a vivid example of Ostrom’s argument. Mexico’s agrarian reforms following the Mexico Revolution (1912-1918) laid the foundation for the emergence of the profoundly innovative community forest enterprises. Despite hitches along the way, the rise of socially-conscious reformers to positions of government power in forest policy, combined with a growing sophistication on the part of forest communities, led by the 1980s to effective forms of communal governance over forest resources, and the development of local institutions to administer market-competitive enterprises. The results are striking.

A recent study by the author and colleagues suggested that around ten percent of the communities in Mexico’s ten most important forests have sufficiently adapted their institutions and built their human and social capital to administer all the phases of forest extraction including sawmill production. Another 25 percent have acquired other forms of value-added equipment including chainsaws, skidders, and logging trucks. Much of this has been done by communities where virtually no one had more than a primary school education. Today, a new generation of university-educated community members in leadership positions continues to develop and expand the model.

## **A Path with Heart: The Ixtlan Model**

Ixtlán serves as an illustrative example of the adaptation of communal governance to the tasks of administering a modern enterprise. The system, based on obligatory community service demands, goes far beyond the kinds of (voluntary) community organizations that have grown up around social service needs in places like the U.S., for example Parent-Teacher Associations in American schools.

Administration of both the community and the enterprise is based on the indigenous *cargo* system, a word that means both “office” and “load.” Ixtlán has four overlapping *cargo* systems that it uses to run community and business affairs. First, there are a large number of neighborhood, school and church committees. Second, there are *cargos* which support the town church. Third, there are *cargos*

to carry out municipal government functions, from lowly community policemen known as *topiles* to the Municipal President. Fourth, the *Comisariado of Bienes Comunales*, or Commisariate of Common Property, mandated by the agrarian laws of Mexico, is paired with an Oversight Committee to keep the previous three “cargo-carriers” honest.

As if these *cargo* functions were not onerous enough, there are also traditional community physical labor service obligations, called *tequios*. These can require up to twenty days of work a year dedicated to tasks such as road repair and firefighting. Traditionally these were all non-paid, but Ixtlan’s prosperity at least means that the high-level administrative *cargos* and *tequios* receive modest payments. Elections for all these posts are strictly non-partisan, political parties are not allowed to compete.

“They vote for the people whom they have confidence in,” says Amado Maurillo, former municipal president and current director of Ixtlan’s newly created ecotourism unit.

Overseeing all of these *cargos* and responsibilities is the Assembly, which meets once every three months for an all-day session. It makes broad policy decisions, including election of the leadership for three-year terms. The Assembly has created new specialized governance bodies to deal with the Ixtlan’s diversifying operations, such as a gas station, a community store and the new ecotourism enterprise.

Traditionally in the Sierra Norte, community assemblies can go on for days of wrangling by community members before a consensus is reached. Ixtlan modernized this practice. The Ixtlan assembly is now more oriented towards disciplined decision-making. Yet the opportunities provided by Assembly discussions have created a new culture of forest management in Ixtlan, in effect a neural network of community knowledge. As UC-Santa Cruz anthropologist Andrew Mathews has noted “community forest management in Ixtlan is characterized by successful management of factionalism and dissent within community institutions”.

According to Matthews, the *cargo* system provides “a permanent alternative measure of an individual or group’s value in terms of their service to specifically community goals.” About ten percent of *comuneros* in Ixtlan are serving in a *cargo* at any one time, making service to the community a central feature of identity in Ixtlan. As “payment” for their involvement, Ixtlan citizens receive benefits extraordinary for poverty-stricken rural Mexico. Communal enterprises pay wages well above the Mexican average, along with health and social benefits that are virtually absent elsewhere in rural Mexico. They can receive low interest loans for private business initiatives by *comuneros*, modest, old-age pensions, and subsidized lodging in Oaxaca City for their children’s education there. As well, the state-of-the-art furniture factory generates substantial employment for women, including single mothers, at above average wages.

The base of Ixtlan’s community enterprises is 52,137 acres of forests that sweep from the corrugated ridges and valleys of the central Sierra Norte down to montane tropical forests towards the Gulf of Mexico. Of this vast forest property, 33,453 acres are in pine and oak forests. Only 18,900 acres are under more intensive commercial forest management. Ixtlan has also declared as a community-protected area thousands of acres of tropical forest on the lower slopes. Ixtlan’s forest operation has been certified by the Smartwood program of the Rainforest Alliance and has received technical assistance in sustainable forest management from World Wildlife Fund-Mexico.

Ixtlan now employs up to 280 workers in its community forest enterprise, both from Ixtlan and surrounding towns, nearly 200 of them in their new industrial park. Ixtlan has been managing its own

sawmill since the mid-1970s. Increasing competitive pressures and the desire to expand employment opportunities has generated more ambitious business plans.

Luis Pacheco, the current *Comisariado*, demonstrates the forceful and confident manner of any successful CEO when he discusses the newest investment: a Swiss-technology-based nursery with a production capacity of half a million plants a year. “We are now integrated from the planting of a seed in the forest to the production of certified furniture from our well-managed forests at the other end. We close the cycle. With all the changes in the world with climate change and deforestation, we think we are working for the future, we don’t want the generations that come later to accuse us of just creaming off the best of the forest and not leaving anything for them”.

One especially noteworthy result of Ixtlán’s expansive approach is an alliance with neighboring communities in Oaxaca. A joint venture between Ixtlán and two other Zapotec communities, Pueblos Mancomunados and Textitlán has emerged instead of the more common mistrust and boundary disputes. The venture, called TIP Furniture (“TIP” for the first initials of the three partner communities), sells furniture made from Forest Stewardship Council-certified timber from community forests. Launched in September, 2006, TIP now has three outlets in Oaxaca City.

Such joint ventures have positioned the modern version of these communal forest enterprises to meet the increasingly serious competitive challenge from Chinese furniture manufacturers. China has emerged as the world’s largest furniture exporter only recently, vacuuming up the forests of its Asian neighbors in the process. Some of that Chinese furniture is entering Mexico.

Can the indigenous forest communities of Oaxaca compete against “the China price” for furniture? According to Manuel Garcia, Director of Production for Pueblos Mancomunados (the P in TIP Furniture), Oaxacan forest communities have some advantages in the fight. “We are the owners of the resource, we have a teamwork ethic, we aren’t looking for big profits, and the profits we do have we invest in social welfare benefits. And there can’t be social benefits if there are not ecological benefits. We try to use material from the region, the pine we grow here. We use certified timber. I don’t know of any other place in the world where indigenous enterprises have come together in a viable business. We came together to make money and to take care of the environment and to invest in the social welfare of our communities.”

Selling furniture certified as made from well-managed forests, in southern Mexico is still an uphill struggle. Garcia estimated that on a scale of one to ten the average regional consumer is at about a 2 in terms of environmental consciousness, so “We also have to sell environmental consciousness”.

Another benefit that the forest industries have brought to the communities is more opportunities for women. Discrimination against women is built into Mexican agrarian law, with only household heads recognized as legal members of the community, meaning that normally only widows can become members. That will take longer to change, but in the meantime women make up as much as 80 percent of the employment in the furniture factories, some of them single mothers or older women. As well, a few women are starting to rise to leadership positions. The treasurer of the Ixtlán *Comisariado* is a woman, a professional accountant.

The economic successes and difficult new challenges taken on by the community forest enterprises of Mexico are grounded in generally good forest management. Studies, such as those by Mexican ecologist

Elvira Duran, Mexican biologist Salvador Anta, and others, have found that community forests conserve forest cover at similar or greater rates than public protected areas in Mexico, and with far more benefits to local communities. Anta's team found that 151 communities in Mexico were protecting almost 1.4 million acres—almost half of that in Oaxaca.

The devolution of varying degrees of control over the world's forests is a gathering historical force. In a 2002 landmark study by the NGO Forest Trends, it was estimated that 22 percent of developing-country forests were owned by or reserved for local communities, more than double the amount 15 years ago.

The lessons should be obvious to development strategists. The devolution of control over the forests of the developing world to community enterprises will create a path to development and reduce the global deforestation which is generating nearly 20% of global carbon emissions. Ixtlán represents sustainable capitalism with a communal face. Its activities have given the indigenous communities of Oaxaca the tools to compete in world markets while managing their forests for future generations. There is no reason why similar enterprise models based on traditional indigenous forms of governance cannot find success elsewhere.

**David Barton Bray** is Professor in the Department of Earth & Environment at Florida International University and a Board Member of EcoLogic Development Fund, a Cambridge MA NGO that works on community-based conservation in Mexico and Central America.