

Capital and the Debt Trap

Learning from Cooperatives in the Global Crisis

Claudia Sanchez Bajo

and

Bruno Roelants

Foreword by

Ian MacPherson

palgrave
macmillan

Contents

<i>List of Boxes, Figures and Tables</i>	ix
<i>Foreword by Ian MacPherson</i>	x
<i>Acknowledgements</i>	xiii
Introduction	1
1 The Mother of All Crises?	5
Introduction	5
How it began: the sub-prime housing market in the USA	6
Danger ahead	8
Bursting the global bubble	12
Wealth destruction	19
Homes and pensions	21
Jobs and plants	22
Trade and investment	26
Curbing the crisis	29
State aid to banks: solvency and nationalization	30
Stimulus packages	32
State spending and solvency	33
Governments face a public debt crisis	35
Which strategies have been attempted to restart growth?	37
Technology and industrial policy	38
Regionalism and deleveraging	39
Investing in commodities and SMEs	39
Regulation to contain the worst excesses by banks and lenders	40
Conclusion	42
2 Causes and Mechanisms: The Crisis as a Debt Trap	45
Introduction	45
Hypotheses concerning the causes of the crisis	45
The individualistic hypothesis	45
The monetary hypothesis	48
Problematic business models	49
The systemic reproduction hypothesis	53
The three traps	54
The consumption trap	55
The liquidity trap	63
The debt trap	71
Conclusion	77

3	Shifting Control <i>versus</i> Ownership	79
	Introduction	79
	The relevance of discussing the organization of economic entities	80
	Ownership and control	82
	The evolution of the concepts of ownership and control	82
	Financialization	84
	Technification	85
	Control <i>versus</i> ownership in key economic functions	87
	The investor function	87
	The producer function	91
	The consumer function	97
	Conclusion	100
4	Cooperatives: Importance, Resilience and Rationality	101
	Introduction	101
	Critiques of cooperatives	102
	The economic and social importance of cooperatives in the world	105
	Economic importance	105
	Social and employment importance	108
	Economic and social contributions that cannot be measured by conventional methods	109
	The resilience of cooperatives to the crisis	111
	Understanding the essence of the cooperative rationality	114
	The international cooperative standards	114
	The first layer in understanding the cooperative rationality: the international definition	116
	The second layer in understanding the cooperative rationality: the operational principles	119
	Cooperative values	126
	Mutuals, a very similar type of economic organization	127
	A political economy approach to cooperatives	128
5	Natividad Island Divers' and Fishermen's Cooperative, Mexico: Managing Natural Resources to Generate Wealth	130
	Introduction	130
	The evolution of the cooperative	130
	Internal organization, impact of the crisis and partnerships	132
	Managing natural resources	133
	Conclusion: combining long-term environmental, economic and social interests	134
6	Céralep Société Nouvelle, France: David and Goliath in the Global Economy	136
	Introduction	136
	Evolution of Ceralep up to 2003	137

The petition for bankruptcy	139
From liquidation to the establishment of the cooperative	140
Community mobilization and fund raising	142
The Ceralep Société Nouvelle cooperative	145
Main lessons from the Ceralep experience, as viewed by the participants	148
Absentee investors <i>versus</i> real economy producers	148
How Ceralep was transformed into a cooperative	149
On the cooperative model	150
Conclusion	151
7 The Desjardins Cooperative Group: A Financial Movement for Québec's Development	152
Introduction	152
Desjardins' first steps	153
The Great Depression: an opportunity for the Desjardins network to grow	155
The post-war period, the 1960s and 1970s: the debate on consumption patterns	156
The 1980s and 1990s: the North American free trade agreement and globalization	159
The internal debate on the group's restructuring in the 1990s	163
Between 2000 and the global crisis: Desjardins' big transformation	168
The global crisis and the future	171
Conclusion	174
8 The Mondragon Cooperative Group: Local Development with a Global Vision	176
Introduction	176
The first stage: education and research, self-finance and entrepreneurial development (1943–79)	178
The very first steps	178
Basic characteristics of a Mondragon cooperative	179
The birth and development of the group's support institutions	180
How the bank was involved in the creation and early development of the cooperatives	185
The second stage: economic crisis, entry into the EU, globalization (1980–91)	187
The crisis of the early 1980s	187
Entry into the EU and the beginning of the Mondragon group's restructuring	191
The third stage: the development of the Mondragon corporation (1991–2008)	194
Implementing the restructuring process	194

Expansion and internationalization	195
New financial mechanisms	195
Evolution in the distribution sector	196
Exploring new activities: social services	197
Education and academic research	198
R&D	199
The fourth stage: managing the crisis (2008–10)*	200
Impact of the crisis on Mondragon	200
What the group is doing to counter the effects of the crisis	201
Conclusion: main lessons from the Mondragon group	207
The effort to create sustainable jobs	207
Strong emphasis on education and training, leading to a societal project	209
Solidarity and cooperation among enterprises, combined with a rigorous entrepreneurial approach	209
Equilibrium and adaptation to change	210
Is the Mondragon model replicable?	211
9 The Global Crisis: Mother of All Warnings	212
Introduction	212
Stepping off the trodden path	213
The <i>direct</i> contribution of cooperatives to the economy	215
Systemic contribution	215
Incidence in key economic activities	216
Creating shared wealth	218
The <i>indirect</i> contribution of cooperatives to the economy as a source of inspiration	220
Change may well be on the horizon	222
<i>Notes</i>	224
<i>List of Interviewees</i>	259
<i>Bibliography</i>	261
<i>Index</i>	270